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 2013

RAILWAY CONSTRUCTION

Completed a total track laying length of railway main lane of **4,843** kilometers in 2013

MUNICIPAL WORKS

Completed a total length of light railways and subway lines construction of **199** kilometers in 2013

HIGHWAY CONSTRUCTION

Completed a total length of highway construction of

1,008 kilometers in 2013

NEW CONTRACTS

New contracts entered into in 2013 reached

RMB929.65 billion

CONTENTS

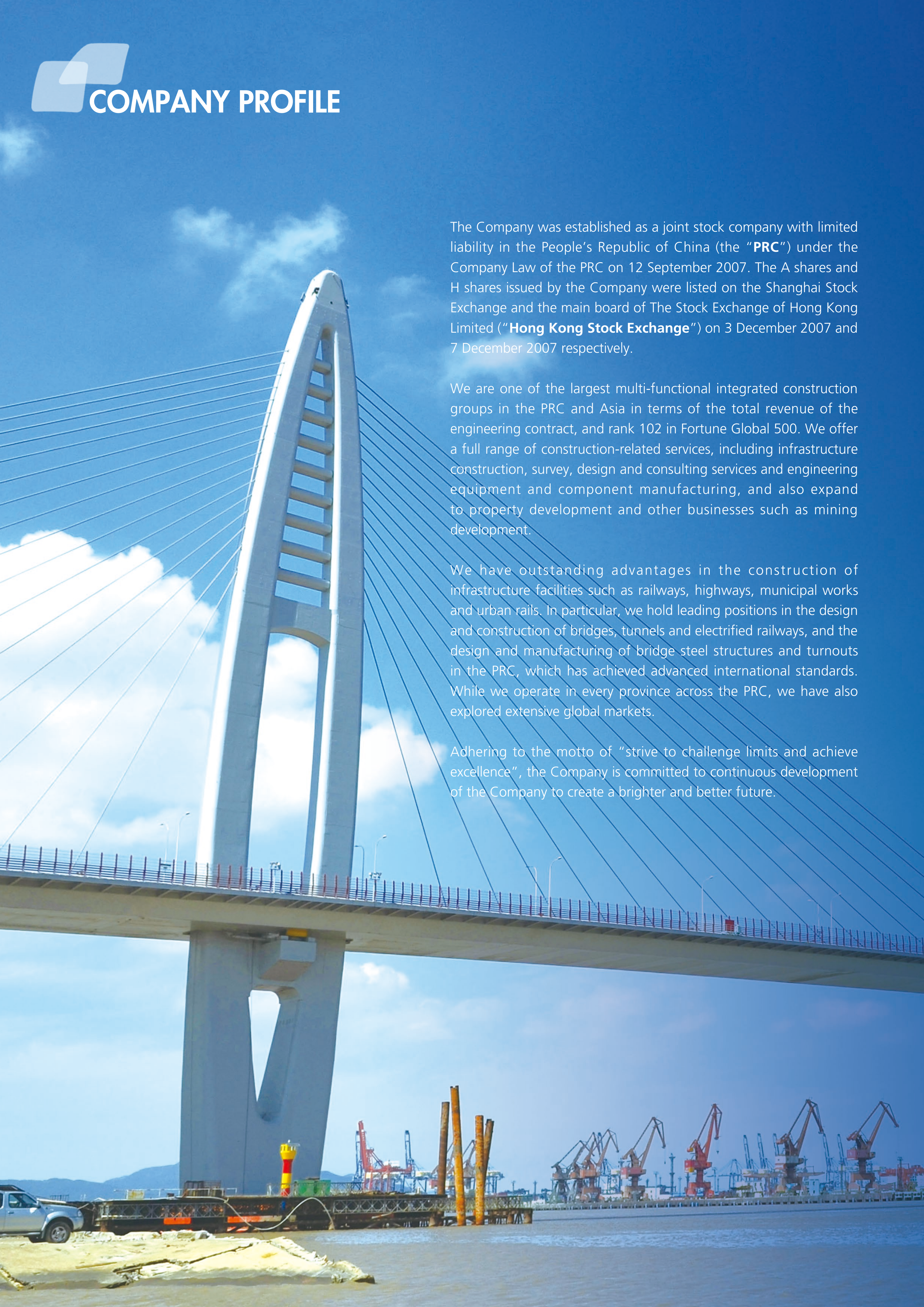
COMPANY PROFILE

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 ("**Hong Kong Stock Exchange**") on 3 December 2007 and 7 December 2007 respectively.

We are 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 102 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
	2013	2012 (restated)	2011 (restated)	2010	2009	2013 vs 2012
	RMB million					(%)
Revenue						
Infrastructure Construction	**456,272**	396,906	392,540	416,513	314,136	15.0
Survey, Design and Consulting Services	**9,180**	9,069	8,926	9,279	7,007	1.2
Engineering Equipment and Component Manufacturing	**13,711**	11,464	11,147	12,210	9,236	19.6
Property Development	**27,566**	20,175	17,135	11,945	5,535	36.6
Other Businesses	**68,958**	56,432	42,211	32,535	17,676	22.2
Inter-segment Eliminations and Adjustments	**(35,293)**	(28,421)	(29,743)	(26,320)	(19,515)	
Total	**540,394**	465,625	442,216	456,162	334,075	16.1
Gross Profit	**40,340**	35,561	32,253	27,143	20,446	13.4
Profit before Tax	**14,819**	11,130	10,086	10,548	8,608	33.1
Profit for the Year	**10,075**	8,069	7,310	8,211	7,322	24.9
Profit for the Year attributable to Owners of the Company	**9,374**	7,390	6,760	7,398	6,809	26.8
Basic Earnings per Share (RMB)	**0.440**	0.347	0.317	0.347	0.320	26.8

Summary of Consolidated Statement of Financial Position

	As at 31 December					Change
	2013	2012 (restated)	2011 (restated)	2010	2009	2013 vs 2012
	RMB million					(%)
Assets						
Current Assets	**503,090**	434,855	360,099	298,732	238,066	15.7
Non-current Assets	**124,940**	115,806	108,602	92,867	76,768	7.9
Total Assets	**628,030**	550,661	468,701	391,599	314,834	14.1
Liabilities						
Current Liabilities	**420,242**	366,119	305,572	264,980	211,469	14.8
Non-current Liabilities	**111,158**	96,552	82,598	52,501	36,400	15.1
Total Liabilities	**531,400**	462,671	388,170	317,481	247,869	14.9
Total Equity	**96,630**	87,990	80,531	74,118	66,965	9.8
Total Equity and Liabilities	**628,030**	550,661	468,701	391,599	314,834	14.1

STRIVE TO CHALLENGE LIMITS AND ACHIEVE EXCELLENCE

As one of the largest integrated construction group 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*

The Group faced a complex and volatile economic environment on the domestic and global front in 2013, and met its challenges in a responsible and committed manner by focusing on its core mission to "Maintain Growth and Stability". This made a series of notable achievements possible, including record-breaking operating results, steady and cost-effective operations, improved production safety, enhanced capabilities, and harmonious and stable business conditions, marking our second phase of development. In 2013, we rank 102 in Fortune Global 500.

In retrospect, we were proud of what we had achieved despite the challenges and ups and downs we faced. The Group exemplified its corporate philosophy of "strive to challenge limits and achieve excellence" by constantly enhancing its governance mechanism, improving internal control and management, establishing an innovative business model for infrastructure investment, and optimising our operational structure and market planning. At the same time, we strengthened our security and quality management and project control, achieving stable growth as a result. In 2013, railway projects in which the Group had undertaken construction work commenced services. These included the Yuxi-Mengzi railway, Nanjing-Hangzhou railway, Hangzhou-Ningbo railway, Tianjin-Qinhuangdao railway, Xiamen-Shenzhen railway and Xi'an-Baoji railway. The Sino-Myanmar natural gas pipelines and Middle Route Project for South-to-North Water Transfer were also completed. The Group saw the successful completion of 17 subway lines it contracted to build in cities including Beijing, Shanghai and Guangzhou. The fourth ring road of Shenyang and Liuzhou Guangya bridge, which the Group had invested in, marked their successful completion. The 2,000-tonne gantry crane with the largest lifting weight in the country, which the Group had invented and produced, was put into operation. The Group also finished assembly of the world's largest rectangle shield it built. These achievements reflect the success of our efforts in technological innovation. Our businesses such as property development, mining development and finance achieved stable growth, which promoted synergy across business segments. These have made a positive contribution to the country's "stable growth" trajectory and underscored the Group's corporate commitment to "Establish Excellence and Improve Livelihoods", reflecting our goal of becoming a world-class company.

For the Group, 2014 represents the beginning year it deepens its reforms in an all-round way, and is a key period for changing its mode of development to raise the development quality and efficiency. Standing on a new start line, and in spite of the complex economic trend, the market environment filled with opportunities and challenges, and the increasingly strict regulatory capital market, the Group will firmly follow the paradigm of "emphasising reforms while changing the mechanism, focusing on management while enhancing efficiency, making refinements to facilitate the implementation, and controlling risks while maintaining stability". This will help the Group deepen its reforms and improve its management, accelerate its transformation and innovation capabilities, manage developmental risks and increase the quality and efficiency of its operations. The Group will leverage a number of positive developments, such as a stable national economy and the steadily progressive national infrastructure plans and urbanisation, to let it achieve success in infrastructure sectors including railway, highway, rail transit and building construction, and emerging industries such as property development, mining development and finance. The Group will continue to step up these efforts to accelerate its development.

We will accumulate vast reserves of knowledge and experience, and apply that across our entire business operations to achieve positive results. China Railway will embrace the nation's ethos of reforms to drive its growth momentum. Looking ahead, we will never forget the trust that our shareholders have placed in us, and will enter the second phase of our development with passion and a commitment to innovation, along with a zeal to achieve, so as to maximise returns for shareholders. Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders and the general public for their concern and support, and to thank our employees for their selfless devotion and hard work in the past year.

Li Changjin
Chairman

Beijing, China
28 March 2014

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Statement of Changes in Shares

1. Changes in share capital

(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	Other	Sub-total	Number of Shares	Percentage (%)
(1) Shares with selling restrictions	467,500,000	2.20	0	0	0	0	-467,500,000	0	0
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	-467,500,000	-467,500,000	0	0
Of which:									
Shares held by domestic non-state-owned legal persons	467,500,000	2.20	0	0	0	-467,500,000	-467,500,000	0	0
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	0	0	0	+467,500,000	+467,500,000	212,990,000	100
1. RMB-denominated ordinary shares	16,625,010,000	78.05	0	0	0	+467,500,000	+467,500,000	170,925,100	80.52
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	19.72
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 the reporting period, there was no change in share capital and shareholding structure of the Company. The lock-up period for the 467.5 million A shares of the Company with selling restrictions held by No. 3 Transfer Account of National Council for Social Security Fund expired on 4 December 2013, please refer to the announcement of the Company dated 29 November 2013 in relation to the release of lock-up of shares of China Railway Group Limited with selling restrictions published on the website of Shanghai Stock Exchange (www.sse.com.cn). After the release of lock-up, there was no selling restriction on all 21,299.9 million shares of 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

Name of shareholder	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
No.3 Transfer Account of National Council for Social Security Fund	467,500,000	467,500,000	0	0	Extended the lock-up period for a further three years from the expiry of the statutory and voluntarily promised lock-up period of the previous state-owned shareholder that it took over	4 December 2013
Total	467,500,000	467,500,000	0	0	–	–

II. Issue of Securities and Listing

1. Issue of securities over the past three years ended at the end of the reporting period

There was no issue of securities over the pass three years ended at the end of the Reporting Period.

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.

III. Information of Shareholders

1. Number of shareholders and their shareholdings

Unit: Shares

Total number of shareholders at the end of the reporting period	**671,195**	**Total number of shareholders at the close of business of the 5th trading day preceding the issue date of the A share annual report**	**639,215**

Shareholders of the top ten shareholders							
						Quantity of pledged or frozen shares	
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Increase/ decrease during the reporting period	Number of shares with selling restriction	Condition of shares	Quantity
CRECG	State-owned	56.1	11,950,010,000	0	0	Nil	0
HKSCC Nominees Limited *(Note 1)*	Other	19.45	4,142,515,509	+2,136,953	0	Unknown	0
No.3 Transfer Account of National Council for Social Security Fund	Other	2.19	467,500,000	0	0	Nil	0
Morgan Stanley & Co. International Plc.	Other	0.14	29,201,991	+18,714,528	0	Nil	0
Bank of China - Harvest SSE-SZSE 300 Index Securities Investment Fund	Other	0.13	27,588,250	-13,052,250	0	Pledged/Frozon	58,800
Bill & Melinda Gates Foundation Trust	Other	0.12	25,000,090	0	0	Nil	0
Huaxin Trust Company Limited	Other	0.11	24,325,586	+24,325,586	0	Nil	0
Gaohua - HSBC - Goldman, Sachs & Co.	Other	0.1	21,716,490	+11,460,719	0	Nil	0
Industrial and Commercial Bank of China - South Selective Stock Investment Fund	Other	0.1	21,123,698	+21,123,698	0	Nil	0
Hu Weijin	Domestic individual	0.09	20,212,103	+1,212,100	0	Nil	0

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 2013.

2. Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of shares held without selling restrictions	Type and quantity of shares	
		Type	Quantity
CRECG	11,950,010,000	RMB-denominated ordinary shares	11,950,010,000
HKSCC Nominees Limited *(Note 1)*	4,142,515,509	Overseas listed foreign shares	4,142,515,509
No.3 Transfer Account of National Council for Social Security Fund	467,500,000	RMB-denominated ordinary shares	467,500,000
Morgan Stanley & Co. International Plc.	29,201,991	RMB-denominated ordinary shares	29,201,991
Bank of China - Harvest SSE-SZSE 300 Index Securities Investment Fund	27,588,250	RMB-denominated ordinary shares	27,588,250
Bill & Melinda Gates Foundation Trust	25,000,090	RMB-denominated ordinary shares	25,000,090
Huaxin Trust Company Limited	24,325,586	RMB-denominated ordinary shares	24,325,586
Gaohua - HSBC - Goldman, Sachs & Co.	21,716,490	RMB-denominated ordinary shares	21,716,490
Industrial and Commercial Bank of China - South Selective Stock Investment Fund	21,123,698	RMB-denominated ordinary shares	21,123,698
Hu Weijin	20,212,103	RMB-denominated ordinary shares	20,212,103
Statement on the related relations and concerted actions between the shareholders above:		CRECG, the controlling shareholder, does not have related relations or perform concerted actions with the above other 9 shareholders. The Company is not aware of any related 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 2013.

As at the ending of the reporting period, there was no selling restriction on all 21,299.9 million shares of the Company.

3. 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.

IV. Information on Controlling Shareholder and the Ultimate Controller

1. Details of controlling shareholder

(1) Controlling shareholder

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
Principal business:	Construction works, related engineering technological research, survey, design, services, manufacturing of specialised equipment and development and operation of real estate.
Operating results:	In 2012, CRECG realised an operating revenue and consolidated profit of RMB483,317,054,000 and RMB10,658,804,000, respectively.
Financial position:	As at 31 December 2012, the total assets, total liabilities and net assets of CRECG amounted to RMB555,564,864,000, RMB462,503,920,000 and RMB930,609,440,000, respectively.
Cash flow and future development strategy:	In 2012, net cash outflow from operating activities of CRECG was RMB-4,180,176,000, net cash outflow from investing activities was RMB-13,276,411,000, and net cash inflow from financing activities was RMB23,343,618,000. 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

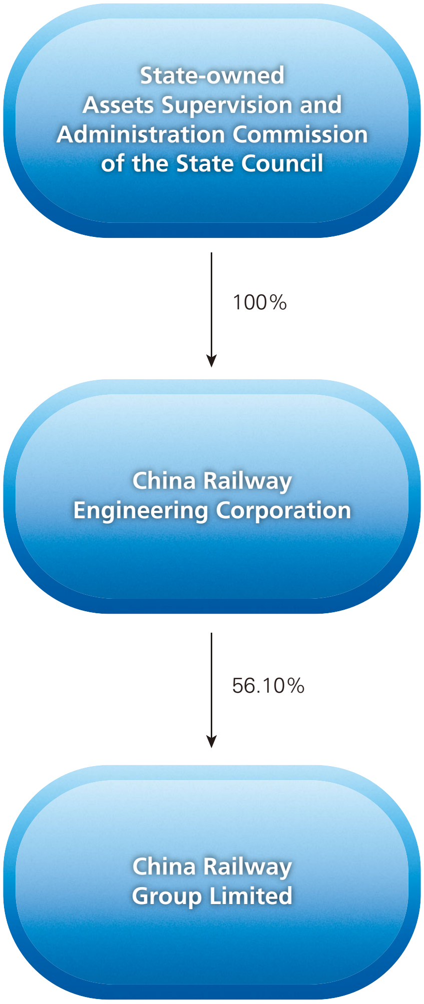
(1) Ultimate controller

Ultimate controller - State-owned Assets Supervision and Administration Commission of the State Council, which is the ministry level institution directly under the State Council, and 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. The State-owned Assets Supervision and Administration Commission is authorised by the State Council to perform its duties as an investor on behalf of the State. The scope of supervision of the State-owned Assets Supervision and Administration Commission extends to the state-owned assets of central government owned enterprises (excluding financial enterprises). Currently, the State-owned Assets Supervision and Administration Commission is holding 100% of the shares 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 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

V. Other Legal Person Shareholders with Shareholding of over 10%

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

BUSINESS OVERVIEW

DAI Hegen • *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.

In 2013, the Group recorded revenue of RMB540.394 billion, representing a year-on-year increase of 16.1%; the value of new contracts amounted to RMB929.65 billion, representing a year-on-year increase of 27.2%. The significant increase in value of new contracts of the Group for the year was mainly due to the further improvement of the infrastructure market. The value of new contracts for infrastructure business recorded a year-on-year increase of RMB194.58 billion or 36.3%, with the railway segment recording a significant year-on-year increase of 91.26 billion or 72.6%. Municipal works, building construction, and urban rail businesses also achieved a remarkable growth. As of 31 December 2013, the Group's contract backlog reached RMB1,715.25 billion, representing a year-on-year increase of 31.8%.

I. Industry Development Overview

1. Infrastructure Construction Business

In 2013, China's fixed asset investment (excluding agricultural houses) amounted to RMB43,652.8 billion, representing a year-on-year increase of 19.6% (actual increase of 19.2%, net of price factor), among which the fixed asset investment in railway amounted to RMB663.8 billion, with a year-on-year growth of 5.2%.

2. Survey, Design and Consulting Services Business

The increase of China's infrastructure construction investment in 2013 also contributed to the development of survey, design and consulting services industry, which remains in strong developing momentum.

3. Engineering Equipment and Component Manufacturing Business

The value-added of large-scale industries recorded a year-on-year increase of 9.7% in 2013 whereas the value-added of railway, ship, aerospace and other transportation equipment manufacturers increased by 4.8% (2012: 4.6%).

4. Property Development Business

China's investment in property development in 2013 was RMB8,601.3 billion, representing an increase of 19.8% over the previous year, among which investment in residential buildings increased by 19.4% to RMB5,895.1 billion, investment in commercial buildings increased by 28.3% to RMB1,194.5 billion and investment in office towers increased by 38.2% to RMB456.2 billion. 6.60 million social security housing units in urban areas commenced construction this year, with 5.40 million units completed.

II. Business Development Overview

In 2013, the Group embraced the opportunity to expand and develop and stuck to the core notion of "maintain growth and stability". We abided by a comprehensive operation plan in order to penetrate into the railway infrastructure market, proactively expand into highway, municipal works and urban rail construction, building construction and overseas markets. We improved our development quality, carried out additional economic activities analysis, enhanced economy operation supervision and project construction organization and management as well as the control over procedures through our effort in advocating overall budget management and all-round management improvement. As a result, we achieved innovation in both technology and management with further improvement in corporate management and core competitiveness, over fulfilling various operation targets for the year.

1. Infrastructure Construction Business

The revenue of infrastructure construction business of the Group was RMB456.272 billion in 2013, representing a year-on-year growth of 15.0%. The value of new contracts amounted to RMB731.27 billion, representing a year-on-year growth of 36.3%. As of 31 December 2013, the Group's contract backlog of infrastructure construction business was RMB1,385.79 billion, representing a year-on-year increase of 31.6%.

(1) Railway

The value of new contracts of railway construction of the Group amounted to RMB216.9 billion in 2013, representing a year-on-year growth of 72.6%. The market shares of tier-one railway market reached 48%. As at 31 December 2013, the Group's contract backlog of railway construction was RMB505.06 billion. The Group completed track laying of 4,843 kilometers of main railway line (new tracks and double-track) and 6,126 kilometers of the main line of the electrified railway network in total. A number of key railway projects such as Yuxi-Mengzi railway, Xiangtang-Putian railway, Xi'an-Pingliang railway, Ning-Hang railway, Tianjin-Qinhuangdao railway, Xiamen-Shenzhen railway and Xi'an-Baoji railway completed and commissioned, contributing an operating mileage of over 100,000 kilometers for railway and over 10,000 kilometers for high speed railway for our country.

(2) Highway

The value of new contracts of highway construction of the Group amounted to RMB107.8 billion in 2013, representing a year-on-year growth of 41.4%. As at 31 December 2013, the Group's contract backlog of highway construction was RMB195.9 billion. The Group completed 1,008 kilometers of highway construction, of which 682 kilometers was construction of expressway. A number of railways, such as Phoenix-Daxing freeway, Chengde-Chifeng freeway, Dali-Lijiang freeway, Fengjie-Wuxi freeway, 118-kilometers Ethiopia and Kunming-Bangkok international highway commissioned successively. Jiujiang Yangtze River Bridge project undertaken by our Group completed and commissioned. The world's first stay cables of Akaishi Bridge, the high pier multi-tower cable-stayed bridge, completed successfully. The main tower of Bristol Grieg Cable-stayed Bridge, the first cable-stayed bridge in Africa, completed the joint construction.

(3) Municipal Works and Other Construction

The value of new contracts of municipal works and other construction amounted to RMB406.57 billion in 2013, representing a year-on-year growth of 21.4%, among which the value of new contracts for urban rail construction amounted to RMB113.59 billion, representing a year-on-year growth of 13.4% and a market share of approximately 50%. As at 31 December 2013, the Group's backlog of municipal works and other construction reached RMB684.83 billion, among which the backlog for urban rail construction amounted to RMB216.98 billion. The Group involved in the construction of urban light rail and metro lines, among which civil engineering and laying works accounted for 178 kilometers and 199 kilometers respectively. The 17 metros in cities such as Beijing, Shanghai and Guangzhou undertaken by the Group as well as Shenyang Fourth Ring and Liuzhou Guangya Bridge invested and constructed by the Group commissioned successively. A number of key and difficult projects, such as Shenzhen Metro, Zhengzhou Metro, Chengdu Metro, Guangdong and Jiangsu Shun Bridge, invested and constructed by the Group was in smooth progress.

2. Survey, Design and Consulting Services Business

In 2013, the Group's revenue on survey, design and consulting services business was RMB9.180 billion, representing a year-on-year increase of 1.2%; the value of new contracts amounted to RMB13.53 billion, representing a year-on-year growth of 27.5%. As at 31 December 2013, the Group's contract backlog of the survey, design and consulting services business was RMB20.97 billion, representing a growth of 25.3%. In 2013, the Group mainly participated in the completion of high speed railway, passenger railway and complex mountainous areas railway projects such as Guiyang-Guangzhou, Yun-Gui, Lanzhou-Chongqing, Changsha-Kunming; urban rail projects in cities such as Beijing, Shanghai, Shenzhen, Guangzhou, Chengdu, Zhengzhou and Changsha; the material bridge construction projects of Hong Kong-Zhuhai-Macao Bridge, Wuhan Ergi Yangtze River Bridge, Tongling highway and railway Yangtze River Bridge, Wuhan Yingwuzhou Yangtze River Bridge; international construction projects of Ethiopia Addis-Ababa railway and Georgia Tbilisi ring railway.

3. Engineering Equipment and Component Manufacturing Business

In 2013, revenue from the Group's engineering equipment and component manufacturing business was RMB13.711 billion, representing a year-on-year increase of 19.6%; the value of new contracts amounted to RMB18.57 billion, representing a year-on-year growth of 9.6%. As at 31 December 2013, the Group's contract backlog of the engineering equipment and component manufacturing business was RMB19.37 billion, representing a year-on-year growth of 24%.The respective market share of large bridge steel structures and passenger railway and high-speed turnouts was more than 70% with operations mainly in domestic regions. The production capacity and sales of shields grew substantially. As the country's greatest and the world's second shield developer and manufacturer, the Group was equipped with an annual production capacity of 60 units of shields. 47 units of shields were sold in 2013, representing a year-on-year growth of 30.5%, mainly operated in the domestic market, but also are exported to countries, such as Malaysia and Singapore.

4. Property Development Business

In 2013, 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. Sales from the Group's property development business was RMB33.2 billion, representing a year-on-year increase of 27.7%. 3.67 million square meters of sales area was achieved for the year, representing a year-on-year growth of 18.8% and MB27.566 billion of revenue was realised, representing a year-on-year growth of 36.6%. Property projects such as, Beijing Nobel Center Phase II, Guangzhou Panyu Nobel Mingdu, Guiyang China Railway Yidu International, Chengdu China Railway West City, Xi'an Binfen South County, Qingdao Nobel Plaza and Wuhan Bairuijing Central Business District, etc. achieved satisfactory sales results. During the reporting period, the completed gross floor area of the property was 3.50 million square meters. As at 31 December 2013, the Group had a total of 115 property development projects (98 residential projects and 17 commercial projects). The project area under development of the Group amounted to 23.17 million square meters with a gross floor area of 41.50 million square meters. Land reserve area and gross floor area available for development was 14.91 million square meters and 23.62 million square meters respectively.

5. Other Businesses

In 2013, the Group's other businesses realised revenue of RMB68.958 billion, representing a year-on-year growth of 22.2%. The exploitation and construction of mineral resources experienced smooth development with MKM Copper-Cobalt Mine, Congo and Luishia Copper-Cobalt Mine, Congo Phase I successfully commissioned and achieved full production target. The overall operation of BOT expressway projects remained good with continuous increase in revenue. Cenxi-Xingye Expressway, Quanzhou Xing'an Expressway and Yulin-Shenmu Expressway realised profits. The merchandise trading business grew continuously following the increasing scale of the commodity 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.

III. Technology Research Development and Technological Achievements

In 2013, the Group actively implemented the technology development planning stated in "Twelfth Five-Year Plan". 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. Extensive use of new technologies, new processes, new materials and new equipment played an important part in project construction, resulting in the significant increase in the Group's technology innovation capability. In 2013, 1,355 new technological research projects and 19 new national key research projects were developed by the Group, with support from national funds amounted to RMB82.58 million.

The operation and management of the Group's "National Engineering Laboratory of High Speed Railway Construction" and "National Key Laboratory of Shield Tunneling and Drilling Technology" ran smoothly in 2013. 583 scientific and technological achievements passed the appraisal and assessment. 4 scientific achievements such as, construction technology of "three cable planes, three main trusses rail, dual cable-stayed bridge" and high-speed rail power supply integrated monitoring technology and equipment were rewarded National Advanced Science and Technology Prizes. 9 engineering works, such as Shenzhen North Station Comprehensive Hub Project and Beijing Metro Line 4 were awarded the National Civil Engineering Zhan Tianyou Award. The Group has obtained 265 Provincial Advanced Science and Technology Prizes, 14 National Outstanding Consulting Achievements Awards, 125 Provincial Surveying and Design Awards, 23 Provincial Consulting Achievement Awards, 979 valid patent rights (207 of which were invention patents), 246 Provincial-level Engineering Methods and has drafted 23 industry technical standards. The Group is the first among the construction enterprises in China with valid patents.

IV. Development Strategies

According to domestic and overseas marco-economic trend, changes in the industry policies and analysis of development trend, the Group made clear the three-year development direction following the "Twelfth Five-Year Plan". The Group adheres to its fundamental development strategy of "promote two major changes and begin the second phase of development". The Group would be fueled by reform, commence management enhancement initiatives with an aim to fully promote the optimisation and upgrade of industry, products, organisation, and staff structure. The way of promoting growth will change from factor input and scale expansion to advanced technology, raise of labor quality and innovation of management. The Group will increase efforts on technology innovation, deepen comprehensive budget management so as to enhance competitiveness and realise sustainable development. The Group will unwaveringly reform and take actions with the spirit of the third plenary session of the Eighteenth Congress of the Communist Party of China as a guidance, comprehensive deepen reform as the mainline, marketisation, professionalisation and internationalisation as the directions, addition of vigor, competitiveness and influence as the targets, transformation of development mode and improvement in development quality as the focus and systematic innovation and mechanism transformation as the breakout. We will strive to achieve substantial outcomes in the crucial reform after three to five years of effort and become a stronger market leader and lay a foundation for our goal of becoming a world-class enterprise.

1. Infrastructure Construction Business

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 rails, 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

Survey and design enterprises will expand business realms, raise design quality, and strengthen the overall capability of design construction to gain a larger market share through quality services. Capitalising 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 protection for the Group's internationalisation strategy.

3. Engineering Equipment and Component Manufacturing Business

Engineering equipment and component manufacturing business enterprises will deepen reform and strengthen our various abilities including strategic management, capital utilisation, corporate restructure, structure adjustment, financial control and risk prevention. The Group will give full play of its overall advantage and realise a professional and quantitative 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

Property development enterprises will strengthen its forecast on policy and the market trend, explore innovative development mode, moderately adjust pace of land development, improve sales of inventory, activate existing lands, expedite money return and realise rollover development. The Group will also strengthen resources integration, optimise 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

The Group will adopt a combined development business model for infrastructure and mining projects to expedite the operation of existing mining development projects in accordance with the notion of "less input, faster output, phase-by-phase implementation and rollover development" with a focus on "increase in capacity and efficiency", and change our advantages on resources to entity economic strength as soon as possible. The operating expenses on highway operation business must be reduced continuously and the problem of green traffic shall be dealt with proactively. We will improve our operation quality and achieve profits in a timely manner. 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. The Group will build up a financial segment steadily and promote the business combination of different segments with the financial sector through the establishment of a comprehensive financial platform. The Group will achieve economies of scale, reduce trading expenses and strike a balance between different advantages by improving our capital operation efficiency through the combination of different segments and the financial sector.

V. Operation Plan

In 2014, the Group plans to achieve total revenue of approximately RMB534.0 billion, costs of operation of approximately RMB475.9 billion, the "three expenses", which include sales and marketing expenses, administration expenses and interest expenses, of approximately RMB29.4 billion. It is estimated that the amount of new contracts to be entered into will be approximately RMB680.0 billion. The Group will promptly adjust its operation plan to suit market conditions and to reflect the actual implementation of the plan.

In 2014, the Group will stabilise its capital expenditure and the investment in property and mining development. It is expected that the total fund for investment of the year will be approximately RMB85.5 billion, of which approximately RMB10.5 billion for capital expenditure on fixed assets and intangible assets and approximately RMB75.0 billion for existing and new investment projects. After deducting available operating funds, returns on sale of properties and investment projects in progress amounted to approximately 60.0 billion and reducing external liabilities through better fund centralization management and increasing fund utilization rate, it is expected that the amount of new fund required for the year will be approximately RMB15.0 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview

In the year of 2013, the Group achieved revenue of RMB540.394 billion, representing a year-on-year increase of 16.1%. Net profit for the year increased by 24.9% year-on-year to RMB10.075 billion while profit for the year attributable to owners of the Company increased by 26.8% year-on-year to RMB9.374 billion.

A comparison of the financial results for 2013 and 2012 is set forth below.

II. 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 16.1% from RMB465.625 billion for 2012 to RMB540.394 billion for 2013, which was attributable to the promising growth of railway, municipal works, building construction, urban rail and property development businesses.

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 amortisation expenses. In 2013, the Group's cost of sales increased by 16.3% to RMB500.054 billion from RMB430.064 billion for 2012. In 2013, gross profit of the Group increased by RMB4.779 billion or 13.4% to RMB40.340 billion from RMB35.561 billion for 2012. The overall gross profit margin for 2013 was 7.5%, a decrease of 0.1 percentage point from 7.6% for 2012. It was mainly due to (1) the increase in construction cost brought by the acceleration of construction of certain railway projects to ensure its on-time completion at the year end; (2) generally low gross profit margin of certain railway projects at initial construction stage; and (3) approval of compensation claim from China Railway Corporation for a few projects were not obtained in full amount and in a timely manner.

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 2013, the Group's other income decreased by 13.8% year-on-year from RMB2.938 billion to RMB2.533 billion. The decrease of other income was primarily due to the decrease of revenue from sales of materials.

Other expenses

The Group's other expenses primarily includes expenditures on research and development. In 2013, other expenses increased by 32.7% from RMB6.418 billion of last year to RMB8.516 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 gains of RMB0.843 billion in 2013 (2012: other losses of RMB0.128 billion) primarily including net exchange gain of RMB0.928 billion, gain on disposal of subsidiaries of RMB0.427 billion and impairment loss on trade and other receivables of RMB0.588 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 2013, the Group's selling and marketing expenses amounted to RMB2.327 billion, representing an increase of 14.6% from RMB2.031 billion of 2012. The selling and marketing expenses as a percentage of the total revenue for 2013 was 0.4%, same as that for 2012.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortisation of its assets related to administration. In 2013, the Group's administrative expenses decreased by 5.5% to RMB14.395 billion from RMB15.226 billion of last year. Administrative expenses as a percentage of revenue for 2013 was 2.7%, representing a decrease of 0.6 percentage point from 3.3% for 2012, illustrating the Group's outstanding result on cost control.

Interest income

In 2013, the interest income was RMB2.603 billion, representing a decrease of 4.2% from RMB2.718 billion in 2012.

Interest expenses

In 2013, the interest expenses was RMB6.363 billion, basically flat with the RMB6.360 billion in 2012.

Profit before tax

As a result of the foregoing factors, the profit before tax for 2013 increased by RMB3.689 billion, or 33.1% to RMB14.819 billion from RMB11.130 billion for 2012.

Income tax expense

In 2013, the income tax expense increased by 55.0% to RMB4.744 billion from RMB3.061 billion for 2012. The effective tax rate of the Group increased from 27.5% for 2012 to 32.0% for 2013, mainly due to the increase of land appreciation tax and occurrence of deferred tax expenses resulted from change in tax rate of certain subsidiaries.

Minority interests

As a result of the increase in profitability of subsidiaries, minority interests increased by 3.2% from RMB0.679 million for 2012 to RMB0.701 million for 2013.

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 2013 increased by 26.8% to RMB9.374 billion from RMB7.390 billion for 2012.

III. Segment Results

The revenue and results of each segment of the Group's business for 2013 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 [Note1] (%)	Segment Revenue as a Percentage of Total (%)	Profit Before Tax as a Percentage of Total (%)
Infrastructure Construction	456,272	15.0	7,687	41.8	1.8	79.2	49.7
Survey, Design and Consulting Services	9,180	1.2	945	16.2	10.3	1.6	6.1
Engineering Equipment and Component Manufacturing	13,711	19.6	803	9.8	5.9	2.4	5.2
Property Development	27,566	36.6	3,966	15.7	14.4	4.8	25.7
Other Businesses	68,958	22.2	2,057	0.7	3.0	12.0	13.3
Inter-segment Elimination and Adjustments	(35,293)		(634)				
Total	540,394	16.1	14,819	33.1	2.7	100.0	100.0

Note 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 2013, the revenue from the infrastructure construction business accounted for 79.2% of the total revenue of the Group (2012: 80.3%). In 2013, segment revenue from the Group's infrastructure construction business increased by 15.0% year-on-year to RMB456.272 billion. It was mainly due to the smooth progress of the Groups' railway projects under construction and the significant growth in municipal works and urban rail businesses. Profit before tax margin of the infrastructure construction segment for 2013 was 1.7%, representing an increase from 1.4% for 2012. It was primarily due to the Group's strengthened management on cost control off-set the effect brought by the decrease in gross profit margin.

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects, including integrated "one-stop" solutions as well as specialised services in the areas of railway electrification, bridge, tunnel and machinery design. In 2013, segment revenue of survey, design and consulting services business increased by 1.2% to RMB9.180 billion from RMB9.069 billion for last year. The profit before tax margin for the segment for 2013 was 10.3%, representing an increase from 9.0% for 2012. It was mainly due to (1) the growth of design business of urban rail projects, which have relatively higher gross profit margin and (2) decrease in outsourcing as a result of the increased utilization of the Group's design capability brought by enhanced organization and coordination.

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 2013, due to the increase in sale of steel structures and shields, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 19.6% year-on-year to RMB13.711 billion from RMB11.464 billion. Profit before tax margin was 5.9% for 2013, representing a decrease from 6.4% for 2012. The decrease in profit before tax margin was mainly due to (1) low gross profit margin of steel structures due to intense competition; (2) significant increase in direct cost such as labor cost and depreciation of production equipments; and (3) high gross profit margin of last year due to the lower cost of raw materials and production costs.

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 2013, the Group optimised its construction and sales plan of property projects and obtained satisfactory sales in second-tier and third-tier cities such as Dalian, Sanya and Xian. Revenue from property development business increased by 36.6% to RMB27.566 billion from RMB20.175 billion for 2012. Profit before tax margin decreased from 17.0% for 2012 to 14.4% for 2013. The decrease in profit before tax margin for 2013 was primarily due to the fact that sales in the current year mainly includes ordinary residential flats with lower gross profit margin.

Other businesses

Revenue from other businesses increased by 22.2% from RMB56.432 billion in 2012 to RMB68.958 billion in 2013. In 2013, the revenue of expressway operation, mining development (due to the commencement of commercial production of MKM and Luishia mines), merchandise trading and financial business was RMB2.11 billion, RMB1.882 billion, RMB52.811 billion and RMB1.645 billion, representing a year-on-year growth of 11.7%, 128.8%, 19.4% and 26.3%, respectively. Profit before tax margin of other businesses was decreased from 3.6% in 2012 to 3.0% in 2013. The decrease in profit before tax margin was primarily due to (1) the significant growth of merchandise trading business which has a relatively lower gross profit margin; and (2) significant decrease in gross profit margin of mining business due to the decrease in market demand and price of commodities.

As at 31 December 2013, the Group's mining resources and reserve information is shown below:

No	Project name	Type	Resources/Reserve Grade	Unit	Quantity	Group's share (RMB billion)	Planned investment (RMB billion)	Accumulated investment (RMB billion)	Investment for the reporting period	Planned construction completion date	Current project status
1	Sunite-ZuoQi Manglai Coal Mine, Inner Mongolia	Lignite	–	Billion tonne	0.92	46%	1.336	0.542	–	Completed	Commenced production
2	Sunite-ZuoQi Xiaobaiyang Coal Mine, Inner Mongolia	Lignite	–	Billion tonne	0.98	25%	–	–	–	–	Exploration work completed and is applying for exploitation right
3	Muli Coal Mine, Haixizhou of Qinghai	Coking Coal	–	Billion tonne	0.248	80%	1.253	0.408	0.111	2015/11/30	Under construction
4	Changfulong Gold Mine, Inner Mongolia	Gold	0.71g/t	Tonne	0.53	100%	0.234	0.285	–	Completed	Commenced production
5	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	0.090%	Thousand tonne	742	83%	4.217	4.076	1.383	2014/9/1	Construction of main body of the project was basically completed
6	Luishia Copper-Cobalt Mine, Congo	Copper Cobalt	2.55% 0.201%	Thousand tonne Thousand tonne	792 66.8	72%	1.657	1.536	0.449	2014/6/1	Phase One commenced production with construction of Phase Two expected to be completed by first half of 2014
7	MKM Copper-Cobalt Mine, Congo	Copper Cobalt	3.518% 0.296%	Thousand tonne Thousand tonne	225.2 20.1	80.2%	1.195	1.242	0.047	Completed	Commenced production
8	Sicomines Copper-Cobalt Mine, Congo	Copper Cobalt	3.36% 0.22%	Thousand tonne Thousand tonne	8,544.9 571	41.72%	24.915	5.433	1.946	2015/10/1	Under construction

IV. Cash Flow

In 2013, the net cash inflow from operating activities of the Group amounted to RMB7.995 billion, representing an improvement from net cash outflow from operating activities of RMB4.188 billion for 2012, which was primarily attributable to the Group's active implementation of management enhancement activities, and the significant achievement on the Group's special campaign on recoverability of trade receivables. In 2013, the net cash outflow from investing activities of the Group amounted to RMB12.162 billion, which was basically flat with the RMB11.974 billion for 2012. In 2013, the net cash inflow from financing activities of the Group amounted to RMB12.164 billion, representing a decrease from net cash inflow from financing activities of RMB23.673 billion for 2012. It was mainly due to the fact that the significant improvement in operating cashflow decreased the demand of external financing.

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 2013 was RMB10.540 billion (2012: RMB10.871 billion).

The following table sets forth the Group's capital expenditure by business segment in 2013.

For the year ended 31 December 2013	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	5,967	214	528	79	2,701	9,489
Lease prepayments	144	2	222	–	42	410
Investment properties	183	–	–	–	17	200
Intangible assets	245	6	19	3	147	420
Mining assets	–	–	–	–	21	21
Total	**6,539**	**222**	**769**	**82**	**2,928**	**10,540**

Working capital

	As at 31 December **2013** RMB million	2012 RMB million
Inventories	**46,581**	41,906
Properties under development for sale	**69,211**	65,287
Trade and bills receivables	**133,886**	107,234
Trade and bills payables	**206,292**	180,058
Turnover of inventory (days)	**32**	33
Turnover of trade and bills receivables (days)	**80**	80
Turnover of trade and bills payables (days)	**139**	142

The Group's inventories and properties under development for sale increased by 11.2% and 6.0% respectively from RMB41.906 billion and RMB65.287 billion as at the end of 2012 to RMB46.581 billion and RMB69.211 billion as at the end of 2013. 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 32 days in 2013, basically the same as 33 days for 2012. The Group's trade and bills receivables increased by 24.9% from RMB107.234 billion as at the end of 2012 to RMB133.886 billion as at the end of 2013, which was mainly due to (1) the increase in retention receivables which are not yet due; and (2) the increase in receivables from construction projects. Also, the turnover days of trade and bills receivables was 80 days as at the end of 2013, remained the same as that at the end of 2012.

According to the aging 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 32.0% (31 December 2012: 34.9%) of the total receivables, which reflected the sound receivables management capability of the Group.

Trade and bills receivables

	As at 31 December	
	2013	2012
	RMB million	RMB million
Less than six months	**70,686**	47,076
Six months to one year	**20,388**	22,737
One year to two years	**24,781**	22,284
Two years to three years	**10,160**	9,684
More than three years	**7,871**	5,453
Total	**133,886**	107,234

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. The Group's trade and bills payables increased by 14.6% from RMB180.058 billion as at the end of 2012 to RMB206.292 billion as at the end of 2013. It was mainly due to the expansion of the Group's business scale and increase in trade and bills receivables caused the corresponding increase in payables of raw materials and construction projects. The turnover days of trade and bills payables was 139 days in 2013, representing a decrease from 142 days in 2012. 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 11.5% (31 December 2012: 12.2%) of the total payables.

Trade and bills payables

	As at 31 December	
	2013	2012
	RMB million	RMB million
Less than one year	**182,473**	158,072
One year to two years	**14,308**	13,884
Two years to three years	**5,173**	5,252
More than three years	**4,338**	2,850
Total	**206,292**	180,058

V. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2013 and 2012. 44.2% of the Group's borrowings were short-term borrowings (31 December 2012: 45.6%). The Group is generally capable of making timely repayments.

	As at 31 December	
	2013	2012
	RMB million	RMB million
Bank borrowings		
Secured	**38,571**	36,587
Unsecured	**98,320**	90,199
	136,891	126,766
Short-term debentures, unsecured	**40**	539
Long-term debentures, unsecured	**35,688**	27,049
Other short-term borrowings, unsecured	**4,713**	4,157
Other short-term borrowings, secured	**295**	1,007
Other long-term borrowings, unsecured	**6,620**	710
Other long-term borrowings, secured	**2,185**	1,413
Total	**186,432**	161,661
Long-term borrowings	**104,084**	87,889
Short-term borrowings	**82,348**	73,762
Total	**186,432**	161,661

Bank borrowings carry interest rates ranging from 1.97% to 10.0% (2012: 2.24% to 13.5%) per annum. Short-term debentures carry fixed interest rates at 4.16% (2013: Nil) per annum as at 31 December 2012. Long-term debentures carry fixed interest rates ranging from 3.85% to 7.2% per annum (2012: 4.34% to 6.65%). Other short-term borrowings carry interest rates ranging from 5.9% to 13.5% (2012: 6% to 13.5%) per annum. Other long-term borrowings carry interest rates ranging from 4.39% to 11.5% (2012: 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 2013 and 2012.

	As at 31 December	
	2013	2012
	RMB million	RMB million
Bank borrowings:		
Within one year	**76,900**	68,059
More than one year, but within two years	**20,713**	23,457
More than two years, but within three years	**13,475**	11,246
More than three years, but within four years	**6,180**	3,589
More than four years, but within five years	**3,153**	3,615
More than five years	**16,470**	16,820
Total bank loans	**136,891**	126,786
Long-term debentures:		
Within one year	**400**	–
More than one year, but within two years	**2,799**	400
More than two years, but within three years	**3,589**	2,795
More than three years, but within four years	**997**	–
More than four years, but within five years	**5,956**	997
More than five years	**21,947**	22,587
Total long-term debentures	**35,688**	27,049
Other long-term borrowings:		
More than one year, but within two years	**7,814**	1,397
More than two years, but within three years	**991**	726
Total other long-term borrowings	**8,805**	2,123

As at 31 December 2013 and 2012, the Group's bank borrowings comprised fixed-rate bank borrowings amounting to RMB4.458 billion and RMB0.499 billion and floating-rate bank borrowings amounting to RMB132.433 billion and RMB126.287 billion, respectively.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 31 December 2013 and 2012. 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 2013	**5,312**	**204**	**41**
As at 31 December 2012	4,582	236	10

As at 31 December 2013, approximately RMB41.051 billion (31 December 2012: RMB38.920 billion) of total bank borrowings were pledged by assets of the Group with an aggregate value of RMB76.612 billion (31 December 2012: RMB69.489 billion). The Group also pledged its rights to collect cash flows in relation to certain backlog construction projects with contract value of RMB1.468 billion (31 December 2012: RMB1.502 billion) to secure bank borrowings and other long-term borrowings amounting to RMB0.337 billion (31 December 2012: RMB1.017 billion) as well as pledged its rights of return on equity investment in two subsidiaries with an aggregate investment cost of RMB0.551 billion (31 December 2012: Nil) to secure bank borrowings amounting to RMB0.37 billion (31 December 2012: Nil). As at 31 December 2013, the Group had unutilised credit facilities with an aggregate amount of approximately RMB134.756 billion (31 December 2012: RMB118.770 billion).

As at 31 December 2013, the Group's gearing ratio (total liabilities/total assets) was 84.6%, representing an increase of 0.6 percentage point as compared with 84.0% for 2012. The Group has been primarily financing its working capital and other capital requirements through internal funds generated from operations, and mainly through borrowings in case of any deficiencies. In 2013, the Group completed the issue of notes of USD0.5 billion, medium-term notes of RMB0.3 billion and private placement notes of RMB5.3 billion.

In 2014, 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 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 unutilised 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, overseas bonds and perpetual bonds. Second is issuance of sector funds and asset-backed securities to raise funds for project investment.

VI. 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	
	2013	2012
	RMB million	RMB million
Pending lawsuits:		
– arising in the ordinary course of business *(Note 1)*	**840**	761
– overseas lawsuits *(Note 2 & Note 3)*	**1,117**	1,121
	1,957	1,882

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. No provision has been made for those 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 section 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 opened a count session for this lawsuit according to the civil procedures. There is no significant progress up to the date of issuance of these condensed consolidated financial statements. At this stage, the Group considers 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 of 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 (equivalent to approximately RMB829 million).*

MKM and CRRG tried to raise objection to the jurisdiction of the local courts according to the relevant arbitration clause. Until November 2013, MKM and CRRG didn't receive the verdict. However, MKM and CRRG filed an appeal with the Lubumbashi Court of Appeal on 26 November 2013 due to prudent consideration and the needs to push the case on. When the Lubumbashi Court of Appeal ordered certiorari from the local court, MKM and CRRG found that the local court made a judgment to the MKM and CRRG for a total of USD31 million compensation (equivalent to approximately RMB189 million) on 8 February 2013. At present, the appeal process is still continuing.

In addition, on 15 January 2014, EXACO made another request to the Commercial Court of Lubumbashi for not receiving the fee of the previous 43.5% share transfer. EXACO applied to the Court for a compensation from CRRG amounting to USD109 million (equivalent to approximately RMB665 million), and for taking protective measures against MKM. On 20 January 2014, the Commercial Court of Lubumbashi agreed to take the protective measures, but did not hear the request of compensation. MKM and CRRG immediately filed an appeal. The Lubumbashi Court of Appeal ruled the protective measures not be executed on 30 January 2014. At present, the case has not yet been substantive hearing.

The Group believes that these lawsuits filed by EXACO have violated the arbitration clause, and there is no factual or legal basis for these lawsuits. However, affected by various local uncertainties, the Group considers that it is premature to assess the outcome of this case.

The Group has provided guarantees to banks in respect of banking facilities utilised 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			
	2013		2012	
	Amount RMB million	**Expiry period**	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**2,169**	**2014–2025**	1,838	2013–2025
Other government-related enterprises	**55**	**2014**	55	2013
Property purchasers	**14,877**	**2014–2019**	8,622	2013–2017
Investees of the Group	**12**	**2016**	13	2016
Former subsidiary	**758**	**2022**	–	
	17,871		10,528	

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 liabilities of Yichang Sanxia on the date it was spun off from Yichang Sanxia Hongming Tourism Property Development Co., Ltd. and Yichang Sanxia repaid all the remaining liabilities in 2013.

VII. Business Risks

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

(1) **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.

(2) **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.

(3) **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, cadre ethics and enterprise stability, which could result in management risks.

(4) **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.

(5) **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.

(6) **Investment risk:** Investment risk mainly includes relevant advance payments for projects, decrease in investment of infrastructural projects by nongovernmental investment institutions resulted from changes in policies, and significant outlay of working capital over extended periods.

(7) **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 identifies various types of risks associated with all business processes 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, prepare documents for critical control points of procedures, identify the responsibilities of the various types of risks and critical control point, work closely with the daily 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 ensure the Group's overall control on various types of risk.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Directors

LI Changjin
(Chairman and Executive Director)

LI Changjin, aged 55, professor level senior engineer, is the Chairman, Executive Director, Secretary to the Communist Party Committee, Chairman of the Strategy Committee, Chairman of the Nomination Committee and Chairman of Safety, Health and Environmental Protection Committee of the Board of the Directors. Mr. Li is also the Chairman, Deputy Secretary to the Communist Party Committee of CRECG and the Chairman of the Listed Companies Association of Beijing. 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, and an Executive Director, President and Deputy Secretary to the Communist Party Committee of the Company. Mr. Li has been the Chairman of CRECG since May 2010 and he served as the Chairman of the Board of SICOMINES SARL from June 2008 to April 2012 and the General Manager of CRECG from June 2010 to March 2013. He has been the Deputy Secretary to the Communist Party Committee of CRECG and the Chairman, Executive Director and Secretary to the Communist Party Committee of the Company since June 2010. Mr. Li assumed the responsibilities of the President of the Company from January 2014 to March 2014. He has been the Chairman of Safety, Health and Environmental Protection Committee of the Board of the Directors since February 2014.

YAO Guiqing
(Vice Chairman and Executive Director)

YAO Guiqing, aged 59, senior economist, is the Executive Director, Vice Chairman, Deputy Secretary to the Communist Party Committee and Chairman of the labor union of the Company. He is also the General Manager, Director, 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 the Chairman of China Railway No. 9 Engineering Group Co., Ltd. from April 2006 to March 2008, Director of the labor union of CRECG from September 2006 to September 2007, and Vice President of the Company from September 2007 to June 2009, and Chairman of the Company's Supervisory Committee from June 2009 to August 2010. Mr. Yao was the Vice Chairman and Director of CRECG from June 2010 to March 2013. He has been the General Manager and Director of CRECG since March 2013 and has been the Executive Director and Vice Chairman of the Company since August 2010.

HAN Xiuguo
(Non-executive Director)

HAN Xiuguo, aged 68, 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 the 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 70, professor level senior engineer, is an Independent Non-executive Director of the Company and the Chairman of the Remuneration Committee. He served as the 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 and 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 an External Director of China South Industries Group Corporation from July 2011 to July 2013. He has been an Independent Non-executive Director of the Company since September 2007 and an External Director of China National Offshore Oil Corporation since February 2012.

GONG Huazhang
(Independent Non-executive Director)

GONG Huazhang, aged 68, professor level senior accountant, is an Independent Non-executive Director of the Company and the Chairman of the Audit Committee. Mr. Gong is also a member of Valuation Standards Committee under the Ministry of Finance, the Vice Director of the Accounting Society of China, the 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 was an Independent Non-executive Director of China Southern Airlines Company Limited From June 2007 to December 2013. He has been 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 67, is an Independent Non-executive Director of the Company. Mr. Wang is also 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 was an External Director of China National Foreign Trade Transportation Group Corporation from October 2006 to February 2013. He has been 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 55, a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants, United Kingdom and 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 Honorary Chief Executive Officer of the Chamber of Hong Kong Listed Companies. He was the 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, 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, Everbright Pramerica Fund Management Co., Ltd. and Renhe Commercial Holdings Company Limited. 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.

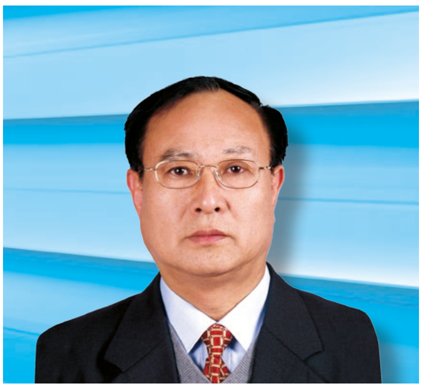
II. Supervisors

WANG Qiuming
(Chairman of the Supervisory Committee)

WANG Qiuming, aged 61, senior economist, is the Chairman of the Supervisory Committee of the Company. He served as the Deputy Chief Economist and Director of Division of Cadre of CRECG from June 2004 to August 2006. He was the Deputy Secretary to the Communist Party Committee and Secretary to the disciplinary committee of CRECG from September 2006 to June 2013. He was also the Chairman of China Railway No. 3 Engineering Group Co., Ltd. from April 2007 to January 2008. From September 2007 to August 2010, he was a Non-executive Director of the Company. From September 2007 to July 2013, He was the Deputy Secretary to the Communist Party Committee and Secretary to the Disciplinary Committee of the Company. Since August 2010, he has been the Shareholder Representative Supervisor and Chairman of the Supervisory Committee.

LIU Jianyuan
(Supervisor)

LIU Jianyuan, aged 52, senior economist and senior political engineer, is an Employee Representative Supervisor, Vice-chairman of the Labour Union, Director of Female Staff Committee of the Company and an Employee Director of CRECG. From February 2005 to January 2008, Ms. Liu was the 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 the Vice-chairman of the Labour Union and Director of Female Staff Committee of our Company as well as a 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 61, engineer and senior political engineer, is an employee representative Supervisor of the Company. From January 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 from February 2010 to January 2014.

LIN Longbiao
(Supervisor)

LIN Longbiao, aged 56, senior accountant, is an employee representative Supervisor of the Company. From July 2005 to September 2007, he was Director of the Audit Department of CRECG. He was an employee Supervisor of State-owned Enterprise Supervisory Committee appointed by the State Council to CRECG from February 2007 to January 2014. He served as Director of the Audit Department of the Company from September 2007 to November 2013, and has been an employee representative Supervisor of the Company since September 2007.

CHEN Wenxin
(Supervisor)

CHEN Wenxin, aged 50, 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.

III. Senior Management

DAI Hegen
(President)

DAI Hegen, aged 48, senior economist, the 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 from September 2007 to March 2014, and the President of the Company since March 2014.

LIU Hui
(Vice President and Chief Engineer)

LIU Hui, aged 54, 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 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 56, 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 49, 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.

ZHANG Xian
(Vice President)

ZHANG Xian, aged 53, professor level senior engineer, is a Vice President of the Company. Mr. Zhang was the 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
(Vice President)

XU Tingwang, aged 58, senior economist, is a Vice President 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 was the Chief Economist of the Company from November 2010 to March 2014. He has been the Vice President of the Company since March 2014.

YANG Liang
(Chief Financial Officer)

YANG Liang, aged 45, senior accountant, is the Chief Financial Officer of the Company, Mr. Yang was the Director of finance department of China Railway Engineering Corporation from June 2004 to September 2007, and he was a Supervisor of China Railway Trust Co., Ltd. from June 2005 to November 2013 and a Supervisor of China Railway Resources Company Limited from April 2008 and March 2014. Mr. Yang was Director of finance department of the Company from September 2007 to March 2014 and the Director of China Railway Trust Co., Ltd. from November 2013 to March 2014. He has been the Chief Financial Officer of the Company since March 2014.

YU Tengqun
(Secretary to the Board of Directors, General Legal Advisor and Joint Company Secretary)

YU Tengqun, aged 44, senior economist, arbitrator and tutor for postgraduates, is the Secretary to the Board of Directors, spokesperson and General Legal Advisor 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, the Deputy Secretary of the Listed Companies Association of Beijing 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 and General Legal Advisor of the Company since March 2014.

TAM Chun Chung
(Joint Company Secretary and Qualified Accountant)

TAM Chun Chung, aged 41, 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 2013 and the statement of the Company's and the Group's financial affairs as at that date are set out in the financial statements on pages 66 to 190.

Dividends

The Board of Directors recommends the payment of a final dividend in the amount of RMB0.066 (including tax), totalling approximately RMB1.406 billion for the year ended 31 December 2013 (2012: RMB0.052 billion per share (including tax) totalling approximately RMB1.108 billion). The distribution plan will be implemented upon approval at the 2013 annual general meeting of the Company.

Donations

Donations made by the Group during the year amounted to RMB2.399 million (2012: RMB4.004 million).

Property, Plant and Equipment

Changes to 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 34 to the financial statements.

Distributable Reserves

As at 31 December 2013, pursuant to the relevant laws and regulations, the Company's distributable reserves amounted to approximately RMB10.93 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.

As of 31 December 2012, the proceeds raised from A share offering of the Company has been used up. During this financial year, the Company has not used the proceeds from the A share offering.

During this financial year, approximately RMB0.201 billion raised from the H share offering of the Company was used as additional working capital and for other purposes.

Approximately RMB290 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 70 to 71.

Major Customers and Suppliers

The China Railway Corporation, which was founded on 14 March 2013 by the State Council, is the largest customer of the Group. For the year ended 31 December 2013, sales to the China Railway Corporation accounted for approximately 32.8% of the total revenue of the Group. For the same period, sales to the five largest customers of the Group (including the China Railway Corporation) in aggregate accounted for approximately 35.5% 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 2013, purchases from the five largest suppliers of the Group in aggregate accounted for approximately 2.4% of the total cost of sales of the Group in 2013.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2013 are set out in note 47 and note 23, 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 *(Note 1)*	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

Note 1: Mr. BAI Zhongren passed away on 4 January 2014.

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 *(Note 1)*	Executive Director and President
DAI Hegen *(Note 2)*	Vice President
LI Jiansheng *(Note 3)*	Vice President, Chief Financial Officer and General Legal Advisor
LIU Hui	Vice President and Chief Engineer
MA Li	Vice President
ZHOU Mengbo	Vice President
DUAN Xiubin *(Note 3)*	Vice President
ZHANG Xian	Vice President
XU Tingwang *(Note 4)*	Chief Economist
YU Tengqun *(Note 5)*	Secretary to the Board of Directors and Joint Company Secretary
TAM Chun Chung	Joint Company Secretary and Qualified Accountant

Note 1: Mr. BAI Zhongren passed away on 4 January 2014.

Note 2: Mr. DAI Hegen was appointed as President on 28 March 2014.

Note 3: Ms. LI Jiansheng and Mr. Duan Xiubin retired on 28 March 2014.

Note 4: Mr. XU Tingwang was appointed as Vice President on 28 March 2014.

Note 5: Mr. YU Tengqun was also appointed as chief legal advisor on 28 March 2014.

The second session of Board of Directors and the Supervisory Committee of the Company should have expired on 27 January 2014, and are currently in the process of preparation for re-election. According to the provisions of Company Law, the existing director and supervisor shall continue to serve as a director and supervisor until the newly elected director and supervisor commences his/her term of office.

On 4 January 2014, the executive Director and President of the Company Mr. BAI Zhongren passed away. Prior to the authorisation by the Board of a Vice President to act as the position of President, the Chairman of the Company, Mr. LI Changjin shall act as the Acting President.

On 28 March 2014, the Vice President, chief financial officer and chief legal advisor of the Company Ms. LI Jiansheng and Vice President, Mr. DUAN Xiubin retired. In the 26th meeting of the second session of the Board of the Company held on 28 March 2014, Mr. DAI Hegen was appointed as the President, Mr. YANG Liang was appointed as the chief financial officer, Mr. XU Tingwang was appointed as the Vice President, Mr. YU Tengqun was appointed as the Secretary to the Board of Directors and chief legal advisor of the Company.

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 of the Company in 2013 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 2013, 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 terminable within one year without payment of compensation (in addition to statutory compensation).

Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures

Save as disclosed below, as at 31 December 2013, none of the Directors and Supervisors of the Company had any interests or short positions 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) (Shares)	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 *(Note 1)*	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

Note 1: Mr. BAI Zhogren passed away on 4 January 2014.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2013, 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 A Shares held (Shares)	Nature of Interest	Approximate Percentage of Issued A Shares (%)	Approximate percentage of Total Issued Shares (%)
National Council for Social Security Fund of the PRC	Beneficial owner	332,600,000	Long position	7.91	1.56
BlackRock, Inc.	Interest of controlled corporations	359,253,312	Long position	8.53	1.69
		1,951,000	Short position	0.04	0.01
Deutsche Bank Aktiengesellschaft	Interest of controlled corporations *(Note 1)*	308,318,087	Long position	7.33	1.45
		199,440,778	Short position	4.74	0.94
		10,406,000	Lending Pool	0.25	0.05
JPMorgan Chase & Co.	*(Note 2)*	251,068,855	Long position	5.97	1.18
		874,678	Short position	0.02	0.00
		220,218,846	Lending Pool	5.23	1.03
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560	Long position	5.00	0.99
		94,560,550	Short position	2.25	0.44

Notes:

1 *According to the Corporate Substantial Shareholder Notice filed by Deutsche Bank Aktiengesellschaft with the Hong Kong Stock Exchange dated 24 December 2013, the interests held by Deutsche Bank Aktiengesellschaft were held in the following capacities:*

Capacity	*Number of H Shares (Long position)*	*Number of H Shares (Short position)*
Beneficial owner	*120,151,126*	*106,864,778*
Investment manager	*110,025,361*	*92,576,000*
Interest of controlled corporations	*57,967,600*	*–*
Custodian corporation	*10,406,000*	*–*
Others	*9,768,000*	*–*

2 *According to the Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. with the Hong Kong Stock Exchange dated 13 December 2013, the interests held by JPMorgan Chase & Co. were held in the following capacities:*

Capacity	*Number of H Shares (Long position)*	*Number of H Shares (Short position)*
Beneficial owner	*24,864,009*	*874,678*
Investment manager	*5,986,000*	*–*
Custodian corporation	*220,218,846*	*–*

3 *The interests or short positions include the underlying shares as follows:*

	Long Position				*Short Position*			
Name of substantial shareholders	*Listed equity derivatives payment in kind*	*Listed equity derivatives settled in cash*	*Non-listed equity derivatives payment in kind*	*Non-listed equity derivatives settled in cash*	*Listed equity derivatives payment in kind*	*Listed equity derivatives settled in cash*	*Non-listed equity derivatives payment in kind*	*Non-listed equity derivatives settled in cash*
BlackRock, Inc.	*–*	*5,481,000*	*–*	*–*	*–*	*264,000*	*–*	*–*
Deutsche Bank Aktiengesellschaft	*–*	*–*	*–*	*18,005,000*	*–*	*–*	*–*	*9,564,000*
JPMorgan Chase & Co.	*1,036,000*	*–*	*1,906*	*–*	*670,000*	*200,000*	*4,678*	*–*
Lehman Brothers Holdings Inc.	*–*	*–*	*10,000,000*	*–*	*–*	*–*	*60,000*	*–*

Apart from the foregoing, as at 31 December 2013, 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

(1) Continuing 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong ("**Listing Rules**"). Transactions between the Company and/or its subsidiaries and CRECG and/or its associates constitute connected transactions.

Reference is made to the prospectus of the Company dated 23 November 2007 in relation to, among other things, the comprehensive services agreement ("**Comprehensive Services Agreement**") entered into between the Company and CRECG. The term of the Comprehensive Services Agreement commenced on the date of the agreement and expired on 31 December 2009, it was renewed for a further term of three years on 1 January 2010 and was expired on 31 December 2012.

On 28 March 2013, the Company entered into the comprehensive services renewal agreement ("**Comprehensive Services Renewal Agreement**") with CRECG which takes effect from 1 January 2013 till 31 December 2015, in relation to the mutual provision of comprehensive services between CRECG Group and the Group. Pursuant to the Comprehensive Services Renewal Agreement, CRECG and/or its associates will provide social services to the Group, including health check, vaccination and preventive medical services, on-site medical services, prevention of occupational-illness and other specialist medical services to employees of the Group as well as training to the Group's employees.

The annual caps ("**Annual Caps**") for the year of 2013, 2014 and 2015 under the Comprehensive Services Renewal Agreement are as follows:

	For the financial year ended/ending 31 December		
	2013 RMB	2014 RMB	2015 RMB
Provision of comprehensive services by CRECG Group to the Group	78,200,000	78,200,000	78,200,000
Provision of comprehensive services by the Group to CRECG Group	4,500,000	4,500,000	4,500,000

The Annual Caps were determined by reference to the historical transaction amount under the Comprehensive Services Agreement and the estimated value of transactions under the Comprehensive Services Renewal Agreement that are expected to be entered into in 2013, 2014 and 2015. Pursuant to the listing Rules, the relevant percentage ratio for the above continuing connected transactions is more than 0.1% but less than 5% on an annual basis. Accordingly, the above continuing connected transactions are subject to the reporting, annual review and announcement requirements but are exempted form the independent shareholders' approval requirement. The Company has made announcement in respect of the Comprehensive Services Renewal Agreement on 28 March 2013.

The Independent Non-executive Directors of the Company are of the opinion that the above continuing connected transactions between the Group and the CRECG Group were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.38 of the Listing Rules, the Board of Directors has engaged the auditor of the Company to perform certain agreed upon procedures in respect of the above continuing connected transactions of the Group. The auditors of the Company have reported the factual findings on these procedures to the Board of Directors.

The Board of Directors has received a letter from the auditors of the Company confirming that:

(i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Company's Board of Directors;

(ii) nothing has come to their attention that causes them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreement, governing such transactions; and;

(iii) nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded their respective maximum aggregate annual value set out above for the financial year ended 31 December 2013.

In respect of the above continuing connected transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

(2) Material Related Party Transactions as Defined under PRC Laws and Regulations

Details of the material related party transactions as defined by PRC laws and regulations are set out on pages 192 to 194 of this annual report.

Purchase, Sale or Redemption of the Company's Listed Securities

During the reporting period, 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 ("**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 2013 are set out in note 36 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

Ever since listing, and according to the requirements of the modern enterprise system, the Company has been devoted to establishing reasonable, fair and orderly remuneration management system, with a focus on the encouraging and binding function of remuneration distribution, and aiming to attract and retain the core talents of the Company, and keep the reasonable and orderly growth of the remuneration. In respect of the remuneration policies, the Group has formulated the "Guiding Opinion of China Railway on Remuneration Management", which provided the guiding spirits and missions of remuneration distribution, adopted the grading and classification mechanism of remuneration management, and clarified the remuneration distribution relationships within the enterprise. In order to motivate the stuffs who work abroad, and promote the healthy development of the offshore businesses of the Group, the Group formulated the "Guiding Opinion of China Railway Company Limited regarding the Strengthening of Offshore Remuneration Management", which set out the principle of offshore remuneration management of legal compliance, foreign and domestic development and grading-based management, and the requirement of enhancing and regulating the management of total salary amount, performance evaluation, welfare and treatment, depending on the features of foreign area. In respect of the maintenance of employees' lawful benefits, the Group formulated the "Guiding Opinion on Establishing and Improving the Safeguard Mechanism for Regular Growth and Payment of Employees' Salary" in 2009 to effectively ensure the coordinated growth of employees' salary and the Group's economic efficiency and achieve its scientific and harmonious development. In respect of the management of the aggregate amount and levels of salary, the Group formulated the "Interim Measures of China Railway Company Limited for Budgetary Management of Aggregate Salary" and the "Detailed Rules for Implementing Interim Measures of China Railway Company Limited for Budgetary Management of Aggregate Salary" in 2013 in accordance with the relevant regulations of the State-owned Assets Supervision and Administration Commission of the State Council on budgetary management of aggregate salary, which set out whole-process management of all stages in the preparation, implementation, adjustment and settlement of the budget of aggregate salary, and create regulation and control lines for average salary growth of different divisions based on the basis that salary are connected with economic efficiency and distributed according to economic efficiency to regulate and control the aggregate amount and levels of salary in the entities affiliated to the Group and promote their scientific development.

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.

In 2013, the Group took effective actions to implement the professional training program for the Twelfth Five-Year Plan, and formulated the "2013 Training Plan of the Company" which aimed to develop six professional teams, i.e., operating and management professionals, technical professionals, international business professionals, professional project managers, political administration professionals and skilled professionals. The Group continued reinforcing its education and training, explored new training models, and placed emphasis on the combination of teaching and learning as well as communication and discussion. More than 7,000 employees have taken part in the trainings, and the capability and quality of the entire employee team have been significantly improved.

In 2014, the Group will continue strengthening its employee training with a focus on developing the target awareness, overall viewpoint and responsibility awareness of the leaders at all levels and the capability and quality of promoting the scientific development of the enterprise. The Group will also continue strengthening the development of the overseas operating and management team, make its best efforts to implement the "go-abroad" strategy, and develop a first-class internationally competitive professional team to ensure that there will be adequate professionals to facilitate its development.

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 2013 were RMB31.80 billion. As at 31 December 2013, the number of employees hired by the Group was 289,547. The following table sets forth a breakdown of the Group's employees by divisions as at 31 December 2013:

Division	Number of employees as at 31 December 2013
Production	140,139
Sales and Marketing	21,297
Engineering and Technology	97,529
Financing	13,788
Administration	16,794
Total	289,547

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

For details of the Company's corporate governance practices, please refer to the Report on Corporate Governance Practices on pages 50 to 64 of this annual report.

Auditors

The 2013 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 re-appointment 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 2014

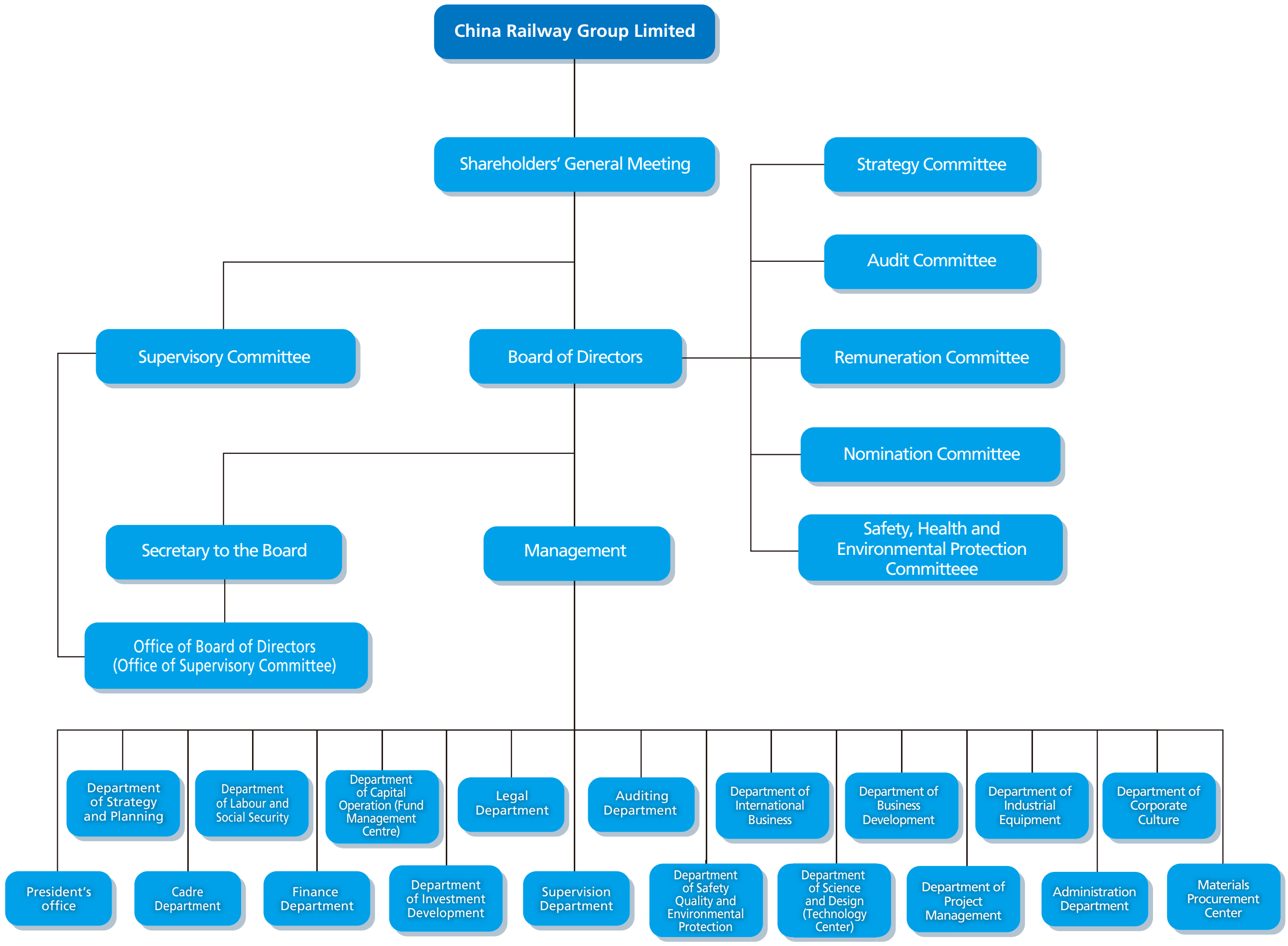
REPORT ON CORPORATE GOVERNANCE PRACTICES

Overview

During the reporting period, the Company has 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 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

As a company listed on the Main Board of Hong Kong Stock Exchange, the Company is committed to comply with the principles of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Except for the requirement under Rule A.2.7 of the Corporate Governance Code, the Company has complied with all provisions of the Corporate Governance Code during the reporting period.

The Chairman of the Company holds meetings annually with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present. As such meeting in respect of the reporting period has been scheduled in February 2014 (the meeting in respect of the reporting period of 2012 was held in December 2012 and any subsequent relevant meeting is expected to be held in February of each year), the Company therefore, during the reporting period, failed to comply with the requirement under Rule A.2.7 of the Corporate Governance Code, which provides that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without executive directors present.

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 one shareholders' general meeting, being the 2012 annual general meeting held on 26 June 2013. At the 2012 annual general meeting, a total of eight ordinary resolutions were passed, including approving the 2012 report of the Board of Directors of the Company, the 2012 report of the Supervisory Committee of the Company, the 2012 audited consolidated financial statements of the Company, 2012 work report of Independent Directors of the Company, the 2012 profit distribution plan of the Company, the re-appointment of the external auditors of the Company, the re-appointment of internal control auditors, and the provision of guarantee by various subsidiaries of the Company and two special resolutions were also passed, including approving the issue of corporate bonds of principal amount not exceeding RMB10 billion without a limit to the term of maturity and the launch of asset-backed securitisation up to RMB10 billion. 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	Number of meetings attended by proxy
LI Changjin	1	1	1
BAI Zhongren *(Note 1)*	1	1	1
YAO Guiqing	1	1	1
HAN Xiuguo	1	1	1
HE Gong	1	1	1
GONG Huazhang	1	1	1
WANG Taiwen	1	1	1
SUN Patrick	1	1	1

Note 1: Mr. BAI Zhongren passed away on 4 January 2014.

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 *(Note 1)*	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

Note 1: Mr. BAI Zhongren passed away on 4 January 2014.

The second session of the Board of the Company should have been expired on 27 January 2014, and is currently in the process of preparation for re-election. Prior to the re-election, according to the provisions of Company Law, the existing directors shall continue to serve as a director until the newly elected director commences his term of office. There was 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 the 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 the Directors (including the Non-executive Directors and the 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 2013, the Company held 8 board meetings. A total of 101 proposals were considered at these Board meetings, including proposals for the consideration of the Company's 2012 annual report, 2013 first quarterly report, interim report and third quarterly report, the Company's external guarantee quota for 2013, entry into of agreements with China Railway Engineering Corporation in respect of two connected transactions, namely the provision of comprehensive services and lease of premises, issue of the Company's medium- to long-term bonds with an equivalent amount of RMB10 billion and increase in China Railway Real Estate's external guarantee quota.

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	–
BAI Zhongren *(Note 1)*	8	8	–
YAO Guiqing	8	7	1
HAN Xiuguo	8	8	–
HE Gong	8	6	2
GONG Huazhang	8	8	–
WANG Taiwen	8	8	–
SUN Patrick	8	8	–

Note 1: Mr. BAI Zhongren passed away on 4 January 2014.

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 the Shareholders' General Meeting, making decisions on its business strategies, business plans and major investment plans, formulating proposed annual financial budgets and final accounts, formulating profit distribution plans and (where applicable) plans for making up losses previously incurred, formulating plans relating to the increase or reduction of the Company's registered capital, formulating plans for the issue 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 the Directors and the senior management, reviewing and monitoring the Company's policies and practices on the compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual applicable to the employees and the Directors, reviewing the Company's compliance with, and the disclosure of, corporate governance in the Corporate Governance Report and exercising any other powers conferred by the Shareholders' General Meeting 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 the senior management strictly complies with the Articles of Association of the Company and the relevant regulations. The Board formulates the overall strategy of the Company and monitors its financial performance. The management of the Company implements the strategy and direction as determined by the Board and is responsible for the daily operations and management 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 of the Company, the President is delegated with the authority to, among other things, oversees the operation and management of the Company, implement the Board decisions, carry out investment plans and formulate the basic 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, all the Directors have participated the training on information disclosure organised by the Shanghai Stock Exchange, and individual Directors have attended directors' training provided by the State-owned Assets Supervision and Administration Commission of the State Council, and other special trainings. A summary of the trainings they received for the year ended 31 December 2013 is set at below.

Director	Information Disclosure Training	Other Professional Trainings
LI Changjin	1	1
BAI Zhongren *(Note1)*	1	1
YAO Guiqing	1	–
HAN Xiuguo	1	1
HE Gong	1	–
GONG Huazhang	1	–
WANG Taiwen	1	–
SUN Patrick	1	6

Note 1: Mr. BAI Zhongren passed away on 4 January 2014.

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.

(a) 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, annual budget, capital allocation plan, major merges and acquisitions, major investments and financing plan and material Internal reorganisation. During the reporting period, the Strategy Committee comprised of Mr. GONG Huazhang who was an Independent Non-executive Director, Mr. LI Changjin, Mr. BAI Zhongren and Mr. YAO Guiqing who were Executive Directors and Mr. HAN Xiuguo who was a Non-executive Director, and was chaired by Mr. LI Changjin. As Mr. BAI Zhongren passed away on 4 January 2014, his position in the Strategy Committee was terminated at the same time. Mr. HE Gong was appointed as a member of the Strategy Committee on 27 January 2014.

During the reporting period, the Strategy Committee held one meeting and considered and approved the Report on Implementation of Development Strategy of China Railway for the Year 2012.

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	1	1	–
BAI Zhongren *(Note 1)*	1	1	–
YAO Guiqing	1	1	–
HAN Xiuguo	1	1	–
GONG Huazhang	1	1	–

Note 1: Mr. BAI Zhongren passed away on 4 January 2014.

(b) 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.

The Audit Committee's written terms of reference are available on the website of the Company and the Hong Kong Stock Exchange.

During the reporting period, the Audit Committee comprised of Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick who were Independent Non-executive Directors, and was chaired by Mr. GONG Huazhang.

During the reporting period, the Audit Committee held six meetings, at which a total of 30 proposals were considered, including the 2012 annual report, 2013 first quarterly report, interim report and third quarterly report, internal control audit report, internal control evaluation report and report on risk management.

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	–
WANG Taiwen	6	6	–
SUN Patrick	6	6	–

(c) 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.

The Remuneration Committee's written terms of reference are available on the website of the Company and the Hong Kong Stock Exchange.

During the reporting period, the Remuneration Committee comprised of Mr. HE Gong, Mr. WANG Taiwen and Mr. SUN Patrick who were Independent Non-executive Directors, and was chaired by Mr. HE Gong.

During the reporting period, the Remuneration Committee held four meetings, at which a total of eight proposals were considered, including the proposal on senior management performance contracts, salary examination and payment, Company performance results assessment management.

The table below sets out the details of meeting attendance of each member of the 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	4	4	–
WANG Taiwen	4	4	–
SUN Patrick	2	2	2

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

(d) Nomination Committee

The primary responsibilities of the Nomination 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 for consideration;

(2) identifying individuals suitably qualified to become board members and select or make recommendations to the Board 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 at least annually and making recommendations on any proposed changes to the Board 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 on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the President.

The Nomination Committee's written terms of reference are available on the website of the Company and the Hong Kong Stock Exchange.

During the reporting period, the Nomination Committee comprised of Mr. HE Gong, Mr. GONG Huazhang and Mr. WANG Taiwen who were Independent Non-executive Directors, Mr. LI Changjin and Mr. BAI Zhongren who were Executive Directors, and was chaired by Mr. LI Changjin. As Mr. BAI Zhongren passed away on 4 January 2014, his position in the Nomination Committee was terminated at the same time. Mr. YAO Guiqing was appointed as a member of the Nomination Committee on 27 January 2014.

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 held one meeting, at which a total of two proposals were considered, i.e., the proposal of Board Diversity Policy of China Railway Group Limited and report concerning the Guidance on the Election and Conduct of Directors of Shanghai Stock Exchange Listed Companies (2013 revised).

The table below sets out the details of meeting attendance of each member of the Nomination 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	1	1	–
BAI Zhongren *(Note 1)*	1	1	–
WANG Taiwen	1	1	–
HE Gong	1	1	–
GONG Huazhang	1	1	–

Note 1: Mr. BAI Zhongren passed away on 4 January 2014.

During the reporting period, the Board has adopted the Board Diversity Policy, which sets out the approaches to achieve diversity among members of the Board, and is available on the website of the Company. When selecting the candidates for directorship, the Company gives full consideration to the benefits of all aspects of Board diversity, including but not limited to gender, race, age, territory, cultural and educational background, professional experience and length of service. All the members of the Board are appointed based on their professional merits and finally decided according to their respective strengths and contributions to the Board.

(e) 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.

During the reporting period, the Safety, Health and Environmental Protection Committee comprised of Mr. HE Gong and Mr. SUN Patrick who were Independent Non-executive Directors, Mr. HAN Xiuguo who was a Non-executive Director, Mr. BAI Zhongren and Mr. YAO Guiqing who were Executive Directors, and was chaired by Mr. BAI Zhongren. As Mr. BAI Zhongren passed away on 4 January 2014, his position in the Safety, Health and Environmental Protection Committee was terminated at the same time. Mr. LI Changjin who is Chairman and Executive Director was appointed as a member of the Safety, Health and Environmental Protection Committee on 27 January 2014.

During the reporting period, the Safety, Health and Environmental Protection Committee held two meetings, at which a total of four proposals in relation to safety, health and environmental protection were considered.

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 *(Note 1)*	2	2	–
YAO Guiqing	2	2	–
HAN Xiuguo	2	2	–
HE Gong	2	2	–
SUN Patrick	2	1	1

Note 1: Mr. BAI Zhongren passed away on 4 January 2014.

Supervisory Committee

The primary responsibilities of the Supervisory Committee are:

- 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;
- requesting Directors and senior management members to rectify any actions damaging the Company's interests;
- examining the Company's financial matters;
- making proposals in relation to the convening of extraordinary general meetings of shareholders, 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;
- making proposals for Shareholders' General Meetings;
- making proposals in relation to the convening of extraordinary meetings of the Board other than regular meetings;
- supervising the establishment and implementation of internal control by Board of Director; and
- 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 were 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 term of office for Supervisors is three years which is renewable upon re-election.

During the reporting period, the Supervisory Committee held six meetings and considered a total of 32 proposals including the 2012 report of Supervisory Committee, the 2012 annual report, the 2013 interim report and the 2012 internal control evaluation report.

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
Mr. WANG Qiuming	6	6	–
Ms. LIU Jianyuan	6	4	2
Mr. ZHANG Xixue	6	5	1
Mr. LIN Longbiao	6	5	1
Mr. CHEN Wenxin	6	6	–

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' Rights

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 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 proposing shareholder(s) shall execute one or several copies of written request with the same form and contents to propose to the Board 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 agrees, a notice of the meeting shall be issued within five days after the resolution of the Board is passed.

(3) In case the Board 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 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 CSRC where the Company is domiciled and the stock exchange.

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

2. Putting forward proposals in the Shareholders' General Meeting

The procedures for putting forward proposals in the Shareholders' General Meeting are stated as below:

(1) When the Company holds a general meeting of shareholders, the Board, 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

During the reporting period, there have been no changes in the Company's Articles of Association. The latest 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. During the reporting period, except for the Chairman and Executive Director of the Company, Mr. LI Changjin, who also served as the chairman of CRECG, the Executive Director and President of the Company, Mr. BAI Zhongren, who also served as a director of CRECG (Mr. BAI Zhongren passed away on 4 January 2014) and the Vice Chairman and Executive Director of the Company, Mr. YAO Guiqing, who also served as the vice chairman of CRECG and the Supervisor of the Company and Ms. LIU Jianyuan, who also served as a director of CRECG, none of the Directors, Supervisors or senior management of the Company held any positions with CRECG or received 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 daily management of the Company because there was less day-to-day management work of CRECG. 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 ensured that the interests of the Company and shareholders were protected. The Company also has its own financial management system and related personnel who are independent from CRECG.

On 28 March 2013, the Company entered into Comprehensive Services Renewal Agreement with CRECG in relation to the mutual provision of comprehensive services between the CRECG Group and the Group, effective from 1 January 2013 to 31 December 2015. Pursuant to the Comprehensive Services Renewal Agreement, CRECG and/or its associates will provide social services, including health check, vaccination and preventive medical services, on-site medical services, prevention of occupational-illness and other specialist medical services to employees of the Group as well as training to the Group's employees.

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 paid to the External Auditors for the audit of the financial statements of the Group for the year ended 31 December 2013 are approximately RMB40.50 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 2014 respectively, 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 complied with the implementation requirements of the Company's fundamental standardisation 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, standardised 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 2013, 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 65.

Investors Relations

To further enhance and improve the investor relation management mechanism of the Company, and strengthen the interaction and communication between different parties of the capital market, the Company has adopted a variety of approaches and channels to deepen the communication with the shareholders and investors, including the holding of results briefings, receiving investors' visiting, investors' hotlines, Shanghai Stock Exchange e-interaction platform, investors relation email and investment summits, which has achieved satisfactory effects and obtained the recognition by shareholders and the capital market.

During this year, the Company has held four large results briefings, two results presentations conference calls, and periodic results road shows; received more than 50 institutional investors, and more than 330 individual investors; presented in nine foreign and domestic international investment forums and investment strategy conferences; met hundreds of fund managers, analysts; and held more than 50 one-to-one group seminars.

During the reporting period, the Company obtained the honors of "Golden Bauhinia Awards 2013 – Best Listed Company", "Top 100 H-share Company", "Best Listed Company for Social Responsibility", "Best Brand with Social Influence", "Best Listed Company with Social Responsibility in China", "Top 50 Most Respective China Listed Company". Besides, the Board of the Company was also awarded the "Ninth Board of Directors of Listed Company Award", "Top 10 Directors of China Listed Company".

Social Responsibility Commitment

As the leading enterprise of construction industry, China Railway has always been taking the responsibility of acting as the practitioner, promoter and leader of social responsibility of companies, since 2008, China Railway has undertaken to set up a scientific, regular, systematic and efficient enterprise social responsibility management mechanism, making social responsibility planning from the six aspects of benefiting society, scientific development, safety supervision and environmental protection, employee development and public good, and comprehensively conducting a series of social responsibility management practice activities, with an aim to achieve the purpose of full coverage, full performance, gradual improvement and industry leading in respect of social responsibility, and contribute continuous strength of the Company to the development of society. During the reporting period, the Company has strictly complied with the regulatory requirements and compiled the 2013 annual social responsibility report.

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 SHAREHOLDERS 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 66 to 190, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 2013, 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 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 RMB million	2012 RMB million (Restated)
Revenue	6 & 7	**540,394**	465,625
Cost of sales		**(500,054)**	(430,064)
Gross profit		**40,340**	35,561
Other income	8	**2,533**	2,938
Other expenses	8	**(8,516)**	(6,418)
Other gains and losses	9	**843**	(128)
Selling and marketing expenses		**(2,327)**	(2,031)
Administrative expenses		**(14,395)**	(15,226)
Interest income	10	**2,603**	2,718
Interest expenses	10	**(6,363)**	(6,360)
Share of profits of joint ventures		**84**	98
Share of profits (losses) of associates		**17**	(22)
Profit before tax		**14,819**	11,130
Income tax expense	11	**(4,744)**	(3,061)
Profit for the year	13	**10,075**	8,069
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation		**944**	236
Income tax relating to remeasurement of defined benefit obligation that will not be reclassified to profit or loss		**(180)**	(27)
		764	209
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(305)**	(46)
Fair value (loss) gain on available-for-sale financial assets		**(19)**	183
Share of other comprehensive (expense) income of joint ventures and associates		**(9)**	3
Others		**(2)**	(166)
Income tax relating to items that may be reclassified subsequently		**5**	(34)
		(330)	(60)
Other comprehensive income for the year, net of income tax	12	**434**	149
Total comprehensive income for the year		**10,509**	8,218

	NOTES	2013 RMB million	2012 RMB million (Restated)
Profit for the year attributable to:			
Owners of the Company		**9,374**	7,390
Non-controlling interests		**701**	679
		10,075	8,069
Total comprehensive income for the year attributable to:			
Owners of the Company		**9,830**	7,540
Non-controlling interests		**679**	678
		10,509	8,218
		RMB	RMB
Earnings per share (Basic)	*16*	**0.440**	0.347

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2013

	NOTES	31/12/2013 RMB million	31/12/2012 RMB million (Restated)	1/1/2012 RMB million (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	17	**44,183**	41,513	37,668
Deposits for acquisition of property, plant and equipment		**478**	458	773
Lease prepayments	18	**8,077**	8,062	8,537
Deposits for land use rights		**217**	235	173
Deposits for investment		**–**	–	717
Investment properties	19	**2,036**	1,410	2,472
Intangible assets	20	**33,214**	33,189	33,354
Mining assets	21	**3,333**	4,361	4,327
Interests in joint ventures	22	**915**	870	782
Interests in associates	23	**4,803**	3,618	2,956
Goodwill	24	**830**	857	865
Available-for-sale financial assets	25	**7,749**	5,897	4,580
Other loans and receivables	26	**7,599**	4,701	4,594
Deferred tax assets	41	**4,000**	3,901	3,425
Other prepayments		**71**	56	43
Trade and other receivables	29	**7,435**	6,678	3,336
		124,940	115,806	108,602
Current assets				
Lease prepayments	18	**200**	191	197
Properties held for sale	27	**19,223**	12,313	5,628
Properties under development for sale	27	**69,211**	65,287	52,995
Inventories	28	**46,581**	41,906	36,329
Trade and other receivables	29	**191,516**	159,649	143,320
Amounts due from customers for contract work	30	**90,560**	78,522	56,747
Current income tax recoverable		**605**	408	185
Other loans and receivables	26	**3,639**	2,012	1,055
Held-for-trading financial assets	31	**132**	205	60
Restricted cash	32	**5,765**	4,753	3,329
Cash and cash equivalents	33	**75,658**	67,738	60,254
		503,090	432,984	360,099
Assets classified as held for sale		**–**	1,871	–
		503,090	434,855	360,099
Total assets		**628,030**	550,661	468,701
EQUITY				
Share capital	34	**21,300**	21,300	21,300
Share premium and reserves		**65,163**	56,493	49,903
Equity attributable to owners of the Company		**86,463**	77,793	71,203
Non-controlling interests		**10,167**	10,197	9,328
Total equity		**96,630**	87,990	80,531

	NOTES	**31/12/2013 RMB million**	31/12/2012 RMB million (Restated)	1/1/2012 RMB million (Restated)
LIABILITIES				
Non-current liabilities				
Other payables	*35*	**614**	450	632
Borrowings	*36*	**104,084**	87,899	73,606
Obligations under finance lease	*37*	**268**	733	295
Financial guarantee contracts	*38*	**1**	1	2
Retirement and other supplemental benefit obligations	*39*	**4,280**	5,619	6,311
Provisions	*40*	**260**	206	138
Deferred government grant		**695**	655	732
Deferred tax liabilities	*41*	**956**	989	882
		111,158	96,552	82,598
Current liabilities				
Trade and other payables	*35*	**310,598**	272,534	231,267
Amounts due to customers for contract work	*30*	**22,996**	15,028	14,606
Current income tax liabilities		**2,936**	1,988	2,019
Borrowings	*36*	**82,348**	73,762	56,490
Obligations under finance lease	*37*	**507**	632	185
Financial guarantee contracts	*38*	**–**	1	–
Retirement and other supplemental benefit obligations	*39*	**612**	701	863
Provisions	*40*	**59**	37	–
Held-for-trading financial liabilities	*31*	**186**	203	142
		420,242	364,886	305,572
Liabilities associated with assets classified as held for sale		**–**	1,233	–
		420,242	366,119	305,572
Total liabilities		**531,400**	462,671	388,170
Total equity and liabilities		**628,030**	550,661	468,701
Net current assets		**82,848**	68,736	54,527
Total assets less current liabilities		**207,788**	184,542	163,129

The consolidated financial statements on pages 66 to 190 were approved and authorised for issue by the board of directors on 28 March 2014 and are signed on its behalf by:

LI Changjin
DIRECTOR

YAO Guiqing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Equity attributable to owners of the Company									
	Share capital RMB million *(Note 34)*	Share premium RMB million *(note (b))*	Capital reserve RMB million *(note (a))*	Statutory reserve RMB million	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 2012 as previously reported (audited)	21,300	33,647	(2,962)	5,682	(358)	167	14,373	71,849	9,330	81,179
Adjustments *(see Note 2)*	–	–	(841)	–	–	–	195	(646)	(2)	(648)
At 1 January 2012 as restated	21,300	33,647	(3,803)	5,682	(358)	167	14,568	71,203	9,328	80,531
Profit for the year	–	–	–	–	–	–	7,390	7,390	679	8,069
Other comprehensive income (expense) for the year *(Note 12)*	–	–	43	–	(40)	147	–	150	(1)	149
Total comprehensive income (expense) for the year	–	–	43	–	(40)	147	7,390	7,540	678	8,218
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(271)	(271)
Acquisition of subsidiaries *(Note 42)*	–	–	–	–	–	–	–	–	12	12
Acquisition of additional interests in subsidiaries	–	–	(2)	–	–	–	–	(2)	(11)	(13)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	610	610
Disposal of subsidiaries *(Note 43)*	–	–	–	–	–	–	–	–	(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 as restated	21,300	33,647	(3,688)	7,300	(398)	314	19,318	77,793	10,197	87,990
Profit for the year	–	–	–	–	–	–	9,374	9,374	701	10,075
Other comprehensive income (expense) for the year *(Note 12)*	–	–	761	–	(290)	(15)	–	456	(22)	434
Total comprehensive income (expense) for the year	–	–	761	–	(290)	(15)	9,374	9,830	679	10,509
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(368)	(368)
Acquisition of additional interests in subsidiaries	–	–	(57)	–	–	–	–	(57)	(52)	(109)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	447	447
Disposal of subsidiaries *(Note 43)*	–	–	(110)	–	–	–	110	–	(736)	(736)
Dividend recognised as distribution *(Note 15)*	–	–	–	–	–	–	(1,108)	(1,108)	–	(1,108)
Transfer to reserves *(note (a))*	–	–	–	1,896	–	–	(1,896)	–	–	–
Others	–	–	5	–	–	–	–	5	–	5
At 31 December 2013	21,300	33,647	(3,089)	9,196	(688)	299	25,798	86,463	10,167	96,630

Notes:

(a) The statutory reserves comprise:

	Statutory surplus reserve	Trust compensation reserve	General risk reserve	Total
	RMB million	RMB million	RMB million	RMB million
At 1 January 2012	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
Transfer from retained profits	1,805	45	46	1,896
At 31 December 2013	8,901	140	155	9,196

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 2013

	NOTES	2013 RMB million	2012 RMB million (Restated)
Operating activities			
Profit for the year		**10,075**	8,069
Adjustments for:			
Income tax		**4,744**	3,061
Interest income		**(2,603)**	(2,718)
Dividend income from unlisted investments		**(67)**	(45)
(Gains) losses on disposal and/or write-off of:			
Property, plant and equipment		**(74)**	27
Lease prepayments		**(12)**	(19)
Investment properties		**(1)**	(2)
Intangible assets		**(1)**	–
Mining assets		**–**	(1)
Available-for-sale financial assets		**(66)**	(38)
Interests in associates		**(1)**	–
Interests in joint ventures		**1**	–
Subsidiaries	*43*	**(427)**	(637)
Foreign exchange gains, net		**(178)**	(70)
Fair value decrease on held-for-trading financial assets/liabilities		**46**	165
Waiver of trade and other payables		**(31)**	(106)
Impairment losses recognised (reversed) on:			
Available-for-sale financial assets		**3**	8
Trade and other receivables		**588**	493
Other loans and receivables		**2**	(2)
Allowance for foreseeable losses on construction contracts		**50**	78
Goodwill		**27**	8
Inventories		**1**	–
Properties held for sale		**18**	–
Amortisation of deferred financial guarantee contracts		**(1)**	–
Provisions provided for the year		**76**	–
Unrealised profit from internal sales to associates		**131**	–
Interest expenses		**6,363**	6,360
Share of profits of joint ventures		**(84)**	(98)
Share of (profits) losses of associates		**(17)**	22
Charge to retirement benefit obligations		**210**	284
Government grants credited to income		**(553)**	(568)
Depreciation and amortisation		**6,721**	6,185
Operating cash flows before movements in working capital		**24,940**	20,456
Movements in working capital:			
Increase in other prepayments		**(15)**	(13)
Increase in properties held for sale		**(8,401)**	(6,849)
Decrease (increase) in properties under development for sale		**937**	(8,550)
Increase in inventories		**(4,962)**	(5,573)
Increase in trade and other receivables		**(36,519)**	(18,049)
Increase in amounts due from customers for contract work		**(12,088)**	(21,853)
Decrease in retirement and supplemental benefit obligations		**(694)**	(902)
Increase in trade and other payables		**41,083**	40,247
Increase in receivables of consolidated unlisted entrust products		**(2,649)**	–
Increase in payables of consolidated unlisted entrust products		**1,907**	–
Increase in amounts due to customers for contract work		**7,968**	422
Increase in government grants for operating expenses		**503**	430
Decrease (increase) in held-for-trading financial assets		**80**	(135)
Decrease in held-for-trading financial liabilities		**(70)**	(114)
Net cash outflows from operations		**12,020**	(483)
Income tax paid		**(4,025)**	(3,705)
Net cash from (used in) operating activities		**7,995**	(4,188)

	NOTES	2013 RMB million	2012 RMB million (Restated)
Investing activities			
Additions of property, plant and equipment		**(7,829)**	(7,750)
Deposits for acquisition of property, plant and equipment		**(1,117)**	(1,126)
Government grants received for acquisition of property, plant and equipment		**54**	54
Disposal of property, plant and equipment		**549**	676
Deposits paid for land use rights		**(115)**	(72)
Additions of lease prepayments		**(277)**	(152)
Disposal of lease prepayments		**47**	63
Additions of investment properties		**(200)**	(42)
Disposal of investment properties		**2**	6
Additions of intangible assets		**(410)**	(386)
Additions of mining assets		**(21)**	(106)
Disposal of mining assets		**–**	1
Acquisition of subsidiaries in current year	*42*	**(473)**	(16)
Payment for acquisition of subsidiaries in prior years		**–**	(270)
Disposal of subsidiaries	*43*	**345**	473
Liquidation of subsidiaries		**–**	(137)
Investments in joint ventures		**(135)**	(27)
Disposal of investments in joint ventures		**15**	–
Investments in associates		**(386)**	(786)
Disposal of investments in associates		**7**	–
Purchase of available-for-sale financial assets		**(4,393)**	(2,347)
Disposal of available-for-sale financial assets		**2,199**	1,243
New other loans and receivables		**(2,625)**	(2,008)
Repayment of other loans and receivables		**2,013**	550
Interests received		**1,501**	1,444
Dividends received from joint ventures and associates		**32**	121
Dividends received from other financial assets		**67**	44
Decrease in restricted cash		**9,264**	4,033
Increase in restricted cash		**(10,276)**	(5,457)
Net cash used in investing activities		**(12,162)**	(11,974)
Financing activities			
Acquisition of additional interest in subsidiaries		**(60)**	(13)
Capital contributions from non-controlling shareholders of subsidiaries		**447**	610
Proceeds on disposal of partial interest in subsidiaries without losing control		**–**	99
New proceeds from issue of debentures		**8,690**	2,792
Repayment of debentures		**(500)**	(4,218)
New bank borrowings		**110,229**	101,275
Repayment of bank borrowings		**(96,924)**	(72,293)
New other borrowings		**9,789**	6,360
Repayment of borrowings		**(6,225)**	–
Interests paid		**(10,956)**	(9,686)
Repayments of obligations under finance leases		**(819)**	–
Dividends paid to non-controlling shareholders of subsidiaries		**(399)**	(231)
Dividends paid		**(1,108)**	(1,022)
Net cash from financing activities		**12,164**	23,673
Net increase in cash and cash equivalents		**7,997**	7,511
Effect of foreign exchange rate changes		**(103)**	(1)
Cash and cash equivalents at the beginning of the year	*33*	**67,764**	60,254
Cash and cash equivalents at the end of the year	*33*	**75,658**	67,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 new and revised International Financial Reporting Standards, amendments and interpretation ("new and revised IFRSs") that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to IFRS 1	Government Loans
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate financial statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

In addition, the Group has early adopted the amendments to IAS 36 Impairment of Financial Assets: Recoverable Amount Disclosures for Non-Financial Assets in advance of it effective date.

Except as described below, the application and early adoption of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Revised International Financial Reporting Standards (continued)

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding transitional guidance.

IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company (the "Directors") made an assessment as to whether or not the Group has control over certain structured entities in accordance with the new definition of control and the related guidance set out in IFRS 10. The Directors concluded that it has had control over certain structured entities, mainly unlisted entrusted products. Therefore, in accordance with the requirements of IFRS 10, these structured entities have been consolidated in the annual consolidated financial statements for the year ended 31 December 2013. The Directors consider that the change in accounting of the Group's consolidation of these structured entities has no material impact on the Group's profit or loss, other comprehensive income and financial position in the prior periods and accordingly adjust all the effects in the annual consolidated financial statements for the year ended 31 December 2013.

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

2. Application of New and Revised International Financial Reporting Standards (continued)

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

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The Directors reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The Directors concluded that the Group's investments in seven joint arrangements, which were classified as jointly controlled entities under IAS 31 and were accounted for using the equity method, should be classified as joint operations under IFRS 11 and accounted for as described above.

The Directors consider that the change in accounting of the Group's investment in these seven joint arrangements has no material impact on the Group's profit or loss, other comprehensive income and financial position in the prior periods and accordingly adjust all the effects in the annual consolidated financial statements for the year ended 31 December 2013 to present the proportionate shares of the total assets, total liabilities, the construction revenue and bears a proportionate share of the joint operation's expenses.

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 application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

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 IFRSs for the first time.

The application of these standards has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods. However, the Directors consider that the application of IFRS 12 will affect the Group's disclosures in the annual consolidated financial statements for the year ended 31 December 2013.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

2. Application of New and Revised International Financial Reporting Standards (continued)

IFRS 13 Fair Value Measurement (continued)

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in Note 5.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. Upon the adoption of the amendments to IAS 1, the Group's statement of comprehensive income is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes 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. All actuarial gains and losses are 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 under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see below for details).

2. Application of New and Revised International Financial Reporting Standards (continued)

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current and prior years by line items as follows:

Impact on total comprehensive income (expense) for the year of the application of IAS 19 (as revised in 2011):

	Year ended 31/12/2013 RMB million	Year ended 31/12/2012 RMB million
Impact on profit for the year		
Decrease in administrative expenses	**31**	45
Increase in income tax expense	**(7)**	(9)
Increase in profit for the year	**24**	36
Impact on other comprehensive income for the year		
Increase in gain arising from remeasurement of defined benefit obligations	**944**	236
Increase in income tax relating to remeasurement of defined benefit obligations	**(180)**	(27)
Increase in other comprehensive income for the year	**764**	209
Increase in total comprehensive income for the year	**788**	245
Increase in profit for the year attributable to:		
Owners of the Company	**24**	36
Non-controlling interests	**–**	–
	24	36
Increase in total comprehensive income for the year attributable to:		
Owners of the Company	**787**	245
Non-controlling interests	**1**	–
	788	245

2. Application of New and Revised International Financial Reporting Standards (continued)

Summary of the effects of the above changes in accounting policies (continued)

Impact on assets, liabilities and equity as at 1 January 2012:

	As at 1/1/2012 RMB million (as previously reported)	Adjustments RMB million	As at 1/1/2012 RMB million (as restated)
Deferred tax assets	3,284	141	3,425
Retirement and other supplemental benefit obligations - non-current portion	5,522	789	6,311
Total effect on net assets	(2,238)	(648)	(2,886)
Share premium and reserves	50,549	(646)	49,903
Non-controlling interests	9,330	(2)	9,328
Total effect on equity	59,879	(648)	59,231

Impact on assets, liabilities and equity as at 31 December 2012:

	As at 31/12/2012 RMB million (as previously reported)	Adjustments RMB million	As at 31/12/2012 RMB million (as restated)
Deferred tax assets	3,796	105	3,901
Retirement and other supplemental benefit obligations - non-current portion	5,111	508	5,619
Total effect on net assets	(1,315)	(403)	(1,718)
Share premium and reserves	56,894	(401)	56,493
Non-controlling interests	10,199	(2)	10,197
Total effect on equity	67,093	(403)	66,690

2. Application of New and Revised International Financial Reporting Standards (continued)

Summary of the effects of the above changes in accounting policies (continued)

Impact on assets, liabilities and equity as at 31 December 2013:

	31/12/2013 RMB million
Decrease in deferred tax assets	(82)
Decrease in retirement and other supplemental benefit obligations - non-current portion	467
Increase in net assets	385
Increase in share premium and reserves	386
Decrease in non-controlling interests	(1)
Increase in equity	385

Impact on basic earnings per share for the year:

	Year ended 31/12/2013 RMB million	Year ended 31/12/2013 RMB million (as restated)
Basic earnings per share before adjustments	0.439	0.345
Adjustments arising from change in accounting policy in relation to application of IAS 19 (as revised in 2011)	0.001	0.002
Reported basic earnings per share	0.440	0.347

The application of IAS 19 (as revised in 2011) has no impact on cash flows for both years.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

2. Application of New and Revised International Financial Reporting Standards (continued)

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefits Plans: Employee Contributions[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC - Int 21	Levies[1]

1 *Effective for annual periods beginning on or after 1 January 2014.*
2 *Effective for annual periods beginning on or after 1 July 2014.*
3 *Available for application - the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.*
4 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.*
5 *Effective for first annual IFRS financial statements beginning on or after 1 January 2016.*

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

2. Application of New and Revised International Financial Reporting Standards (continued)

Annual Improvements to IFRSs 2010-2012 Cycle (continued)

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a connected of the reporting entity. Consequently, the reporting entity should disclose as connected transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2010-2012 Cycle will have a material effect on the Groups consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2011-2013 Cycle will have a material effect on the Group’s consolidated financial statements.

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, and further amended in 2013 to include the new requirements for hedge accounting.

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.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the adoption of IFRS 9 in the future will affect the measurement and classification of its financial instruments, particularly the available-for-sale equity investments currently measured at cost less impairment.

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

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

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.

2. Application of New and Revised International Financial Reporting Standards (continued)

Amendments to IAS 19 Defined benefit Plans: Employee Contribution

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans that are either constructive or set out in the formal terms of the plan based on whether those contributions are linked to service or not linked to service.

Such contributions that are not linked to service would affect the remeasurement of net defined benefit liability (or asset). For contributions that are linked to service, they would reduce service cost as follows:

- Contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method;

- Contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any new defined benefit plans.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The Directors do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The Directors do not anticipate that the application of these amendments to IAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

IFRIC - Int 21 Levies

IFRIC - Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The Directors anticipate that the application of IFRIC - Int 21 will have no effect on the Group's consolidated financial statements.

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. Principal Accounting Policies (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

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, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

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 profit or loss and other 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 and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures 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, an investment in an associate or a joint venture is 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 or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing 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 the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. Principal Accounting Policies (continued)

Investments in associates and joint ventures (continued)

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 or a joint venture. 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 of disposal) 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method.

Upon disposal or partial disposal of the Group's interest in an associate or a joint venture in which the Group lost significant influence or joint control and discontinued the use of equity method, any retained interest that is within the scope of IAS 39 is measured at fair value on that date, the difference between the carrying amount of the associate or joint venture at the date, and the proceeds from disposing of such interest (or partial interest) in the associate or joint venture and the fair value of the retained interest is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the Group lost significant influence or joint control over the investee.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement of the previously held interest or the retained interest to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. Principal Accounting Policies (continued)

Interests in joint operations (continued)

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

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.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

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 remeasurement 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 profit or loss and other 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 profit or loss and other 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.

3. Principal Accounting Policies (continued)

Employee compensation and benefits (continued)

Pension obligations (continued)

The Group also provided supplementary pension subsidies to retired employees in Mainland China. Such supplementary pension subsidies are considered as defined benefit plans. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

Employees who retire after 31 December 2006 will no longer be entitled to such supplementary pension subsidies. The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

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.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

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. All actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are recognised immediately through other comprehensive income. 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.

3. Principal Accounting Policies (continued)

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 profit or loss and other 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, 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.

3. Principal Accounting Policies (continued)

Taxation (continued)

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.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts above.

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.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. Principal Accounting Policies (continued)

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.

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. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. Principal Accounting Policies (continued)

Leasing (continued)

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.

4. Key Sources of Estimation Uncertainty (continued)

(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 2013, the carrying amount of goodwill is RMB830 million (2012: RMB857 million). Details of the recoverable amount calculation are disclosed in Note 24.

(d) Deferred tax asset

As at 31 December 2013, deferred tax assets of RMB4,000 million (2012(as restated): RMB3,901 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 41). 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).

(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 39. 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 36 and 37, net of cash and cash equivalents, and total equity of the Group.

The Directors 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 majority 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.

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

	Liabilities		Assets	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
USD	**5,975**	5,637	**9,465**	8,813
EURO	**290**	297	**414**	297
HKD	**1**	–	**184**	198
AUD	**–**	–	**12**	28
Others	**2,377**	2,081	**2,829**	2,689

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.

5. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Currency risk (continued)

The following table details the Group's sensitivity to a reasonably possible change of 3% (2012: 4%) in exchange rate of each foreign currency against RMB while all other variables are held constant. 3% (2012: 4%) 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 3% (2012: 4%) change in foreign currency rates.

The management adjusted the sensitivity rate from 4% to 3% 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:

	2013 RMB million	2012 RMB million
Increase (decrease) in post-tax profit for the year		
if RMB weakens against foreign currencies	**103**	125
if RMB strengthens against foreign currencies	**(103)**	(125)

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, interest rate swaps and available-for-sale financial assets of unlisted entrusted products, measured at fair value. 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 and the amount of available-for-sale financial assets of unlisted debt related entrusted products at the end of the reporting period retained for the whole year. A 25(2012: 50) 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.

The management adjusted the sensitivity rate from 50 to 25 basis points for assessing interest rate risk after considering the financial market conditions during the current year.

	2013	2012
Reasonably possible change in interest rate	**25 basis points**	50 basis points

5. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Interest rate risk (continued)

	2013 RMB million	2012 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in interest rate	(164)	(315)
as a result of decrease in interest rate	164	315
Increase (decrease) in other comprehensive income		
as a result of increase in interest rate	8	8
as a result of decrease in interest rate	(8)	(8)

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 6% (2012: 8%) 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 and available-for-sale financial assets at the end of the reporting period while all other variables were held constant is as follows:

	2013	2012
Reasonably possible change in equity price	6%	8%

	2013 RMB million	2012 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in equity price	6	11
as a result of decrease in equity price	(6)	(11)
Increase (decrease) in other comprehensive income		
as a result of increase in equity price	22	36
as a result of decrease in equity price	(22)	(36)

5. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2013, 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 44.

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 wholly state-owned enterprise, 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 40% (2012: 41%) and 47% (2012: 43%) 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 2013, the Group has available unutilised short-term bank borrowing facilities of RMB134,756 million (2012: RMB118,770 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 2013									
Trade and other payables *(note)*	N/A	240,582	1,021	619	222	59	25	242,528	242,324
Borrowings	1.95%-13.5%	91,220	34,523	24,214	22,165	7,091	38,220	217,433	186,432
Obligations under finance lease	5.54%-8.95%	523	212	56	28	–	–	819	775
Financial guarantee contracts	N/A	17,871	–	–	–	–	–	17,871	1
		350,196	35,756	24,889	22,415	7,150	38,245	478,651	429,532
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

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 2013 and 2012, 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 %	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 2013									
Trade and other receivables *(note)*	**N/A**	**128,247**	**18,675**	**11,217**	**4,149**	**3,019**	**805**	**166,112**	**163,554**
Other loans and receivables	**0%-36%**	**4,144**	**5,127**	**1,228**	**163**	**63**	**1,990**	**12,715**	**11,238**
Restricted cash	**N/A**	**5,765**	**–**	**–**	**–**	**–**	**–**	**5,765**	**5,765**
Cash and cash equivalents	**N/A**	**75,658**	**–**	**–**	**–**	**–**	**–**	**75,658**	**75,658**
		213,814	**23,802**	**12,445**	**4,312**	**3,082**	**2,795**	**260,250**	**256,215**
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

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.

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 2013								
Net cash outflows of interest rate swaps	**(133)**	**(77)**	**11**	**8**	**–**	**–**	**(191)**	**(184)**
At 31 December 2012								
Net cash outflows of interest rate swaps	(110)	(107)	(11)	11	11	–	(206)	(201)

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:

	31/12/2013 RMB million	31/12/2012 RMB million
Financial assets at fair value through profit or loss:		
Held-for-trading financial assets	132	205
Loans and receivables:		
Other loans and receivables	11,238	6,713
Trade and other receivables	163,554	134,821
Restricted cash	5,765	4,753
Cash and cash equivalents	75,658	67,738
Assets classified as held for sale	–	1,871
	256,215	215,896
Available-for-sale financial assets	7,749	5,897
Financial liabilities at fair value through profit or loss:		
Held-for-trading financial liabilities	186	203
Other financial liabilities:		
Trade and other payables	242,324	212,965
Borrowings	186,432	161,661
Financial guarantee contracts	1	2
Obligations under finance lease	775	1,365
Liabilities associated with assets classified as held for sale	–	1,233
	429,532	377,226

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 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 as at 31 December 2013 are unlisted equity investments amounting to RMB3,247 million (2012: RMB3,198 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:

	2013		2012	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Financial assets				
Loan receivables - fixed rate	11,238	11,177	6,713	6,606
Financial liabilities				
Bank borrowings - fixed rate	4,458	4,527	499	526
Long-term debentures - fixed rate	35,688	35,311	27,049	26,609
Other long-term borrowings - fixed rate	5,178	5,176	1,534	1,499

The fair value hierarchy of the fair value of fixed rate loans receivables, bank borrowing, long-term debentures and other long-term borrowings are included in the level 2. The fair values of above financial assets and liabilities included in the level 2 category have been determined based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

5. Capital Risk Management and Financial Instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value as at (RMB in million) 31/12/2013		31/12/2012		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Interest rate swaps classified as held-for-trading financial assets/ liabilities	**Assets/ Liabilities**	**Amount**	**Assets/ Liabilities**	**Amount**	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	2	Assets	2			N/A	N/A
	Liabilities	186	Liabilities	203				
2) Listed equity securities classified as held-for-trading financial assets	Listed equity securities in Mainland China and Hong Kong:		Listed equity securities in Mainland China and Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	**Industry**	**Amount**				
	Finance	14	Finance	86				
	Mining	68	Mining	79				
	Transportation	32	Transportation	22				
	Others	16	Others	16				
	Total	130	Total	203				
3) Listed equity securities classified as available-for-sale financial assets	Listed equity securities in Mainland China:		Listed equity securities in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	**Industry**	**Amount**				
	Finance	414	Finance	359				
4) Listed equity securities with restriction classified as available-for-sale financial assets	Listed equity securities with restriction in Hong Kong:		Listed equity securities with restriction in Mainland China and Hong Kong:		Level 2	Comparison to identical instruments for which quoted bid prices exist.	N/A	N/A
	Industry	**Amount**	**Industry**	**Amount**				
	Mining	7	Mining	12				
			Finance	143				
	Total	7	Total	155				

5. Capital Risk Management and Financial Instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value as at (RMB in million) 31/12/2013	31/12/2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
5) Unlisted open-end equity funds classified as available-for-sale financial assets	Unlisted open-end equity funds in Mainland China: **Industry** — **Amount** **Finance** — **45**	Unlisted open-end equity funds in Mainland China: **Industry** — **Amount** Finance — 57	Level 1	Quoted bid prices in an active market.	N/A	N/A
6) Unlisted entrusted products classified as available-for-sale financial assets	Unlisted entrusted products in Mainland China: **Industry** — **Amount** **Real estate** — **1,224** **Construction** — **1,520** **Finance** — **391** **Manufacture** — **446** **Mining** — **141** **Others** — **314** **Total** — **4,036**	Unlisted entrusted products in Mainland China: **Industry** — **Amount** Real estate — 867 Construction — 496 Finance — 430 Manufacture — 158 Mining — 110 Others — 67 Total — 2,128	Level 3	Discounted cash flow. The key input is the yield rate of the similar products	The yield rate of the similar products in similar industries.	The higher the yield rate of the similar products, the lower the fair value.

The Group owns equity interest in Western Securities Co., Ltd ("Western Securities") that is classified as available-for-sale investment and is measured at fair value at each reporting date. The fair value of the investment as at 31 December 2012 amounted to RMB143 million. The restricted period for stock trading of Western Securities was from May 2012 to May 2013. The fair value of the investment as at 31 December 2012 was measured based on quoted prices (adjusted) to reflect liquidity risk and was classified as Level 2 of the fair value hierarchy. The restricted period of Western Securities has been ended since May 2013. Therefore, the fair value of the investment as at 31 December 2013 was determined based on a quoted price on Shenzhen Stock Exchange and was classified as Level 1 of the fair value hierarchy.

There were no transfers between Level 1 and 2 in 2012.

5. Capital Risk Management and Financial Instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted entrusted products RMB million
At 1 January 2013	2,128
Total gains:	
– in other comprehensive income	92
– cumulative gain reclassified from equity to profit or loss on disposal	(17)
Purchases	4,343
Settlements	(2,510)
At 31 December 2013	4,036

6. Revenue

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

	2013 RMB million	2012 RMB million
Revenue from:		
Rendering of services		
– Construction contracts	**430,868**	377,178
– Other services	**17,119**	15,277
Sale of properties	**26,392**	19,043
Sale of goods	**66,015**	54,127
	540,394	465,625

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.

7. Segment Information (continued)

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 2013						
External revenue	445,952	8,560	11,322	27,293	64,249	557,376
Inter-segment revenue	8,285	560	2,213	57	3,535	14,650
Other operating income	2,035	60	176	216	580	3,067
Inter-segment other operating income	–	–	–	–	594	594
Segment revenue	456,272	9,180	13,711	27,566	68,958	575,687
Segment results						
Profit before tax	7,682	945	803	3,966	2,057	15,453
Segment results included:						
Share of profits (losses) of joint ventures	64	(3)	22	–	1	84
Share of profits (losses) of associates	33	(6)	3	1	(14)	17
Interest income	2,796	54	21	240	225	3,336
Interest expenses	(4,282)	(150)	(152)	(344)	(2,340)	(7,268)

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 2012 (Restated)						
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	5,417	813	731	3,429	2,043	12,433
Segment results included:						
Share of profits (losses) of joint ventures	102	(6)	2	–	–	98
Share of profits (losses) 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)

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

	2013 RMB million	2012 RMB million (Restated)
Segment revenue	575,687	494,046
Inter-segment elimination	(15,244)	(10,053)
Reconciling items:		
Reclassification of sales tax *(note (a))*	(16,981)	(14,704)
Reclassification of other operating income *(note (b))*	(3,068)	(3,664)
Total consolidated revenue, as reported	540,394	465,625
Segment interest income	3,336	3,453
Inter-segment elimination	(1,112)	(967)
Reclassification of interest income obtained from other loans and receivables	379	232
Total consolidated interest income, as reported	2,603	2,718
Segment interest expenses	(7,268)	(7,119)
Inter-segment elimination	904	759
Reclassification of amortisation of financial guarantee contracts	1	–
Total consolidated interest expenses, as reported	(6,363)	(6,360)
Segment results	15,453	12,433
Inter-segment elimination	(1,942)	(1,797)
Reconciling items:		
Land appreciation tax *(note (c))*	1,308	494
Total consolidated profit before tax, as reported	14,819	11,130

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 profit or loss and other comprehensive income.*

(b) *Other operating income is included in revenue under segment reporting and is classified as other income in the consolidated statement of profit or loss and other 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 profit or loss and other 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 2013						
ASSETS						
Segment assets	424,903	11,206	23,837	124,111	108,526	692,583
Segment assets included:						
Interests in joint ventures	609	74	179	–	53	915
Interests in associates	3,568	49	71	83	1,032	4,803
LIABILITIES						
Segment liabilities	381,663	6,892	16,492	105,003	83,579	593,629

	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 (Restated)						
ASSETS						
Segment assets	377,779	10,460	21,079	108,994	90,321	608,633
Segment assets included:						
Interests in joint ventures	595	88	178	–	9	870
Interests in associates	3,037	51	52	83	395	3,618
LIABILITIES						
Segment liabilities	338,098	6,328	14,401	93,275	66,420	518,522

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:

	31/12/2013 RMB million	31/12/2012 RMB million (Restated)
Segment assets	**692,583**	608,633
Inter-segment elimination	**(68,923)**	(62,072)
Reconciling items:		
Deferred tax assets	**4,000**	3,901
Shares conversion scheme of subsidiaries *(note (d))*	**(170)**	(170)
Current income tax recoverable	**605**	408
Prepaid land appreciation tax included in income tax recoverable	**(65)**	(39)
Total consolidated assets, as reported	**628,030**	550,661
Segment liabilities	**593,629**	518,522
Inter-segment elimination	**(65,545)**	(58,783)
Reconciling items:		
Deferred tax liabilities	**956**	989
Current income tax liabilities	**2,936**	1,988
Land appreciation tax payable included in current income tax liabilities	**(576)**	(45)
Total consolidated liabilities, as reported	**531,400**	462,671

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 profit or loss and other 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 2013						
Capital expenditure:						
Property, plant and equipment	5,967	214	528	79	2,701	9,489
Lease prepayments	144	2	222	–	42	410
Investment properties	183	–	–	–	17	200
Intangible assets	245	6	19	3	147	420
Mining assets	–	–	–	–	21	21
Total	6,539	222	769	82	2,928	10,540
Depreciation and amortisation:						
Property, plant and equipment	4,431	210	352	60	480	5,533
Lease prepayments	135	9	18	6	54	222
Investment properties	18	7	1	22	52	100
Intangible assets	39	5	4	1	752	801
Mining assets	–	–	–	–	65	65
	4,623	231	375	89	1,403	6,721
(Gain) loss on disposal and/or write-off of property, plant and equipment	(60)	(3)	1	–	(12)	(74)
Gain on disposal of lease prepayments	(12)	–	–	–	–	(12)
Gain on disposal of intangible assets	–	–	(1)	–	–	(1)
Gain on disposal of investment properties	–	–	–	(1)	–	(1)
Allowance for foreseeable loss on construction contracts	50	–	–	–	–	50
Impairment loss on trade and other receivables	401	7	53	25	102	588
Impairment loss on other loans and receivables	2	–	–	–	–	2
Impairment loss on goodwill	22	5	–	–	–	27

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 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

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 wholly state-owned enterprise of the PRC arising from infrastructure construction, survey, design and consulting service and engineering equipment and component manufacturing is approximately RMB176,088 million (2012: RMB165,915 million), which contributed over 33% (2012: 36%) of the total revenue of the Group. Other than this customer, no other single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2013 and 2012.

8. Other Income and Expenses

	2013 RMB million	2012 RMB million
Other income from:		
Dividend income	67	45
Government subsidies *(note (a))*	553	568
Compensation income	26	13
Relocation compensation	434	162
Amortisation of financial guarantee contracts	1	–
Income from sundry operations *(note (b))*	1,210	1,876
Waiver of trade and other payables	31	106
Others	211	168
	2,533	2,938
Other expenses on:		
Research and development expenditure	8,516	6,418

Notes:

(a) *Government subsidies relating to expenses include various government subsidies received by 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 and when the related expenses incurred.*

Government subsidies relating 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 government grant and credited to profit or loss on a straight-line basis over the expected useful lives of the relevant assets.

(b) *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

	2013 RMB million	2012 RMB million
Gain (loss) on disposal and/or write-off of:		
Property, plant and equipment	**74**	(27)
Lease prepayments	**12**	19
Mining assets	**–**	1
Intangible assets	**1**	–
Investment properties	**1**	2
Interests in associates	**1**	–
Interests in joint ventures	**(1)**	–
Available-for-sale financial assets	**49**	33
Cumulative gain reclassified from equity to profit or loss on disposal of investments classified as available-for-sale	**17**	5
Impairment loss (recognised) reversed on:		
Goodwill	**(27)**	(8)
Available-for-sale financial assets	**(3)**	(8)
Trade and other receivables	**(588)**	(493)
Other loans and receivables	**(2)**	2
Loss from changes in fair value of financial assets/liabilities classified as held-for-trading	**(46)**	(165)
Gain on disposal of subsidiaries *(Note 43)*	**427**	637
Foreign exchange gains (losses), net	**928**	(126)
	843	(128)

10. Interest Income and Expenses

	2013 RMB million	2012 RMB million
Interest income from:		
Cash and cash equivalents and restricted cash	**1,279**	1,541
Imputed interest income on retention receivables	**945**	945
Other loans and receivables	**379**	232
Total interest income	**2,603**	2,718
Interest expenses on:		
Bank borrowings:		
Wholly repayable within five years	**7,022**	5,951
Not wholly repayable within five years	**1,050**	1,200
Short-term debentures	**10**	58
Long-term debentures	**1,746**	1,322
Other long-term borrowings	**874**	665
Other short-term borrowings	**84**	221
Finance leases	**68**	41
	10,854	9,458
Imputed interest expenses on retention payables	**135**	125
Imputed interest expenses on defined benefit obligations	**210**	284
Bank charges	**94**	370
Total borrowing costs	**11,293**	10,237
Less: amount capitalised	**(4,930)**	(3,877)
Total interest expenses	**6,363**	6,360

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

	2013	2012
Capitalisation rate	**2.05% to 13.5%**	3.49% to 14.5%

11. Income Tax Expense

	2013 RMB million	2012 RMB million (Restated)
Current tax		
Enterprise Income Tax ("EIT")	**3,516**	2,891
Land Appreciation Tax ("LAT")	**1,308**	494
Underprovision in prior years	**12**	81
Deferred tax *(Note 41)*	**(92)**	(405)
	4,744	3,061

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% (2012: 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% (2012: 12.5%, 15%, 20%) for the year ended 31 December 2013.

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 profit or loss and other comprehensive income as follows:

	2013 RMB million	2012 RMB million (Restated)
Profit before tax	**14,819**	11,130
Tax at domestic income tax rate of 25% (2012: 25%)	**3,704**	2,782
Tax effect of:		
Non-deductible expenses	**157**	242
Non-taxable income	**(127)**	(138)
Tax losses not recognised as deferred tax assets	**491**	437
Utilisation of tax losses previously not recognised as deferred tax assets	**(50)**	(66)
Utilisation of other deductible temporary differences previously not recognised as deferred tax assets	**(30)**	(52)
Other deductible temporary differences not recognised as deferred tax assets	**93**	58
Preferential tax rates on income of group entities and other income tax credits	**(576)**	(634)
Share of profits of joint ventures	**(22)**	(25)
Share of (profits) losses of associates	**(4)**	6
Deferred tax changes resulting from changes in applicable tax rates	**56**	(95)
LAT	**1,308**	494
Tax effect of LAT	**(327)**	(124)
Underprovision in respect of prior years	**12**	81
Others	**59**	95
	4,744	3,061

12. Other Comprehensive Income (Expense)

	2013 **RMB million**	2012 RMB million (Restated)
Other comprehensive income (expense) includes:		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	**944**	236
Income tax relating to remeasurement of defined benefit obligations that will not be reclassified to profit or loss	**(180)**	(27)
	764	209
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations:		
Exchange losses arising during the year	**(305)**	(46)
	(305)	(46)
Available-for-sale financial assets:		
(Loss) gain arising during the year	**(2)**	188
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal	**(17)**	(5)
	(19)	183
Share of other comprehensive (expense) income of joint ventures and associates	**(9)**	3
Others	**(2)**	(166)
Income tax relating to items that may be reclassified subsequently	**5**	(34)
	(330)	(60)
Other comprehensive income, net of income tax	**434**	149

12. Other Comprehensive Income (Expense) (continued)

Tax effect relating to other comprehensive income:

	2013			2012 (restated)		
	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
Items that will not be reclassified to profit or loss:						
Remeasurement of defined benefit obligations	944	(180)	764	236	(27)	209
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translating foreign operations	(305)	–	(305)	(46)	–	(46)
Fair value (loss) gain on:						
– available-for-sale financial assets	(19)	5	(14)	183	(34)	149
Share of other comprehensive (expense) income of joint ventures and associates	(9)	–	(9)	3	–	3
Others	(2)	–	(2)	(166)	–	(166)
	609	(175)	434	210	(61)	149

13. Profit for the Year

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

	2013 RMB million	2012 RMB million
Depreciation and amortisation of:		
Property, plant and equipment	**5,533**	5,365
Lease prepayments	**222**	201
Investment properties	**100**	109
Intangible assets (included in administrative expenses)	**30**	29
Intangible assets (included in cost of sales)	**771**	468
Mining assets (included in cost of sales)	**65**	13
Total depreciation and amortisation	**6,721**	6,185
Auditor's remuneration	**72**	75
Impairment loss recognised (reversed) on:		
Goodwill (included in other losses)	**27**	8
Inventories (included in cost of sales)	**1**	–
Properties held for sale (included in other losses)	**18**	3
Trade and other receivables	**588**	493
Other loans and receivables	**2**	(2)
Allowance for foreseeable loss on construction contracts	**50**	78
Operating lease rentals in respect of		
Rented premises (included in cost of sales)	**450**	331
Rented premises (included in administrative expenses)	**165**	174
Plant and machinery (included in cost of sales)	**25,533**	22,966
Rental income from investment properties:		
Gross rental	**(224)**	(314)
Direct operating expenses (including depreciation of investment properties)	**92**	172
Net rental	**(132)**	(142)
Research and development expenditure (included in other expenses)	**8,516**	6,418
Cost of raw materials and consumables	**206,605**	190,416

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 2013					
Directors					
Li Changjin	–	401	37	931	1,369
Bai Zhongren	–	401	37	921	1,359
Yao Guiqing	–	392	37	771	1,200
Han Xiu Guo	–	73	–	31	104
He Gong	134	–	–	–	134
Gong Huazhang	148	–	–	–	148
Wang Taiwen	132	–	–	–	132
Sun Patrick	132	–	–	–	132
Directors' remunerations	546	1,267	111	2,654	4,578
Supervisors					
Wang Qiuming	–	263	24	759	1,046
Liu Jianyuan	–	207	37	224	468
Lin Longbiao	–	200	37	215	452
Zhang Xixue	–	365	–	80	445
Chen Wenxin	–	193	37	242	472
Total	546	2,495	246	4,174	7,461

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					
Directors					
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
Supervisors					
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)

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.

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:

	2013 RMB'000	2012 RMB'000
Salaries and other benefits-in-kind	**3,666**	2,822
Contributions to retirement benefits schemes	**157**	149
Discretionary bonus *(note)*	**21,554**	9,821
	25,377	12,792

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
HK$1,500,001 to HK$2,000,000	**–**	3
HK$2,000,001 to HK$2,500,000	**4**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$6,000,001 to HK$6,500,000	**–**	1
HK$22,500,001 to HK$23,000,000	**1**	–

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

14. Emoluments of Directors, Chief Executive, Supervisors and Employees (continued)

Employee compensation and benefits

	2013 RMB million	2012 RMB million (Restated)
Salaries, wages and bonuses	**22,015**	19,937
Contribution to pension plans *(Note 39)*	**3,483**	3,111
Retirement and supplemental pension benefit obligations		
– interest cost *(Note 39)*	**210**	269
Housing benefits *(note)*	**1,732**	1,484
Welfare, medical and other benefits-in-kind	**4,364**	3,848
	31,804	28,649

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 RMB0.066 per share in respect of the year ended 31 December 2013 amounting to approximately RMB1,406 million in aggregate has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

On 26 June 2013, final dividend of RMB0.052 per share in respect of the year ended 31 December 2012, amounting to RMB1,108 million in aggregate, was declared and subsequently paid in August 2013.

16. Earnings Per Share

Basic earnings per share for the year ended 31 December 2013 is calculated by dividing the profit attributable to owners of the Company of RMB9,374 million (2012(as restated): RMB7,390 million) by 21,299,900,000 shares (2012: 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 2013	13,980	29,515	9,076	4,490	2,201	4,002	6,380	69,644
Exchange adjustments	(34)	(62)	(15)	(17)	–	(4)	(27)	(159)
Additions	292	3,321	1,432	74	278	72	4,020	9,489
Transfer within property, plant and equipment	1,586	261	26	625	2	18	(2,518)	–
Transfer from investment properties	14	–	–	–	–	–	–	14
Transfer from properties held for sale	1,012	–	–	–	–	–	–	1,012
Transfer from inventories	–	88	–	–	–	–	–	88
Disposal of subsidiaries *(Note 43)*	(165)	–	(48)	(53)	(8)	(842)	(244)	(1,360)
Write-offs/other disposals	(209)	(671)	(332)	(174)	(62)	(343)	(35)	(1,826)
Transfer to investment properties	(101)	–	–	–	–	–	–	(101)
Transfer to intangible assets	–	–	–	–	–	–	(406)	(406)
At 31 December 2013	16,375	32,452	10,139	4,945	2,411	2,903	7,170	76,395
DEPRECIATION AND IMPAIRMENT								
At 1 January 2013	3,301	14,334	5,518	2,000	1,218	1,760	–	28,131
Exchange adjustments	(2)	(37)	(9)	–	–	(2)	–	(50)
Provided for the year	491	2,804	1,355	217	328	338	–	5,533
Transfer from investment properties	4	–	–	–	–	–	–	4
Disposal of subsidiaries *(Note 43)*	(15)	–	(15)	(16)	(3)	(33)	–	(82)
Eliminated on write-offs/other disposals	(60)	(586)	(314)	(134)	(56)	(149)	–	(1,299)
Transfer to investment properties	(25)	–	–	–	–	–	–	(25)
At 31 December 2013	3,694	16,515	6,535	2,067	1,487	1,914	–	32,212
CARRYING VALUES								
At 31 December 2013	12,681	15,937	3,604	2,878	924	989	7,170	44,183

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 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 43)*	(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 43)*	(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)

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 RMB1,322 million (2012: RMB1,532 million) in respect of assets held under finance leases.

Bank borrowings amounting to RMB303 million (2012: RMB62 million) are secured by certain property, plant and equipment with an aggregate carrying value of RMB514 million (2012: RMB222 million) (see Note 36).

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

	31/12/2013 RMB million	31/12/2012 RMB million
Under long lease	**265**	386
Under medium-term lease	**12,416**	10,293
	12,681	10,679

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying value of RMB1,157 million (2012: RMB1,360 million) as at 31 December 2013. 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:

	2013 RMB million	2012 RMB million
At beginning of the year	**8,253**	8,734
Additions	**410**	162
Transfer from properties under development	**19**	–
Transfer to properties under development	**(117)**	–
Disposals	**(35)**	(44)
Disposal of subsidiaries *(Note 43)*	**(31)**	(398)
Released to profit or loss as expenses	**(222)**	(201)
At end of the year	**8,277**	8,253
Analysed for reporting purpose as:		
– Non-current	**8,077**	8,062
– Current	**200**	191
	8,277	8,253

	31/12/2013 RMB million	31/12/2012 RMB million
Analysis of periods of land use rights in Mainland China:		
Under long lease	**122**	113
Under medium-term lease	**8,155**	8,140
	8,277	8,253

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 RMB167 million (2012: RMB187 million) as at 31 December 2013. 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

	2013 RMB million	2012 RMB million
COST		
At beginning of the year	**1,726**	2,911
Additions	**200**	42
Transfer from property, plant and equipment	**101**	97
Transfer from properties held for sale	**496**	94
Transfer to property, plant and equipment	**(14)**	(34)
Transfer to properties held for sale	**(36)**	–
Disposal of subsidiaries *(Note 43)*	**–**	(1,379)
Disposals	**(3)**	(5)
At end of the year	**2,470**	1,726
DEPRECIATION AND IMPAIRMENT		
At beginning of the year	**316**	439
Provided for the year	**100**	109
Transfer from property, plant and equipment	**25**	13
Transfer to property, plant and equipment	**(4)**	(7)
Transfer to properties held for sale	**(1)**	–
Disposal of subsidiaries *(Note 43)*	**–**	(237)
Eliminated on disposals	**(2)**	(1)
At end of the year	**434**	316
CARRYING VALUES		
At end of the year	**2,036**	1,410

The fair value of the Group's investment properties with carrying amount of RMB2,036 million (2012: RMB1,410 million) is RMB2,046 million (2012: RMB1,554 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 key inputs are cost of construction and installation, survey and design expense and cost of superintendence.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

19. Investment Properties (continued)

	Level 3 RMB million	Fair value as at 31/12/2013 RMB million
Commercial property units located in Sichuan Province	737	940
Commercial property units located in Jiangsu Province	427	239
Commercial property units located in Beijing	276	265
Commercial property units located in Guizhou Province	243	139
Commercial property units located in Shandong Province	149	195
Commercial property units located in Shaanxi Province	92	129
Commercial property units located in other Provinces	112	139
	2,036	2,046

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 RMB222 million (2012: RMB265 million) as at 31 December 2013. 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 2013	34,334	75	7	164	53	34,633
Additions	197	16	–	21	186	420
Transfer from construction in progress	–	–	–	8	398	406
Write-offs/other disposals	–	–	–	(2)	–	(2)
At 31 December 2013	34,531	91	7	191	637	35,457
AMORTISATION AND IMPAIRMENT						
At 1 January 2013	1,239	63	6	96	40	1,444
Provided for the year	768	3	–	22	8	801
Eliminated on write-offs/other disposals	–	–	–	(2)	–	(2)
At 31 December 2013	2,007	66	6	116	48	2,243
CARRYING VALUES						
At 31 December 2013	32,524	25	1	75	589	33,214

20. Intangible Assets (continued)

	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

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 and sewage plants. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of toll roads and sewage plants, 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 and the sewage plants upon completion for a specified concession period from 25 to 30 years (2012: 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 and the sewage plants 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 eight (2012: seven) concession agreements with an aggregate carrying amount of RMB32,154 million (2012: RMB26,639 million) are pledged to obtain bank borrowings amounting to RMB19,715 million (2012: RMB16,702 million) (see Note 36).

20. Intangible Assets (continued)

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 was in the process of applying for the title certificates for certain of its intangible assets with an aggregate carrying value of RMB70 million as at 31 December 2012. The Directors were of the opinion that the Group is entitled to lawfully and validly occupy or use these intangible assets. The Group has obtained all relevant title certificates of its intangible assets as at 31 December 2013.

21. Mining Assets

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
COST			
At 1 January 2013	2,890	1,507	4,397
Additions	4	17	21
Disposal of subsidiaries *(Note 43)*	(5)	(937)	(942)
Exchange adjustments	(19)	(28)	(47)
At 31 December 2013	2,870	559	3,429
AMORTISATION			
At 1 January 2013	36	–	36
Provided for the year	65	–	65
Disposal of subsidiaries *(Note 43)*	(5)	–	(5)
At 31 December 2013	96	–	96
CARRYING VALUES			
At 31 December 2013	2,774	559	3,333

21. Mining Assets (continued)

	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

The exploration and evaluation assets 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:

	2013 RMB million	2012 RMB million
Investing cash outflows	**(21)**	(106)

The Group was in the process of applying for the title certificate for one of its mining rights with a carrying value of RMB87 million as at 31 December 2012. The Directors were of the opinion that the Group is entitled to lawfully and validly occupy or use this mining right. The Group has obtained all relevant title certificates of its mining right as at 31 December 2013.

22. Interests in Joint Ventures

Details of the Group's investments in joint ventures are as follows:

	31/12/2013 RMB million	31/12/2012 RMB million
Cost of unlisted investments	**717**	712
Share of post-acquisition profits (losses) and other comprehensive expenses, net of dividends received	**203**	163
Accumulated impairment loss recognised	**(5)**	(5)
	915	870

22. Interests in Joint Ventures (continued)

Details of Group's material joint ventures as at 31 December 2013 and 2012 are as follow:

Name of Joint venture	Place/country of incorporation/ operations	Proportion of ownership interest held by the Group 2013 %	2012 %	Principal activities
重慶渝鄰高速公路有限公司 Chongqing Yulin 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

Summarised financial information of material joint ventures

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Chongqing Yulin Expressway Co., Ltd. ("Chongqing Yulin")

	31/12/2013 RMB million (unaudited)	31/12/2012 RMB million (unaudited)
Current assets	**46**	28
Non-current assets	**1,392**	1,448
Current liabilities	**118**	122
Non-current liabilities	**769**	871
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**36**	12
Current financial liabilities (excluding trade and other payables and provisions)	**105**	105
Non-current financial liabilities (excluding trade and other payables and provisions)	**769**	871

22. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Chongqing Yulin Expressway Co., Ltd. ("Chongqing Yulin") (continued)

	2013 RMB million (unaudited)	2012 RMB million (unaudited)
Revenue	**226**	194
Profit for the year	**67**	45
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**67**	45
Dividends received from Chongqing Yulin during the year	**–**	–
The above profit for the year includes the following:		
Depreciation and amortisation	**60**	52
Interest income	**–**	–
Interest expense	**62**	71
Income tax expense	**10**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chongqing Yulin recognised in the consolidated financial statements:

	31/12/2013 RMB million	31/12/2012 RMB million
Net assets of Chongqing Yulin	**551**	483
Proportion of the Group's ownership interest in Chongqing Yulin	**50%**	50%
Other adjustments	**(3)**	(2)
Carrying amount of the Group's interest in Chongqing Yulin	**273**	240

22. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Chinese New Turnout Technologies Co., Ltd ("CNTT")

	31/12/2013 RMB million (unaudited)	31/12/2012 RMB million (unaudited)
Current assets	**604**	363
Non-current assets	**125**	140
Current liabilities	**375**	158
Non-current liabilities	**8**	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**113**	89
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–

	2013 RMB million (unaudited)	2012 RMB million (unaudited)
Revenue	**368**	209
Profit for the year	**44**	4
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**44**	4
Dividends received from CNTT	**21**	–

22. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Chinese New Turnout Technologies Co., Ltd ("CNTT") (continued)

The above profit for the year includes the following:

	2013 RMB million (unaudited)	2012 RMB million (unaudited)
Depreciation and amortisation	**17**	17
Interest income	**1**	–
Interest expense	**–**	1
Income tax expense	**15**	1

Reconciliation of the above summarised financial information to the carrying amount of the interest in CNTT recognised in the consolidated financial statements:

	31/12/2013 RMB million	31/12/2012 RMB million
Net assets of CNTT	**346**	345
Proportion of the Group's ownership interest in CNTT	**50%**	50%
Other adjustments	**6**	6
Carrying amount of the Group's interest in CNTT	**179**	178

Aggregate information of joint ventures that are not individually material

	2013 RMB million	2012 RMB million
The Group's share of profit	**29**	73
The Group's share of other comprehensive (expense) income	**(7)**	3
The Group's share of total comprehensive income	**22**	76

22A. Joint Operation

The Group has seven joint operations in Hong Kong and has 30%, 38% and 40% share in the ownership of these construction projects respectively. The Group is entitled to a proportionate share of the assets, the liabilities and the construction revenue, and bears a proportionate share of the joint operation's expenses.

23. Interests in Associates

	31/12/2013 RMB million	31/12/2012 RMB million
Cost of unlisted investments	**5,204**	3,936
Share of post-acquisition (losses) profits and other comprehensive expense, net of dividends received	**(400)**	(317)
Accumulated impairment loss recognised	**(1)**	(1)
	4,803	3,618

Details of Group's material associates as at 31 December 2013 and 2012 are as follow:

Name of associate	Place/country of incorporation/ operations	Proportion of ownership interest held by the Group 2013 %	2012 %	Principal activities
鐵道第三勘察設計院集團有限公司 The Third Railway Survey and Design	PRC	**30**	30	Engineering survey and design Institute Group Corporation
重慶墊忠高速公路有限公司 Chongqing Dianzhong Expressway Co., Ltd.	PRC	**80** *(note 1)*	80 *(note 1)*	Build-operate-transfer service concession arrangement
武漢鸚鵡洲大橋有限公司 Wuhan Yingwuzhou Bridge Co., Ltd.	PRC	**50** *(note 2)*	50 *(note 2)*	Project construction and operation

Note 1: Pursuant to contractual agreements between the shareholders, the Group does not have control of Chongqing Dianzhong Expressway Co., Ltd. ("Chongqing Dianzhong") but still retain significant influences in this entity.

Note 2: Pursuant to the articles of Wuhan Yingwuzhou Bridge Co., Ltd. ("Yingwuzhou"), the Group does not have control of Yingwuzhou but still retain significant influences in the 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.

23. Interests in Associates (continued)

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

The Third Railway Survey and Design Institute Group Corporation ("the third RSDI")

	31/12/2013 RMB million (unaudited)	31/12/2012 RMB million (unaudited)
Current assets	**4,033**	3,191
Non-current assets	**402**	395
Current liabilities	**3,155**	2,588
Non-current liabilities	**75**	76

	2013 RMB million (unaudited)	2012 RMB million (unaudited)
Revenue	**4,359**	3,731
Profit for the year	**283**	247
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**283**	247
Dividends received from the third RSDI during the year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2013 RMB million	31/12/2012 RMB million
Net assets of the third RSDI	**1,205**	922
Proportion of the Group's ownership in the third RSDI	**30%**	30%
Carrying amount of the Group's interest in the third RSDI	**362**	277

23. Interests in Associates (continued)

Summarised financial information of material associates (continued)

Chongqing Dianzhong Expressway Co., Ltd. ("Chongqing Dianzhong")

	31/12/2013 RMB million (unaudited)	31/12/2012 RMB million (unaudited)
Current assets	**84**	72
Non-current assets	**4,037**	4,108
Current liabilities	**150**	116
Non-current liabilities	**2,616**	2,744

	2013 RMB million (unaudited)	2012 RMB million (unaudited)
Revenue	**330**	287
Profit for the year	**35**	5
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**35**	5
Dividends received from Chongqing Dianzhong during the year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2013 RMB million	31/12/2012 RMB million
Net assets of Chongqing Dianzhong	**1,355**	1,320
Proportion of the Group's ownership in Chongqing Dianzhong	**80%**	80%
Other adjustments	**36**	36
Carrying amount of the Group's interest in Chongqing Dianzhong	**1,120**	1,092

23. Interests in Associates (continued)

Summarised financial information of material associates (continued)

Wuhan Yingwuzhou Bridge Co., Ltd. ("Yingwuzhou")

	31/12/2013 RMB million (unaudited)	31/12/2012 RMB million (unaudited)
Current assets	**319**	595
Non-current assets	**2,749**	2,593
Current liabilities	**1,293**	2,560
Non-current liabilities	**955**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2013 RMB million	31/12/2012 RMB million
Net assets of Yingwuzhou	**820**	628
Proportion of the Group's ownership in Yingwuzhou	**50%**	50%
Other adjustments	**(11)**	–
Carrying amount of the Group's interest in Yingwuzhou	**399**	314

Aggregate information of associates that are not individually material

	31/12/2013 RMB million	31/12/2012 RMB million
The Group's share of loss	**(96)**	(99)
The Group's share of other comprehensive expense	**(6)**	–
The Group's share of total comprehensive expense	**(102)**	(99)
Aggregate carrying amount of the Group's interests in these associates	**2,922**	1,935

24. Goodwill

	2013 RMB million	2012 RMB million
COST		
At 1 January and 31 December	**888**	888
IMPAIRMENT		
At 1 January	**31**	23
Impairment loss recognised in the year	**27**	8
At 31 December	**58**	31
CARRYING VALUES		
At end of the year	**830**	857

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 47) and sub-groups headed by these subsidiaries:

	2013 RMB million	2012 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.	**26**	48
China Railway No.9 Engineering Group Co., Ltd.	**53**	53
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.	**43**	48
China Railway Trust Co., Ltd.	**206**	206
Other subsidiaries	**27**	27
	830	857

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% (2012: 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.

24. Goodwill (continued)

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% (2012: 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 remaining subsidiaries to exceed its recoverable amount except those subsidiaries whose goodwill was impaired.

25. Available-for-sale Financial Assets

	31/12/2013 RMB million	31/12/2012 RMB million
Unlisted open-end equity funds, at market prices	**45**	57
Unlisted entrusted products	**4,036**	2,128
Listed equity investments in the PRC, at market prices	**421**	514
Unlisted equity investments, at cost less impairment	**3,247**	3,198
	7,749	5,897

The above unlisted entrusted products are investment products mainly relating to property development projects, construction 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 RMB2,564 million (2012: RMB1,210 million). A gain on disposal of RMB66 million (2012: RMB38 million) has been recognised in profit or loss for the current year.

26. Other Loans and Receivables

	31/12/2013 RMB million	31/12/2012 RMB million
Short-term loans and receivables	**3,924**	2,296
Long-term loans and receivables	**7,610**	4,711
	11,534	7,007
Less: Impairment on loans and receivables	**(296)**	(294)
Total other loans and receivables	**11,238**	6,713
Less: Amount due within one year included in current assets	**(3,639)**	(2,012)
Amount due after one year	**7,599**	4,701

As at 31 December 2013, other loans and receivables amounting to RMB1,244 million (2012: RMB1,309 million) do not carry interest. The remaining other loans and receivables carry fixed-rate interests within a range of 3.73% to 36% (2012: 1.52% to 36%) per annum.

As at 31 December 2013, other loans and receivables amounting to RMB2,218 million (2012: RMB867 million) are secured by equity investments, RMB781 million (2012: RMB577 million) are secured by property, plant and equipment, RMB1,081 million (2012: RMB80 million) are secured by lease prepayments, RMB871 million (2012: RMB30 million) are guaranteed by a third party and RMB1,454 million (2012: RMB2,591 million) are secured by the rights to collect cash flows in relation to certain construction projects. The remaining balances are unsecured. For those amounts without secured assets, the management takes into consideration the credit history and solvency of the debtors and believes these amounts are recoverable.

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

	31/12/2013 RMB million	31/12/2012 RMB million
USD	**1,950**	3,066

Movements in impairment on receivables are as follows:

	2013 RMB million	2012 RMB million
At beginning of the year	**294**	296
Impairment losses recognised (reversed) during the year	**2**	(2)
At end of the year	**296**	294

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

Properties under development for sale amounting to RMB35,356 million (2012: RMB35,263 million) have been pledged to secure bank borrowings amounting to RMB15,313 million (2012: RMB16,119 million) granted to the Group (see Note 36).

Properties under development for sale amounting to RMB25,672 million (2012: RMB23,567 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

	31/12/2013 RMB million	31/12/2012 RMB million
Raw materials and consumables	**39,259**	35,825
Work in progress	**3,551**	2,883
Finished goods	**3,771**	3,198
	46,581	41,906

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.

	31/12/2013 RMB million	31/12/2012 RMB million
Trade and bills receivables	**136,058**	109,128
Less: impairment	**(2,172)**	(1,894)
	133,886	107,234
Other receivables (net of impairment)	**33,753**	30,517
Advance to suppliers	**31,312**	28,576
	198,951	166,327
Less: Amount due after one year included in non-current assets	**(7,435)**	(6,678)
Amount due within one year included in current assets	**191,516**	159,649

29. Trade and Other Receivables (continued)

The Group's major customers are the wholly state-owned entities 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 46.

Included in trade and bills receivables are retention receivables of RMB48,528 million (2012: RMB44,447 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, based on invoice date:

	31/12/2013 RMB million	31/12/2012 RMB million
Less than six months	**70,686**	47,076
Six months to one year	**20,388**	22,737
One year to two years	**24,781**	22,284
Two years to three years	**10,160**	9,684
More than three years	**7,871**	5,453
	133,886	107,234

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

	31/12/2013 RMB million	31/12/2012 RMB million
Less than six months	**–**	3
Six months to one year	**–**	–
	–	3

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.

29. Trade and Other Receivables (continued)

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

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

	2013 **RMB million**	2012 RMB million
At beginning of the year	**2,806**	2,321
Impairment loss recognised during the year	**588**	493
Written-off	**(34)**	(8)
Decrease through disposal of subsidiaries	**(5)**	–
At end of the year	**3,355**	2,806
Attributable to:		
Trade receivables	**2,172**	1,894
Other receivables	**1,183**	912
	3,355	2,806

29A. Tranfers of Financial Assets

The following were the Group's financial assets as at 31 December 2013 and 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 secured borrowings (see Note 36). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

		31/12/2013	
	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	**288**	**6,246**	**6,534**
Carrying amount of associated liabilities *(note)*	**288**	**4,690**	**4,978**
Net position	**–**	**1,556**	**1,556**

29A. Tranfers of Financial Assets (continued)

	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 *(note)*	483	4,230	4,713
Net position	6	837	843

Note: Bills receivable issued among subsidiaries of the Group for intra-group transactions amounting to RMB35 million (2012: RMB307 million) have been discounted with recourse to secure short-term bank borrowings amounting to RMB35 million (2012: RMB307 million) and these bills receivable have been eliminated in the consolidated financial statements (see Note 36).

30. Amounts Due From (to) Customers for Contract Work

	31/12/2013 RMB million	31/12/2012 RMB million
Contract costs incurred plus recognised profits less recognised losses	**2,209,233**	1,917,321
Less: progress billings	**(2,141,669)**	(1,853,827)
	67,564	63,494
Analysed for reporting purpose as:		
Amounts due from contract customers	**90,560**	78,522
Amounts due to contract customers	**(22,996)**	(15,028)
	67,564	63,494

31. Held-for-trading Financial Assets (Liabilities)

Held-for-trading financial assets

	31/12/2013 RMB million	31/12/2012 RMB million
Unlisted PRC government bonds, at market prices	**–**	2
Equity securities listed in Mainland China, at quoted prices	**30**	100
Equity securities listed in Hong Kong, at quoted prices	**100**	101
Derivative financial instruments - interest rate swaps *(note)*	**2**	2
	132	205

31. Held-for-trading Financial Assets (Liabilities) (continued)

Held-for-trading financial liabilities

	31/12/2013 RMB million	31/12/2012 RMB million
Derivative financial instruments		
– interest rate swaps *(note)*	**186**	203
	186	203

Note: As at 31 December 2013, 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 and December 2009 and then at floating rates thereafter, and pay interest at fixed rates.

As 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 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 and December 2009 and then at floating rates thereafter, and pay interest at fixed rates.

32. Restricted Cash

	2013 RMB million	2012 RMB million
Restricted cash denominated in:		
RMB	**5,631**	4,639
USD	**53**	49
Other currencies	**81**	65
At end of the year	**5,765**	4,753

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) were pledged against bank borrowings amounting to USD14 million (approximately RMB87 million) (see Note 36) as at 31 December 2012. There was no such pledge as at 31 December 2013.

33. Cash and Cash Equivalents

	31/12/2013 RMB million	31/12/2012 RMB million
Bank balances and cash denominated in:		
RMB	**70,034**	60,304
USD	**3,284**	5,424
Other currencies	**2,340**	2,010
	75,658	67,738
Cash and cash equivalents classified as held for sale assets	**–**	26
	75,658	67,764

Bank balances carry interest at market rates which range from 0.35% to 7.7% (2012: 0.35% to 7.7% per annum) 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. Share Capital of the Company

	At 1 January 2012, 31 December 2012 and 31 December 2013 Number of shares '000	At 1 January 2012, 31 December 2012 and 31 December 2013 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

34. Share Capital of the Company (continued)

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.

35. Trade and Other Payables

	31/12/2013 RMB million	31/12/2012 RMB million
Trade and bills payables	**206,292**	180,058
Advance from customers	**57,251**	49,685
Accrued payroll and welfare	**2,607**	2,629
Other taxes	**9,289**	8,444
Deposit received in advance	**157**	157
Dividend payables	**153**	184
Other payables	**35,463**	31,827
	311,212	272,984
Analysed for reporting purposes as:		
Non-current	**614**	450
Current	**310,598**	272,534
	311,212	272,984

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB4,685 million (2012: RMB4,639 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.

35. Trade and Other Payables (continued)

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

	31/12/2013 RMB million	31/12/2012 RMB million
Less than one year	182,473	158,072
One year to two years	14,308	13,884
Two years to three years	5,173	5,252
More than three years	4,338	2,850
	206,292	180,058

36. Borrowings

	31/12/2013 RMB million	31/12/2012 RMB million
Bank borrowings:		
Secured	38,571	36,587
Unsecured	98,320	90,199
	136,891	126,786
Short-term debentures, unsecured	40	539
Long-term debentures, unsecured	35,688	27,049
Other short-term borrowings, unsecured	4,713	4,157
Other short-term borrowings, secured	295	1,007
Other long-term borrowings, unsecured	6,620	710
Other long-term borrowings, secured	2,185	1,413
	186,432	161,661
Analysed for reporting purposes:		
Non-current	104,084	87,899
Current	82,348	73,762
	186,432	161,661

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 (approximately RMB3,143 million) which were included in "Long-term debentures, unsecured" and are guaranteed by the Company. The notes, bearing interest at the rate of 3.85% per annum, will be matured on 5 February 2023 unless early redeemed or purchased and cancelled in whole at their principal amount with interest accrued, on giving not less than 30 and not more than 60 days' notice to the note holders. The interest will be paid semi-annually.

36. Borrowings (continued)

On 25 March 2013, 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 25 March 2016. The note bears fixed interest at 5.18% per annum. Interest is payable annually in arrears.

On 25 March 2013, a wholly owned subsidiary of the Group, China Railway No.8 Engineering Group Co., Ltd., issued the first tranche of the private placement note, which was included in "Long-term debentures, unsecured", of a principal amount of RMB500 million with a maturity date of 25 March 2016. The note bears fixed interest at 6.15% per annum. Interest is payable annually in arrears.

On 13 May 2013, a wholly owned subsidiary of the Group, China Railway No.6 Engineering Group Co., Ltd., issued the first tranche of the private placement note, which was included in "Long-term debentures, unsecured", of a principal amount of RMB500 million with a maturity date of 13 May 2016. The note bears fixed interest at 5.6% per annum. Interest is payable annually in arrears.

On 17 May 2013, a wholly owned subsidiary of the Group, China Railway Major Bridge Engineering Group Co., Ltd., issued the first tranche of the private placement note, which was included in "Long-term debentures, unsecured", of a principal amount of RMB800 million with a maturity date of 17 May 2016. The note bears fixed interest at 5.59% per annum. Interest is payable annually in arrears.

On 24 May 2013, a wholly owned subsidiary of the Group, China Railway Construction Group Co., Ltd., issued the first tranche of the private placement note, which was included in "Long-term debentures, unsecured", of a principal amount of RMB1 billion with a maturity date of 24 May 2016. The note bears fixed interest at 5.60% per annum. Interest is payable annually in arrears.

On 19 June 2013, a wholly owned subsidiary of the Group, China Railway Resources Group Co., Ltd., issued the first tranche of the private placement note, which was included in "Long-term debentures, unsecured", of a principal amount of RMB2 billion with a maturity date of 19 June 2018. The note bears fixed interest at 6.30% per annum. Interest is payable annually in arrears.

On 7 November 2013, a wholly owned subsidiary of the Group, China Railway No.2 Engineering Group Co,, Ltd., issued the first tranche of the private placement note, which was included in "Long-term debentures, unsecured", of a principal amount of RMB500 million with a maturity date of 7 November 2016. The note bears fixed interest at 7.20% per annum. Interest is payable annually in arrears.

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

	31/12/2013 RMB million	31/12/2012 RMB million
Fixed-rate bank borrowings repayable		
Within one year	**191**	103
More than one year but within two years	**1,152**	176
More than two years but within three years	**3,033**	90
More than three years but within four years	**14**	52
More than four years but within five years	**14**	14
More than five years	**54**	64
	4,458	499

36. Borrowings (continued)

	31/12/2013 RMB million	31/12/2012 RMB million
Floating-rate bank borrowings repayable		
Within one year	**76,709**	67,956
More than one year but within two years	**19,561**	23,281
More than two years but within three years	**10,442**	11,156
More than three years but within four years	**6,166**	3,537
More than four years but within five years	**3,139**	3,601
More than five years	**16,416**	16,756
	132,433	126,287

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:

	31/12/2013 RMB million	31/12/2012 RMB million
Fixed-rate long-term debentures repayable		
Less than one year	**400**	–
More than one year but within two years	**2,799**	400
More than two years but within three years	**3,589**	2,795
More than three years but within four years	**997**	–
More than four years but within five years	**5,956**	997
More than five years	**21,947**	22,857
	35,688	27,049

	31/12/2013 RMB million	31/12/2012 RMB million
Fixed-rate other long-term borrowings repayable		
More than one year but within two years	**4,687**	840
More than two years but within three years	**491**	694
	5,178	1,534

36. Borrowings (continued)

	31/12/2013 RMB million	31/12/2012 RMB million
Floating-rate other long-term borrowings repayable		
More than one year but within two years	**3,127**	557
More than two years but within three years	**500**	32
	3,627	589

Bank borrowings carry interest at rates which range from 1.97% to 10% (2012: 2.24% to 13.5% per annum) per annum.

Short-term debentures were issued at fixed rate of 4.16% (2013: Nil) per annum as at 31 December 2012.

Other short-term borrowings carry interest at rates which range from 5.9% to 13.5% (2012: 6% to 13.5% per annum) per annum.

Long-term debentures were issued at fixed rates ranging from 3.85% to 7.2% (2012: 4.34% to 6.65% per annum) per annum.

Other long-term borrowings carry interest at rates which range from 4.39% to 11.5% (2012: 4.39% to 13.6% per annum) per annum.

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

	31/12/2013 RMB million	31/12/2012 RMB million
USD	**5,312**	4,528
EURO	**204**	236
Others	**41**	10
	5,557	4,774

36. Borrowings (continued)

As at 31 December 2013, the Group pledged its rights to collect cash flows in relation to certain construction projects with contract value of RMB1,468 million (31 December 2012: RMB1,502 million) to secure bank borrowings amounting to RMB337 million (2012: RMB1,017 million).

As at 31 December 2013, the Group transferred its rights of return on its equity investments in two subsidiaries with an aggregate investment cost of RMB551 million (31 December 2012: Nil) to secure bank borrowings amounting to RMB370 million (31 December 2012: Nil). The bank borrowing will be matured after one year and the Group will repurchase the rights of return on these equity investments at a pre-determined price from the bank.

The details of secured borrowings are set out below:

	31/12/2013		31/12/2012	
	Secured borrowings RMB million	**Carrying amount of pledged assets and rights RMB million**	Secured borrowings RMB million	Carrying amount of pledged assets and rights RMB million
Property, plant and equipment	**303**	**514**	62	222
Intangible assets	**19,715**	**32,154**	16,702	26,639
Properties under development for sale	**15,313**	**35,356**	16,119	35,263
Notes receivable	**323**	**323**	790	796
Accounts receivable	**4,690**	**6,246**	4,230	5,067
Rights of return on equity investments	**370**	**551**	–	–
Rights to collect cash flows in relation to certain construction projects	**337**	**1,468**	1,017	1,502
Total	**41,051**	**76,612**	38,920	69,489

37. 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 (2012: 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	
	31/12/2013	**31/12/2012**	31/12/2013	31/12/2012
	RMB million	**RMB million**	RMB million	RMB million
Amounts payable under finance lease				
Within one year	**523**	**681**	507	632
In more than one year but not more than two years	**212**	**514**	195	476
In more than two years but not more than five years	**84**	**282**	73	257
	819	**1,477**	775	1,365
Less: future finance charges	**(44)**	**(112)**	–	–
Present value of lease obligations	**775**	**1,365**	775	1,365
Less: Amount due for settlement within twelve months (shown under current liabilities)			(507)	(632)
Amount due for settlement after twelve months			268	733

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

38. Financial Guarantee Contracts

	2013	2012
	RMB million	RMB million
At beginning of the year	**2**	2
Amortisation for the year	**(1)**	–
At end of the year	**1**	2
Analysed for reporting purpose as:		
Non-current	**1**	1
Current	**–**	1
	1	2

The balances represent the fair value of financial guarantees, details of which are disclosed in Note 44.

39. 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 RMB3,483 million (2012: RMB3,111 million).

As at 31 December 2013, 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 RMB368 million (2012: RMB349 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 plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and average medical expense risk.

Interest risk	The present value of the defined benefit plan obligation is calculated using a discount rate determined by reference to government bond yields. A decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligation is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Average medical expense risk	The present value of the defined benefit plan obligation is calculated by reference to the future average medical expense of plan participants. As such, an increase in the average medical expense of the plan participants will increase the plan liability.

The most recent actuarial valuations of the present value of the defined benefit obligations as at 31 December 2013 were carried out by an independent firm of actuaries, Towers Perrin, Hong Kong. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

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

	Valuation at	
	31/12/2013	31/12/2012
Discount rate	**4.50%**	3.50%
Early-retiree's salary and supplemental benefit inflation rate	**4.50%**	4.50%
Medical cost trend rates	**8.00%**	8.00%

39. Retirement and Other Supplemental Benefit Obligations (continued)

Retirement and supplemental benefit obligations (continued)

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

	31/12/2013 RMB million	31/12/2012 RMB million (Restated)
Service cost		
Current service cost	**–**	–
Past service cost and (gain)/loss from settlements	**–**	–
Interest cost	**210**	284
Components of defined benefit costs recognised in profit or loss	**210**	284
Remeasurement on the net defined benefit obligation:		
Actuarial gains and losses arising from changes in financial assumptions	**(356)**	–
Actuarial gains and losses arising from experience adjustments	**(588)**	(236)
Components of defined benefit costs recognised in other comprehensive income	**(944)**	(236)
Total	**(734)**	48

The expense for the year is included in the employee benefits expense in profit or loss. The re-measurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	31/12/2013 RMB million	31/12/2012 RMB million (Restated)	01/01/2012 RMB million (Restated)
Present value of unfunded defined benefit obligations	**4,892**	6,320	7,174
Net liability arising from defined benefit obligations	**4,892**	6,320	7,174
Less: Amount due within one year	**(612)**	(701)	(863)
Amount due after one year	**4,280**	5,619	6,311

39. Retirement and Other Supplemental Benefit Obligations (continued)

Retirement and supplemental benefit obligations (continued)

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

	2013 RMB million	2012 RMB million (Restated)
Opening defined benefit obligation	**6,320**	7,174
Interest cost	**210**	284
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	**(356)**	–
Actuarial gains and losses arising from experience adjustments	**(588)**	(236)
Benefits paid	**(694)**	(902)
Closing defined benefit obligation	**4,892**	6,320

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and medical expense increase rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate on benefit obligation increases (decreases) 0.25%, the defined benefit obligation would decrease by RMB82 million (increase by RMB84 million).
- If the benefit rate increases (decreases) by 1%, the defined benefit obligation would increase by RMB175 million (decrease by RMB155 million).
- If the average medical expenses rate increases (decreases) by 1%, the defined benefit obligation would increase by RMB20 million (decrease by RMB19 million).

39. Retirement and Other Supplemental Benefit Obligations (continued)

Retirement and supplemental benefit obligations (continued)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior.

The average duration of the benefit obligation as at 31 December 2013 is 12.8 years (2012: 13.3 years). This number can be analysed as follows:

- Civil Retirees: 5.5 years (2012: 5.9 years);
- retired members: 13.2 years (2012: 13.8 years); and
- beneficiaries: 13.4 years (2012: 14 years).

40. Provisions

	2013 RMB million	2012 RMB million
At beginning of the year	**243**	138
Provided for the year	**164**	126
Utilisation for the year	**(88)**	(21)
At end of the year	**319**	243
Analysed for reporting purpose as:		
Non-current	**260**	206
Current	**59**	37
	319	243

The balance represents the provision recognised for the toll roads' repair and maintenance obligation, product warranties 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.

41. 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 2012 (restated)	285	573	(1)	1,403	(48)	(415)	746	2,543
Credit (charge) to profit or loss	55	109	(7)	(153)	–	1	304	309
Charge to other comprehensive income	–	–	–	(27)	(34)	–	–	(61)
Disposal of subsidiaries *(Note 43)*	–	–	–	–	–	–	25	25
Effect of change in tax rate charged to profit or loss	3	25	–	25	–	–	43	96
At 31 December 2012 (restated)	343	707	(8)	1,248	(82)	(414)	1,118	2,912
Credit (charge) to profit or loss	72	79	(178)	(119)	–	–	294	148
Charge to other comprehensive income	–	–	–	(180)	5	–	–	(175)
Disposal of subsidiaries *(Note 43)*	–	–	–	–	(2)	221	(10)	209
Effect of change in tax rate charged to profit or loss	(6)	(16)	–	(10)	–	–	(24)	(56)
Effect of change in currency exchange rate	–	–	–	–	–	6	–	6
At 31 December 2013	409	770	(186)	939	(79)	(187)	1,378	3,044

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:

	31/12/2013 RMB million	31/12/2012 RMB million (Restated)
Deferred tax assets	**4,000**	3,901
Deferred tax liabilities	**(956)**	(989)
	3,044	2,912

41. Deferred Taxation (continued)

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

	31/12/2013 RMB million	31/12/2012 RMB million (Restated)
Tax losses recognised as deferred tax assets	**1,578**	1,380
Tax losses not recognised as deferred tax assets	**6,958**	5,413
Total tax losses	**8,536**	6,793
Other deductible temporary differences not recognised as deferred tax assets	**1,053**	936
Tax losses unrecognised as deferred tax assets that will expire in		
2013	**–**	105
2014	**894**	897
2015	**932**	952
2016	**1,562**	1,631
2017	**1,815**	1,828
2018	**1,755**	–
Total	**6,958**	5,413

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.

42. Acquisition of Subsidiaries

Acquisition of assets through acquisition of subsidiaries

During the year, the Group acquired certain assets through acquisition of a 100% interest in Kunming Shuianqingcheng Real Estate Development Co., Ltd for a consideration of RMB473 million.

The acquisition was accounted for as acquisition of assets and liabilities as the subsidiary is not business.

During 2012, the Group acquired certain assets through acquisition of a 100% interest in Huhhot Longwan Real Estate Development Co., Ltd for a consideration of RMB28 million and a 60% interest in Tianjin Jintai Real Estate Development Co., Ltd for a consideration of RMB18 million.

During 2012, the Group also acquired the remaining 70% interest in Xi'an China Railway Bofeng Real Estate Co., Ltd ("Xi'an Zhongtie") for a consideration of RMB14 million. Xi'an 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.

42. Acquisition of Subsidiaries (continued)

Acquisition of assets through acquisition of subsidiaries (continued)

The carrying amounts of net assets acquired are as follows:

	2013 RMB million	2012 RMB million
Fair value of net assets acquired:		
Properties under development for sale	**473**	1,488
Inventories	**–**	4
Other receivables	**–**	304
Cash and cash equivalents	**–**	44
Other payables	**–**	(1,687)
Borrowings - non-current	**–**	(76)
Net assets acquired	**473**	77
Non-controlling interests	**–**	(12)
Total consideration	**473**	65
Satisfied by:		
Cash	**473**	60
Fair value of the previously-held investments in an associate	**–**	5
Total consideration	**473**	65
Net cash outflows arising from acquisition:		
Cash consideration paid	**(473)**	(60)
Cash and cash equivalents acquired	**–**	44
	(473)	(16)

43. Disposal of Subsidiaries

During the year, partial interests in Chengdu Tongji Real Estate Co., Ltd, China Railway Chengdu Investment Development Co., Ltd, Inner Mongolia Guobai Railway Co., Ltd and Manglai Mining were disposed by the Group for a consideration of RMB212 million. The Group lost control over these entities, but still has significant influence on these entities. The remaining equity interests were measured at fair value at the date when the control was lost, and were accounted for as interests in associates from that date onwards. The Group also disposed of its entire interests in Nanjing China Railway Electrification Investment Co., Ltd, Xi'an Zhuofeng Real Estate Co., Ltd and Jiesheng Trading Co. Ltd for a total consideration of RMB799 million.

In 2012, the Group disposed of its entire interest in Chengdu China Railway Mingren Real Estate Co., Ltd for a consideration of RMB481 million and its entire interest in China Railway Hengfeng Real Estate Co., Ltd for a consideration of RMB33 million.

43. Disposal of Subsidiaries (continued)

The net assets of these subsidiaries at the date of disposal were as follows:

	2013 RMB million	2012 RMB million
Consideration:		
Cash received	**1,011**	481
Consideration receivable	**–**	33
Total consideration	**1,011**	514
Analysis of assets and liabilities over which control was lost:		
Property, plant and equipment	**1,278**	128
Mining assets	**937**	–
Lease prepayments	**31**	398
Investment property	**–**	1,142
Deferred tax assets	**12**	–
Other receivables - non-current	**5,958**	12
Properties under development for sale	**294**	190
Inventories	**199**	–
Trade and other receivables - current	**769**	84
Cash and cash equivalents	**666**	8
Borrowings - non-current	**(1,177)**	(52)
Deferred tax liabilities	**(221)**	(25)
Trade and other payables	**(3,679)**	(260)
Current income tax liabilities	**(60)**	(15)
Borrowings - current	**(2,740)**	(1,530)
Deferred income government grant	**(3)**	–
Net assets disposed of	**2,264**	80
Gain on disposal of subsidiaries:		
Consideration received	**1,011**	481
Consideration receivable	**–**	33
Net assets disposed of	**(2,264)**	(80)
Non-controlling interests	**736**	37
Excess of fair value recognised in prior year's step acquisition and released to profit or loss	**–**	166
Transfer to interests in associates	**944**	–
Gain on disposal	**427**	637
Net cash inflows arising on disposals:		
Cash consideration	**1,011**	481
Less: bank balances and cash disposed of	**(666)**	(8)
	345	473

44. Contingent Liabilities

	2013 RMB million	2012 RMB million
Pending lawsuits		
– arising in the ordinary course of business *(note (a))*	**840**	761
– oversea lawsuits *(note (b) & note (c))*	**1,117**	1,121
	1,957	1,882

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 40).*

No provision has been made for those 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 opened a count session for this lawsuit according to the civil procedures. There is no significant progress up to the date of issuance of these condensed consolidated financial statements. At this stage, the Directors 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 of 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 RMB829 million).*

MKM and CRRG tried to raise objection to the jurisdiction of the local courts according to the relevant arbitration clause. Until November 2013, MKM and CRRG didn't receive the verdict. However MKM and CRRG filed an appeal with the Lubumbashi Court of Appeal on 26 November 2013 due to prudent consideration and the needs to push the case on. And when the Lubumbashi Count of Appeal ordered certiorari from the local court, MKM and CRRG found that the local court made a judgment to the Companies for a total of USD31 million compensation (approximately RMB189 million) on 8 February 2013. At present, the appeal process is still continuing.

In addition, on 15 January 2014, EXACO made another request to the Commercial Court of Lubumbashi (the "Court") for not receiving the fee of the previous 43.5% share transfer. EXACO applied to the Court for a compensation from CRRG amounting to USD109 million (approximately RMB665 million), and for taking protective measures against MKM. On 20 January 2014, the Court agreed to take the protective measures, but did not hear the request of compensation. MKM and CRRG immediately filed an appeal. The Lubumbashi Court of Appeal ruled the protective measures not be executed on 30 January 2014. At present, the case has not yet been substantive hearing.

The Directors of the Company believe that these lawsuits filed by EXACO have violated the arbitration clause, and there is no factual or legal basis for these lawsuits. However, affected by various local uncertainties, the Directors of the Company consider that it is premature to assess the outcome of this case.

44. Contingent Liabilities (continued)

The Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties. The financial impact of the financial guarantees is disclosed in Note 38. The maximum exposure of these financial guarantees to the Group is as follows.

	31/12/2013		31/12/2012	
	RMB million	Expiry period	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	2,169	2014–2025	1,838	2013–2025
Other government-related enterprises	55	2014	55	2013
Property purchasers	14,877	2014–2019	8,622	2013–2017
Investees of the Group	12	2016	13	2016
Former subsidiary	758	2022	–	–
	17,871		10,528	

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 liabilities of Yichang Sanxia on the date it was spun off from 宜昌鴻銘置業有限公司 and Yichang Sanxia repaid all the remaining liabilities in 2013.

45. Commitments

Capital expenditure

	31/12/2013 RMB million	31/12/2012 RMB million
Contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	1,481	2,176

Investment commitment

According to relevant agreements, the Group has the following commitments:

	31/12/2013 RMB million	31/12/2012 RMB million
Investment commitment to an associate	19,651	15,509

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.

45. 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 3% to 21.84% (2012: 2.17% to 11.16%) 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:

	31/12/2013 RMB million	31/12/2012 RMB million
Within one year	**155**	135
In the second to fifth year inclusive	**395**	434
After five years	**257**	333
	807	902

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.

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:

	31/12/2013 RMB million	31/12/2012 RMB million
Within one year	**262**	168
In the second to fifth year inclusive	**149**	114
After five years	**34**	25
	445	307

46. 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.

46. Related Party Transactions (Continued)

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:

	2013 RMB million	2012 RMB million
Transactions with the CRECG Group		
Service expenses paid	49	46
Rental expense	30	31
Purchases	–	35
Interest expenses	26	–
Transactions with joint ventures		
Revenue from construction contracts	58	37
Revenue from sales of goods	19	2
Interest income	1	1
Purchases	325	–
Revenue from rendering of services	1	–
Rental income	1	–
Transactions with associates		
Revenue from construction contracts	242	130
Revenue from sales of goods	163	7
Interest income	22	25
Progress billing on behalf of customers	3,535	–
Rental income	2	1
Revenue from rendering of services	213	–
Purchases	22	7
Service expense paid	2	–
Transactions with other government-related enterprises		
Revenue from construction contracts	309,053	297,309
Revenue from design and other services	8,269	7,060
Revenue from sales of goods	25,474	22,229
Purchases	100,189	108,427
Interest income on bank balances	742	688
Interest expenses on bank borrowings	5,123	4,145

46. Related Party Transactions (continued)

Balances with related parties

	31/12/2013 RMB million	31/12/2012 RMB million
Balances with the CRECG Group		
Trade payables	10	12
Other payables	95	75
Borrowings - current	1,253	626
Balances with joint ventures		
Trade receivables	32	63
Trade payables	40	–
Other receivables	106	61
Other payables	20	4
Advance from customers	125	163
Advance to suppliers	12	–
Dividend receivables	69	53
Balances with associates		
Trade receivables	2,405	150
Other receivables	582	516
Advance to suppliers	100	–
Trade payables	14	6
Other payables	79	58
Advance from customers	646	18
Loans receivable	2,008	2,601
Dividends receivable	37	3
Balances with other government-related enterprises		
Trade receivables	85,385	80,944
Other receivables	24,189	23,683
Bank balances	41,247	33,450
Trade payables	43,233	42,974
Other payables	47,892	44,745
Bank borrowings	86,134	66,232
Other borrowings	49,541	34,876

In addition, the Group provided guarantees to banks in respect of banking facilities utilised by four associates, an investee of the Group, a former subsidiary and a government-related enterprise, the maximum exposure of which are disclosed in Note 44.

46. 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:

	2013 RMB'000	2012 RMB'000
Basic salaries, allowances and other benefits-in-kind	**4,719**	5,098
Contributions to pension plans	**440**	394
Discretionary bonus	**9,389**	3,459
	14,548	8,951

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 connected were as follows:

	31/12/2013 RMB million	31/12/2012 RMB million
CRECG	**12,000**	12,000

47. Particulars of Principal Subsidiaries

General information of subsidiaries

As at 31 December 2013 and 2012, 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	Proportion of interest and voting power held by the Group 2013 %	2012 %	Principal activities
China Overseas Engineering Group Co., Ltd.	PRC	RMB978,537	Registered	**100**	100	Infrastructure construction
China Railway No.1 Engineering Group Co., Ltd.	PRC	RMB2,790,164	Registered	**100**	100	Infrastructure construction

47. Particulars of Principal Subsidiaries (continued)

General information of subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Proportion of interest and voting power held by the Group 2013 %	2012 %	Principal activities
China Railway No.2 Engineering Group Co., Ltd.	PRC	RMB1,643,820	Registered	100	100	Infrastructure construction
China Railway No.3 Engineering Group Co., Ltd.	PRC	RMB2,347,980	Registered	100	100	Infrastructure construction
China Railway No.4 Engineering Group Co., Ltd.	PRC	RMB2,202,950	Registered	100	100	Infrastructure construction
China Railway No.5 Engineering (Group) Co., Ltd.	PRC	RMB1,731,587	Registered	100	100	Infrastructure construction
China Railway No.6 Engineering Group Co., Ltd.	PRC	RMB1,706,806	Registered	100	100	Infrastructure construction
China Railway Electrification Engineering Group Co., Ltd.	PRC	RMB2,008,223	Registered	100	100	Infrastructure construction
China Railway Construction Group Co., Ltd.	PRC	RMB2,385,003	Registered	100	100	Infrastructure construction
China Railway Tunnel Group Co., Ltd.	PRC	RMB2,279,415	Registered	100	100	Infrastructure construction
China Railway Eryuan Engineering Group Co. Ltd.	PRC	RMB1,195,038	Registered	100	100	Survey and design

47. Particulars of Principal Subsidiaries (continued)

General information of subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Proportion of interest and voting power held by the Group 2013 %	2012 %	Principal activities
China Railway Shanhaiguan Bridge Group Co., Ltd.	PRC	RMB1,670,000	Registered	**100**	100	Bridge steel structure manufacturing
China Railway Real Estate Group Co., Ltd.	PRC	RMB3,439,011	Registered	**100**	100	Property development
China Railway Resources Group Co., Ltd.	PRC	RMB3,111,977	Registered	**100**	100	Mining
China Railway Communications Investment Group Co., Ltd.	PRC	RMB2,800,000	Registered	**100**	100	Build-operate-transfer service concession arrangement
China Railway Trust Co., Ltd.	PRC	RMB2,000,000	Registered	**93**	93	Financial trust management

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.

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.

47. Particulars of Principal Subsidiaries (continued)

General information of subsidiaries (continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these subsidiaries operate in PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Country/Place of incorporation and operation	Number of subsidiaries	
		31/12/2013	31/12/2012
Infrastructure construction	PRC	**18**	18
Survey,design and consulting services	PRC	**5**	5
Engineering equiqment and component manufacturing	PRC	**3**	3
Property development	PRC	**2**	2
Other Businesses	PRC	**4**	5
		32	33

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Country/ place of incorporation and operation	Proportion of interests and voting power held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2013 %	2012 %	**2013 million**	2012 million	**2013 million**	2012 million
China Railway Erju Co., Ltd.	PRC	**48**	48	**204**	283	**2,885**	2,765
Yunnan Fuyan Expressway Co., Ltd.	PRC	**10**	10	**(25)**	(29)	**1,366**	1,391
Guangxi Cenxing Expressway Development Co., Ltd.	PRC	**15**	15	**26**	19	**836**	809
China Railway Electrification Engineering Group Nanjing Co., Ltd.	PRC	**30**	30	**–**	–	**780**	450
						5,867	5,415

47. Particulars of Principal Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

China Railway Erju Co., Ltd.

	31/12/2013 RMB million	31/12/2012 RMB million
Current assets	**46,233**	39,300
Non-current assets	**4,913**	4,808
Current liabilities	**42,207**	36,277
Non-current liabilities	**2,195**	1,496
Equity attributable to owners of the Company	**5,945**	5,699
Non-controlling interests	**800**	636
Non-current financial liabilities (excluding trade and other payables and provisions)	**2,195**	1,496

47. Particulars of Principal Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

China Railway Erju Co., Ltd. (continued)

	2013 RMB million	2012 RMB million
Revenue	77,807	65,281
Expenses	77,132	64,553
Profit for the year	675	728
Profit attributable to owners of the Company	422	581
Profit attributable to non-controlling interests	253	147
Profit for the year	675	728
Other comprehensive income for the year	–	–
Total comprehensive income attributable to owners of the Company	422	581
Total comprehensive income attributable to non-controlling interests	253	147
Total comprehensive income for the year	675	728
Dividends paid to non-controlling interests	85	71
Net cash inflow (outflow) from operating activities	135	(198)
Net cash outflow from investing activities	(134)	(118)
Net cash (outflow) inflow from financing activities	(812)	448
Net cash (outflow) inflow	(811)	132

47. Particulars of Principal Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Yunnan Fuyan Expressway Co., Ltd.

	31/12/2013 RMB million	31/12/2012 RMB million
Current assets	**39**	53
Non-current assets	**7,553**	7,674
Current liabilities	**170**	158
Non-current liabilities	**5,857**	5,749
Equity attributable to owners of the Company	**1,565**	1,820
Non-controlling interests	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**4,812**	4,955

	2013 RMB million	2012 RMB million
Revenue	**296**	253
Expenses	**550**	542
Loss for the year	**(254)**	(289)
Loss attributable to owners of the Company	**(254)**	(289)
Loss attributable to non-controlling interests	**–**	–
Loss for the year	**(254)**	(289)
Other comprehensive expense for the year	**–**	–
Total comprehensive expense attributable to owners of the Company	**(254)**	(289)
Total comprehensive expense attributable to non-controlling interests	**–**	–
Total comprehensive expense for the year	**(254)**	(289)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**255**	198
Net cash outflow from investing activities	**(8)**	(97)
Net cash outflow from financing activities	**(264)**	(213)
Net cash outflow	**(17)**	(112)

47. Particulars of Principal Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Guangxi Cenxing Expressway Development Co., Ltd.

	31/12/2013 RMB million	31/12/2012 RMB million
Current assets	534	271
Non-current assets	4,639	4,766
Current liabilities	203	202
Non-current liabilities	2,946	2,985
Equity attributable to owners of the Company	2,024	1,850
Non-controlling interests	–	–
Non-current financial liabilities (excluding trade and other payables and provisions)	2,946	2,985

	2013 RMB million	2012 RMB million
Revenue	559	497
Expenses	385	372
Profit for the year	174	125
Profit attributable to owners of the Company	174	125
Profit attributable to non-controlling interests	–	–
Profit for the year	174	125
Other comprehensive income for the year	–	–
Total comprehensive income attributable to owners of the Company	174	125
Total comprehensive income attributable to non-controlling interests	–	–
Total comprehensive income for the year	174	125
Dividends paid to non-controlling interests	–	–
Net cash inflow from operating activities	498	438
Net cash outflow from investing activities	(30)	(67)
Net cash outflow from financing activities	(203)	(310)
Net cash inflow	265	61

47. Particulars of Principal Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

China Railway Electrification Engineering Group Nanjing Co., Ltd.

	31/12/2013 RMB million (unaudited)	31/12/2012 RMB million (unaudited)
Current assets	**436**	767
Non-current assets	**4,730**	846
Current liabilities	**1,606**	113
Non-current liabilities	**960**	–
Equity attributable to owners of the Company	**2,600**	1,500
Non-controlling interests	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**960**	–
Net cash outflow from operating activities	**(3,289)**	(870)
Net cash outflow from investing activities	**(10)**	–
Net cash inflow from financing activities	**2,752**	1,500
Net cash (outflow) inflow	**(547)**	630

47. Particulars of Principal Subsidiaries (continued)

Information of debt securities

As at 31 December 2013, 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
	300	17/02/2015
	300	25/03/2016
	500	07/11/2016
China Railway No.6 Engineering Group Co., Ltd.	500	13/05/2016
China Railway No.8 Engineering Group Co., Ltd.	500	25/03/2016
China Railway Major Bridge Engineering Group Co., Ltd.	800	17/05/2016
China Railway Construction Group Co., Ltd.	1,000	24/05/2016
China Railway Resources Group Co., Ltd	2,000	19/06/2018
	3,143	05/02/2023

As 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

48. Events After the Reporting Period

Subsequent to 31 December 2013, the following significant events took place:

1) The final dividend of RMB0.066 per share in respect of the year ended 31 December 2013 amounting to approximately RMB1,406 million in aggregate has been approved at the meeting of board of directors held on 28 March 2014, which is subject to approval by the shareholders in general meeting.

2) The Company and CRECG set up China Railway Finance Co., Ltd. ("CR Finance"), which opened in March 2014. The registered capital of CR Finance is RMB1,500 million, the Company contributed 95% amounting to RMB1,425 million and CRECG contributed 5% amounting to RMB750 million.

49. 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:

	2013 **RMB million**	2012 RMB million (Restated)
Bank balances and cash	**7,896**	8,637
Amount due from subsidiaries - current	**25,540**	24,440
Other current assets	**6,163**	6,900
Unlisted investments in subsidiaries	**69,823**	66,573
Amount due from subsidiaries - non-current	**11,730**	17,763
Other non-current assets	**4,624**	4,391
Total assets	**125,776**	128,704
Total liabilities	**50,165**	56,062
Share capital *(see Note 34)*	**21,300**	21,300
Share premium and reserves	**54,311**	51,342
Total equity	**75,611**	72,642

49. The Statement of Financial Position of the Company (continued)

Movement in reserves

	Share premium RMB million	Capital reserve RMB million	Statutory reserve RMB million	Retained profits RMB million	Total RMB million
At 1 January 2012 (as restated)	33,647	7,734	1,304	6,771	49,456
Profit for the year	–	–	–	2,907	2,907
Other comprehensive expense for the year	–	(5)	–	–	(5)
Total comprehensive income (expense) for the year	–	(5)	–	2,907	2,902
Acquisition of a subsidiary under common control	–	6	–	–	6
Transfer to reserves	–	–	284	(284)	–
Dividend recognised as distribution *(Note 15)*	–	–	–	(1,022)	(1,022)
At 31 December 2012 (as restated)	**33,647**	**7,735**	**1,588**	**8,372**	**51,342**
Profit for the year	**–**	**–**	**–**	**4,075**	**4,075**
Other comprehensive income for the year	**–**	**4**	**–**	**–**	**4**
Total comprehensive income for the year	**–**	**4**	**–**	**4,075**	**4,079**
Disposal of partial interest in a subsidiary and transfer to an investment in an associate	**–**	**–**	**–**	**(2)**	**(2)**
Transfer to reserves	**–**	**–**	**409**	**(409)**	**–**
Dividend recognised as distribution *(Note 15)*	**–**	**–**	**–**	**(1,108)**	**(1,108)**
At 31 December 2013	**33,647**	**7,739**	**1,997**	**10,928**	**54,311**

I. 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.	Interim Report of 2011 and subsequent regular reports 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

II. Defalcation and Debt Repayment during the Reporting Period

Not applicable

III. Events regarding Bankruptcy and Restructuring

Not applicable

IV. Assets Transactions and Merger

Not applicable

V. Implementation of Share Incentive Scheme of the Company and Its Effects

Not applicable

VI. Significant Related Party Transactions

1. Related party transactions 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

Unit: Thousand Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of the related party transaction	Amount of related party 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	30,368	30,368	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	49,160	49,160	Less than 1%
Total				/	79,938	79,938	/
Description of related party transactions				The above two transactions were resulting from the implementation of the comprehensive services agreement and premises leasing agreement entered into by the Company and CRECG on 28 March 2013. The terms of both agreements are three years. The total transaction amount involved was within the authority of the Board and was approved in the 19th meeting of the second session of the Board, which complied with the relevant requirements of "The Rules Governing the Listing of Stock on Shanghai Stock Exchange". Meanwhile, the premises leasing agreement was exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval as the annual caps of this transaction was within the de minimis exemption under the Listing Rules. The comprehensive service agreement was exempted from the independent shareholders' approval requirement under the Listing Rules.			

3) Matters which were not disclosed in a provisional announcement

Not applicable

2. Related party transactions in relation to acquisition and disposal of asset

During the reporting period, the Company did not have any related party transactions in relation to acquisition and disposal of asset.

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.

VI. Significant Related Party Transactions (continued)

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

(3) Matters which were not disclosed in a provisional announcement

Not applicable

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

Notes: 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 2013, the remaining payable amount of above-mentioned corporate bonds was RMB11,951.506 million (31 December 2012: RMB11,945.267 million).

(2) Fund borrowing from related parties

RMB'000

Related Party	Related Relationship	Particulars of transaction	Party accounting category	Borrowing amount	Commencement date	Due date	Interest rate (%)	Balance of the year
CRECG	Controlling shareholder	Fund borrowing	Short-term borrowing	626,160	26 December 2012	25 December 2014	4.2	626,160
CRECG	Controlling shareholder	Fund borrowing	Short-term borrowing	626,930	31 December 2012	30 December 2014	4.2	626,930

Notes: The proposal of the Company in relation to the application to CRECG for entrusted loan in the amount not exceeding RMB2 billion was resolved in the 16th meeting of the second session of the Board of Directors, and was exempted from disclosure by the Shanghai Stock Exchange. According to this resolution, in 2012, the Company applied to CRECG for entrusted loan amounted to RMB626,160,000 based on its operational needs and by the end of 2013, the Company applied to CRECG for renewal of entrusted loan. In 2013, the Company applied to CRECG for entrusted loan amounted to RMB626,930,000 based on its production needs.

VI. Significant Related Party Transactions (continued)

5. Other related party transactions (continued)

(3) Interest Expenses

Unit: Thousand Currency: RMB

Item	Related Party	Current Amount	Prior Amount
Interest expenses	CRECG	26,226	–

VII. 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	2008-06-30	2008-06-30	2025-06-20	Suretyship of joint and several liability	No	No	–	No	No	other
China Railway Group Limited	The same entity	Inner Mongolia Guobai Railway Co., Ltd.	433,580,000.00	2008-11-24	2008-11-24	2020-11-30	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway No.2 Engineering Group Co. Ltd.	Wholly owned subsidiary	China Railway Bohai Train Ferry Co., Ltd.	11,889,000.00	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	162,520,911.00	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	15,050,000.00	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 Xinchuanzang Road Construction Development Co., Ltd.	Wholly owned subsidiary	Property owners of China Railway Ruicheng Xinjie Project	289,110,000.00	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	8,390,000.00	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	253,469,000.00	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 Real Estate Co., Ltd.	Wholly owned subsidiary	Property owners of Xijun Yinghua Project	634,760,000.00	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 Yingting Real Estate Co., Ltd.	Wholly owned subsidiary	Property owners of Yueying Long Beach Project	238,487,600.00	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	472,486,000.00	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	–

VII. 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
Dujiangyan Qingcheng Tourism Development Co. Ltd	Wholly owned subsidiary	Property owners of Qingcheng 365 Zhaiyuan Project	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	–
China Railway No.2 Engineering Real Estate Group Co., Ltd	Wholly owned subsidiary	Property owners of Shanghe New Town Project	20,900,000.00	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 Hongjin Properties Limited	Wholly owned subsidiary	Property owners of Hongjinmahegongguan Phase I Project	84,850,000.00	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	20,283,894.40	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 Rainbow New City Project	14,270,056.24	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	16,679,175.21	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	–
Guiyang Tiewujian Property Development Co., Ltd.	Wholly owned subsidiary	Property owners of Yulong Phase II Project	138,398.38	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 Tianwei Property Development Co., Ltd.	Wholly owned subsidiary	Property owners of Fontainebleau Project	55,496,800.00	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	–
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	300,000.00	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	357,127,000.00	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	499,000,000.00	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 Aonceier Project	51,115,000.00	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	77,253,300.00	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 Zhong tai Property Development Co., Ltd.	Wholly owned subsidiary	Property owners of China Railway • Ruijing Mingcheng Phase II Project	136,602,000.00	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 Lanting Project	110,219,200.00	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	–

VII. 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 Ruijingyicheng Project	285,807,000.00	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 Lijing Shuxiang Project	359,342,000.00	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 Xiangtai Real Estate Co., Ltd.	Wholly owned subsidiary	Property owners of China Railway Ruijingyudou Project	12,560,000.00	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	
Guangzhou Shengde Property Development Co., Ltd.	Non-wholly owned subsidiary	Property owners of Shengde Building Project	205,135,000.00	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. 9 Shenyang Property Development Co., Ltd.	Wholly owned subsidiary	Property owners of China Railway Ruida Plaza Project	270,000.00	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.	Non-wholly owned subsidiary	Property owners of China Railway Yanlanshan Project	25,169,000.00	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 Jinan Hua Yang Nian Hua Project	9,071,351.06	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	138,630,765.02	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 Jinan China Railway Huizhan International Project	88,549,699.58	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 Zibo "Dong Hai Chuan Cheng" 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 Huiyuan Project	41,683,730.47	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.	902,500,000.00	2012-02-13	2012-02-13	2018-09-15	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway Major Bridge Engineering Group Co., Ltd	Wholly owned subsidiary	Yichang Miaozui River Bridge Construction Engineering Co., Ltd.	50,000,000.00	2013-12-20	2013-12-20	2018-12-19	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway Tunnel Group Co., Ltd.	Wholly owned subsidiary	China Shanghai Foreign Trade Co., Ltd	55,312,400.00	2011-12-29	2011-12-29	2014-12-28	Suretyship of joint and several liability	No	No	–	No	No	–
Beijing Noble Real Estate Co., Ltd.	Wholly owned subsidiary	Property owners of Beijing Nobel Center Project	426,160,000.00	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 Nobel International Garden Project	240,070,000.00	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	–
China Railway Construction Engineering Group Shenzhen Investment Co., Ltd	Wholly owned subsidiary	Property owners of Nobel Mingcheng Project	1,140,596,000.00	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	–

VII. 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 Construction Engineering Group Shenzhen Investment Co., Ltd	Wholly owned subsidiary	Property owners of Qingdao Nobel Plaza Project	83,960,000.00	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	–
Shandong China Railway Nobel Property Development Co., Ltd.	Wholly owned subsidiary	Property owners of Shandong Nobel Mingcheng Project	172,206,000.00	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	–
Baotou China Railway Real Estate Development Co., Ltd.	Wholly owned subsidiary	Property owners of Baotou Nobel International Garden	113,430,000.00	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	–
Dalian Zijin Development Co., Ltd.	Wholly owned subsidiary	Property owners of China Railway Hupo Bay	4,980,000.00	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 Jingxu Property Development Co., Ltd.	Wholly owned subsidiary	Property owners of Shengshi Changan Project	205,767,000.00	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 Jingxu Property Development Co., Ltd.	Wholly owned subsidiary	Property owners of Zhongjing Jiangshanfu Project	298,370,000.00	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	–
Beijing Jingxu Property Development Co., Ltd.	Wholly owned subsidiary	Property owners of Weishanfu Project	216,640,938.00	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	–
Hengshui Jingxu Project Development Co., Ltd.	Wholly owned subsidiary	Property owners of Tianxi Xiangyuan Project	108,482,000.00	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 Electrification Group Taizhou Investment Real Estate Co., Ltd	Wholly owned subsidiary	Mortgage owners of Xiyuan Garden	36,665,000.00	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 Electrification Engineering Group Co., Ltd	Wholly owned subsidiary	Nanjin China Railway Electrification Investment Management Co., Ltd.	758,000,000.00	2013-5-30	2013-5-30	2022-12-11	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	940,601,214.50	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 Project	177,024,000.00	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 Guiyang • Yidu International Project	1,740,245,600.00	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	–
Shenyang China Railway Shengfeng Real Estate Co., Ltd.	Wholly owned subsidiary	Property owners of Shengyang Renjie Lake Project	541,600,000.00	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 China Railway West City Project	516,477,000.00	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 Huaxu Meibang Project	4,000,000.00	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	–

VII. 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
Shanghai China Railway City North Investment Development Co., Ltd.	Non-wholly owned subsidiary	Property owners of Central Times Square Project	5,008,000.00	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	–
Beijing China Railway Runfeng Real Estate Development Co., Ltd.	Wholly owned subsidiary	China Railway Huaxidu Project	215,020,000.00	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	–
Jinan China Railway Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of Ji'nan China Railway Yidu International Project	408,766,000.00	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	–
Qinghuangdao China Railway Real Estate Development Co., Ltd.	Wholly owned subsidiary	Property owners of Qinghuangdao Guitizhai Project	154,348,000.00	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	627,500,000.00	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	–
Sanya China Railway Real Estate Co., Ltd.	Wholly owned subsidiary	Property owners of Sanya Ziyuetai Project	83,310,000.00	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	240,690,000.00	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 Industrial Investment Co., Ltd.	Non-wholly owned subsidiary	Property owners of Shuiyingqingcheng Project	1,130,000.00	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	–
Xiamen City China Railway Yuanchang Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of China Railway Yuanchang 2007G27 Project	504,359,000.00	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 Group Co., Ltd.	Wholly owned subsidiary	Property owners of Shenyang Shengfeng Dingxiang Lakeshore Project	130,550,000.00	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	–
Hangzhou China Railway Hefeng Real Estate Co., Ltd.	Wholly owned subsidiary	Property owners of Hangzhou China Railway • Yidu Huayuan Phase I Project	36,980,400.00	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	–
Zunyi Yuanfeng Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of China Railway Gongqinghu Project	85,108,494.43	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 Co., Ltd.	Wholly owned subsidiary	Property owners of Isabella Project	196,903,000.00	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	–
Longlixantewujian Property Development Co., Ltd.	Non-wholly owned subsidiary	Property owners of Baijinggu Project	37,980,000.00	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				–

VII. Material Contracts and Their Performances (continued)

2. Guarantees (continued)

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	7,386,636,032.78
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	17,428,235,928.29
Guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	1,714,887,900.00
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	14,101,719,600.00
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	31,529,955,528.29
Percentage of aggregate guarantee to net assets of the Company (%)	32.57%
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 ratios over 70% (D)	12,570,301,100.00
Excess amount of aggregate guarantee over 50% of net assets (E)	
Aggregate amount of the above three categories (C+D+E)	12,570,301,100.00
Statement on the contingent joint and several liability in connection with unexpired guarantee	
Statement on guarantee	

VII. 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	Cambodia Iron and Steel Mining Industry Group	Phom Penh Railway and Sihanoukville Port Project of Cambodia	2012-12	6,024,126	72 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 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 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	Shenzhen Metro Group Co., Ltd.	BT Project of Shenzhen City Railway Line 11	2012-06	2,555,000	48 months
2	China Railway	Shenyang Department of Transportation	Construction of Shenyang Fourth Ring Highway - BT Project	2011-05	770,000	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

VII. 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

VII. 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	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 Turnout & 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
3	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
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
3	China Railway Shanhaiguan Bridge	Guangzhou Metro Guangdong Co., Ltd.	Xiamen-Shenzhen Railway	2010-04	34,288	42 month
Construction 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
3	China Railway Turnout & Bridge	Tonglingjing Lake Property Development Co., Ltd.	Manufacturing, transportation and installation contract of tourist line track and flyover of Tonglingjing Lake	2012-09	3,125	6 months

VII. 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	China Railway • Huaxu Meibang	Qingdao, Shandong	Residential	53.45
5	Dalian Nobel Binhai Garden	Dalian, Liaoning	Residential	52.09

(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

VII. Material Contracts and Their Performances (continued)

3. Other material contracts (continued)

(5) Other businesses (continued)

Material contracts signed during the reporting period:

(1) Infrastructure construction business

No	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway Major Bridge Engineering	Fujian Fupin Railway Co., Ltd.	New Fuzhou-Pingtan railway pre-construction stage FPZQ-3 Section	2013-10	879,909	2,007 calendar days
2	China Railway No. 1 Engineering	Zhengxi Passengers Railway Co., Ltd.	New Zhengzhou-Xuzhou passenger railway line ZXZQ-6 Section	2013-01	367,356	48 months
3	China Railway Electrification Engineering	Jinyulu Railway Passage Co., Ltd.	System integration of new railway channel of Central-south of Shanxi (including Linxian North to Mengmen section of Luliang to Linxian (Mengmen) railway) and related engineering ZNZH-1 Section	2013-09	344,892	396 calendar days
Highway						
1	China Railway No.10 Engineering	Guangdong Zhaohui Highway Co., Ltd.	Chaozhou, Guangdong Province to Huizhou Expressway project Mark TJ1	2013-07	182,600	39 months
2	China Railway No.5 Engineering	Qinghai Province Huashixia Highway Co., Ltd.	Chengdu, Qinghai Province to Huashixia Xiangride Road to Jiuzhi (Provincial Boundary) section of highway engineering DJ16 and HD6Tenders	2013-07	127,681	1,188 calendar days
3	China Railway No.1 Engineering	Guangxi Guidong Highway Co., Ltd.	Wuzhou, Guangxi to Liuzhou Expressway Project No. A01-9	2013-07	109,458	24 months
Municipal Works						
1	China Railway No. 4 Engineering	Guangdong Pearl River Delta Rail Transport Co., Ltd.	Pre-contruction proddct Kwong-ching intercity railway north to Guangzhou to Qingyuan section	2013-09	275,746	38 months
2	CRECG	Lanzhou East Friendship Trading Co., Ltd.	Maryland International Trade Center construction project	2013-08	136,179	646 calendar days
3	China Railway Major Bridge Engineering	Wuhan Tianxingzhou Road & Bridge Investment Development Co., Ltd.	Ink Hubei Road (Longyang Road-River City Avenue) Construction Contract	2013-07	87,500	16 months

VII. Material Contracts and Their Performances (continued)

3. Other material contracts (continued)

(5) Other businesses (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 Consultancy	Shaanxi Yulin Coal Distribution Group Co., Ltd.	Jingbian to Shenmu railway transportation channels	2013-04	11,316	Date of completion of construction
2	China Railway Consultancy	Inner Mongolia Guxing Railway Co., Ltd.	New local railway line from Zalantun to Arxan	2013-01	10,000	Date of completion of construction
3	China Railway Eryuan Engineering	China Rwailway Managing Department of Railway Project in Addis Ababa-Mieso	Supplemental Contract of survey and design contracting of Sebeta-Adama-Mieso EPC for Addis Ababa-Djibouti Railway Project (Sections 1 and 2)	2013-03	5,331	48 months

(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 Science and Technology Engineering	Guizhou Expressway Co., Ltd.	Production of Beipanjiang Steel Truss Bridge of Bijie, Guizhou Province to Duge highway	2013-09	31,175	28 months
2	China Railway Turnout & Bridge	Yunnan Longjiangte Bridge Construction Headquarter	Production of steel box girder of Yunnan Longjiang Bridge and inspection vehicles	2013-10	22,450	21 months
Turnout						
1	China Railway Shanhaiguan Bridge	Chengyu Passenger Railway Line Co., Ltd	New Chengdu-Chongqing Railway Passenger Dedicated Line Project	2013-06	27,891	16 months
2	China Railway Turnout & Bridge	Beijing-Fuzhou Min-Gan Railway Line for Passenger Transport Co., Ltd	Contract for the procurement of materials of Keifuku, Fujian and Jiangxi Railway A	2013-01	19,399	22 months
Construction Machinery						
1	China Railway Engineering Equipment	China State Civil Engineering Construction Co., Ltd.	Shield procurement contracts	2013-06	8,670	8 months
2	China Railway Engineering Equipment	China Construction Fifth Engineering Bureau Co., Ltd.	Shield procurement contracts	2013-02	8,376	8 months

VII. Material Contracts and Their Performances (continued)

3. Other material contracts (continued)

(5) Other businesses (continued)

(4) Property development business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	Changchun West Lake Project	Jilin, Changchun	Residential	51
2	China Railway Tixiangjun Project	Xi'an, Shaanxi	Residential	38
3	Tianjin Nobel Garden Project	Tianjin	Residential	21

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%

VII. 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	2015	100%
China Railway West City	Hua Dong San Lu, Qing Yang District, Chengdu	Residential	192,010	526,119	Under construction	2015	80%
Qingdao City Center	No. 8B Hong Kong Middle Road, Qingdao City	Office, Commercial	18,200	338,100	Completed	–	92%
Bairuijing Central Living Area	No. 586 Wu Luo Road, Wuchang District, Wuhan City	Residential	528,000	1,060,000	Under construction	2015	67%
China Railway Yidu International	No.1 North Part Jinyang Avenue, Jinyang District, Guiyang	Residential	1,060,000	2,306,000	Under construction	2015	80%
China Railway Yidu International City	East of Feng Huang Lu, Dahanyu Neigbourhood, Gaoxin District, Jinan	Residential	192,517	960,800	Under construction	2017	60%

VIII. 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 business that competes, or is 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.

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

IX. Appointment and Removal of Auditors

Unit: Ten Thousand Currency: RMB

	Former appointment	Recent appointment
Name of domestic auditors	Deloitte Touche Tohmatsu CPA LLP	Deloitte Touche Tohmatsu CPA LLP
Remuneration of domestic auditors	4,050	4,050
Term of domestic auditors	6 years	7 years
Name of international auditors	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
Remuneration of international auditors	250	250
Term of international auditors	6 years	7 years

	Name	Remuneration
Auditor for internal control audit	Deloitte Touche Tohmatsu CPA LLP	260

X. 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

XI. 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

XII. Convertible Corporate Bonds

Not applicable

XIII. Other Significant Events

There was no significant event during the report period.

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1	the Company, China Railway:	China Railway Group Limited
2	the Group:	the Company and its subsidiaries
3	CRECG:	China Railway Engineering Corporation
4	BT:	"Build-Transfer" mode
5	BOT:	"Build-Operate-Transfer" mode
6	turnout:	A module used in railway, where a single track is changed into two tracks, to move the track and change the route

COMPANY INFORMATION

Directors

Executive Directors
LI Changjin *(Chairman)*
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*

Authorised Representatives

YAO Guiqing
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)*
YAO Guiqing
HAN Xiuguo
HE Gong
GONG Huazhang

Nomination Committee

LI Changjin *(Chairman)*
YAO Guiqing
HE Gong
GONG Huazhang
WANG Taiwen

Safety, Health and Environmental Protection Committee

LI Changjin *(Chairman)*
YAO Guiqing
HAN Xiuguo
HE Gong
SUN Patrick

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Auditors

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Legal Advisors

For PRC Law

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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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