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 2011

Railway Construction

Completed a total track laying length of railway main lane of 5,697 kilometers in 2011

Highway Construction

Completed a total length of highway construction of 1,125 kilometers in 2011

Municipal Works

Completed a total length of light railways and subway lines construction of 188 kilometers in 2011

New Contracts

New contracts entered into in 2011 reached RMB 570.8 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 on 3 December 2007 and 7 December 2007 respectively.

We are one of the largest multi-functional integrated construction group in the PRC and Asia in terms of aggregate engineering contract income, and rank 95 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.

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 2011	2010 (Restated)	2009 (Restated) RMB million	2008	2007	Change 2011 vs 2010 (%)
Revenue						
Infrastructure Construction	**392,540**	416,513	314,136	211,406	168,562	–5.8
Survey, Design and Consulting Services	**8,926**	9,279	7,007	4,745	3,394	–3.8
Engineering Equipment and Component Manufacturing	**11,147**	12,210	9,236	7,169	5,193	–8.7
Property Development	**17,135**	11,945	5,535	3,966	3,282	43.4
Other Businesses	**42,211**	32,535	17,676	11,429	8,122	29.7
Inter-segment Eliminations and Adjustments	**(29,743)**	(26,320)	(19,515)	(13,686)	(11,162)	13.0
Total	**442,216**	456,162	334,075	225,029	173,391	–3.1
Gross Profit	**32,253**	27,143	20,446	16,495	12,732	18.8
Profit before Taxation	**9,998**	10,548	8,608	2,300	3,384	–5.2
Profit for the Year	**7,240**	8,211	7,322	1,669	2,835	–11.8
Profit for the Year Attributable to Owners of the Company	**6,690**	7,398	6,809	1,350	2,488	–9.6
Basic Earnings per Share (RMB)	**0.314**	0.347	0.320	0.063	0.186	–9.5

Summary of consolidated statement of financial position

	As at 31 December 2011	2010 (Restated)	2009 (Restated) RMB million	2008	2007	Change 2011 vs 2010 (%)
Assets						
Current Assets	**360,099**	298,732	238,066	193,137	172,242	20.5
Non-current Assets	**108,461**	92,867	76,768	59,604	44,083	16.8
Total Assets	**468,560**	391,599	314,834	252,741	216,325	19.7
Liabilities						
Current Liabilities	**305,572**	264,980	211,469	166,302	136,520	15.3
Non-current Liabilities	**81,809**	52,501	36,400	25,447	20,064	55.8
Total Liabilities	**387,381**	317,481	247,869	191,749	156,584	22.0
Total Equity	**81,179**	74,118	66,965	60,992	59,741	9.5
Total Equity and Liabilities	**468,560**	391,599	314,834	252,741	216,325	19.7

Note: The Company has accounted for the acquisition of Henan Pingzheng Expressway Development Co., Ltd. ("HEDCL") as a combination of businesses under common control in a manner similar to pooling-of-interests since the directors of the Company consider that the Company and HEDCL are under the common control of CRECG (as detailed and defined in Note 2 to the consolidated financial statements). Accordingly, the consolidated financial statements for the years ended 31 December 2009 and 2010 have been restated to include the operating results, assets and liabilities of HEDCL.

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

I am pleased to present the 2011 annual report of China Railway Group Limited on behalf of the Board of Directors.

In 2011, through the hard work and dedication of our people throughout the ranks, the Group successfully overcame the many daunting challenges presented during the year amidst a fluid economic environment around the world and a depressed railway construction market. Guided by our corporate philosophy of scientific development, the Group set itself a key undertaking during the year by laying out a concerted effort to fortify its constitution, bolster its foundation and strengthen its management in our relentless pursuit of excellence. Dealing head on with various critical situations and major challenges, we made prompt adjustment to our business plan and stepped up the supervision of all construction work and investment and financing efforts. Through making continued improvement in the management of budget and cash, and thanks to the "Four Initiatives" on enhancing quality and safety, we were able to further deepen the development of our internal control framework and turned in some hard-won achievements. We are honored to have been ranked No. 95 in the prestigious Fortune Global 500 in 2011, up 42 places from 2010, and No.1 in the engineering and construction category.

Financial Results

The value of new contracts entered into by the Group in 2011 was RMB570.8 billion, representing a decrease of 22.4% over 2010. Total revenue amounted to RMB442.216 billion, representing a decrease of 3.1% over 2010. Profit for the year attributable to owners of the Company decreased by 9.6% year-on-year to RMB6.690 billion. Profit for the year attributable to owners of the Company after deduction of non-recurrent profit and loss items (such as government subsidies, profit and loss resulting from restructuring etc.) was RMB6.313 billion, representing a decrease of 3.21% over the same period of last year.

Chairman's Report *(continued)*

Business Development

In 2011, against the backdrop of a challenging business environment, we persevered with our practice of making plans and orchestrating deployment and arrangement well in advance. We were resolute in pressing ahead under the policy direction of being determined in development, change in operating thinking, innovative in operational deployment, adjustment in operating strategy and uncompromising in operational excellence, we wasted no time to speed up our expansion into market segments such as roads, municipal services, urban rail transit, housing construction and overseas market development. Through the joint efforts of all our staff members, we managed to deliver good business results with all business divisions posting steady growth and stabilized the situation. Vertically, we enhanced the coordinated development of "upstream, middle-stream and downstream" construction industry. Horizontally, we established a sound operation platform for our principal business in infrastructure construction, as well as the synergetic development of related businesses.

With regard to the infrastructure construction business, as the investment in railway construction market shrank and railway bids decreased severely, the value of new railway contracts decreased by 76% year-on-year. Still, the non-railway market was able to sustain relatively good growth. The value of new contracts entered into by the Group decreased by 33.4% year-on-year to RMB412.56 billion in 2011. According to the industry data compiled by the Company during the year, our share of the railways, highways and urban rails markets were approximately 50.6%, 12.6% and 53.4% respectively, while our share in the municipal works and property construction markets also increased significantly. Reliance on the railway market of the Group decreased significantly as a result of decisive adjustments in our business strategies. In 2011, we made smooth progress on a number of domestic and overseas key construction projects, such as Beijing-Shanghai high-speed railway, Guangzhou – Shenzhen section of Guangzhou-Shenzhen-Hong Kong high-speed rail passenger railway, Taiyuan-Zhongwei-Yinchuan railway project, electrification project of Qinghai-Tibet railway Xining-Golmud second line, Shenzhen Metro Line 4 and Line 5, Beijing Subway Line 5 and Line 15, Xi'an Metro Line 2, Qingdao Jiaozhou Bay Bridge and Jiaozhou Bay Cross-harbor Tunnel, Yulin-Shenmu highway, Morocco East-West highway, Kenya Airport, all of which have become operational. The No. 4 diversion tunnel Yalong River Jinping II Hydropower Station, which is the world's largest group of hydraulic tunnels, has been tunneled through. A large number of contracted and BT projects such as Harbin-Dalian passenger railway, Beijing-Shijiazhuang passenger railway, Shenyang fourth ring road expressway, Zhengzhou Subway Line 2, Kunming Rail Transit, Wuhan Yingwuzhou Yangtze River Bridge, Algerian Stadium, and Independence Hall of Dar es Salaam, Tanzania are in smooth progress. All of the above fully reflect the market competitiveness and effectiveness of the diversified development of the Group in infrastructure construction business.

In the area of the survey, design and consulting services business, the value of new contracts entered into by the Group increased by 10.3% year-on-year to RMB10.35 billion in 2011. During the year, the Group continued to maintain competitiveness in the industry in design and consulting services of various projects which included railway projects based on high speed railway line, passenger railway line and complex mountainous areas, urban rail transit and highway projects, municipal works of bridge projects and overseas railway projects. Development of the business has been smooth.

In respect of the engineering equipment and component manufacturing business, the value of new contracts entered into by the Group increased by 11.2% year-on-year to RMB16.41 billion in 2011. During the year, the Group overcame the adverse impact of the slowdown in growth in the domestic transportation equipment manufacturing industry, and enhanced its product research and development efforts. We actively explored the markets for large bridge steel structures, passenger railway and high-speed turnouts etc., and vigorously improved the production capacity and sales of shields, in order to maintain growth in the engineering equipment and component manufacturing business of the Group.

As for the property development business, in 2011, faced with the continuing tightening measures in the real estate market, the Group responded proactively by making greater efforts in sales and promotion and accelerating the development of the existing projects. The Group's real estate projects such as Shanghai China Railway Times Square, Guiyang China Railway Yidu International, Chengdu Xinjie, Xi'an South County, Wuhan Bairuijing Central Business District etc., all recorded satisfactory results. During the year, revenue from property development business of the Group increased by 43.4% year-on-year to RMB17.135 billion.

Chairman's Report *(continued)*

With regard to other businesses, leveraging the existing business platform, the Group actively engaged in BOT for highways, exploitation of mineral resources, materials trade and finance etc. In 2011, the operation of the BOT for highways invested and constructed by the Group had been steady and revenue continued to trend upwards, reaching RMB1.359 billion. Operation of the mineral resources exploration and construction business continued to be stable, generating an annual revenue of RMB1.628 billion. The materials trade of the Group continued to grow following the launch of the bulk materials procurement business, generating an annual revenue of RMB33.225 billion. The finance business grew rapidly benefiting from the tightened monetary policy of the State, generating an annual revenue of RMB1.023 billion.

In 2011, through improvement in technological prowess, the Group adopted a substantial number of new techniques, new processes, new materials and new equipment to improve the quality of its construction products. The investment in research and development by the Group was approximately RMB9.7 billion. During the year, the Group was the winner of 16 Luban Prizes of China State Construction, 6 China National Quality Engineering Awards, 5 Civil Engineering Zhantianyou Awards, 54 Locomotive high-quality projects, and 11 State outstanding engineering survey and design awards. The Group was also awarded 5 National Prize for Progress in Science and Technology, passed 38 national examination on engineering methods, established 2 new state level accredited enterprise technology centers (6 in total), 2 new postdoctoral workstations (6 in total), and was granted with 519 valid patent rights (146 of which were invention patents). Meanwhile, the Group made new progress on the building of two national laboratories concerning high-speed railway construction and shield and boring technologies, representing a significant breakthrough in the Group's endeavors in research and development and innovation.

Corporate Governance

During the reporting period, the Group continued to be in strict compliance with relevant laws and regulations such as the Company Law and the Securities Law as well as the regulations of relevant authorities in Hong Kong and the PRC in its operation, enabling it to be more coordinated, orderly and effective. Shareholders' general meetings, board of directors meetings and supervisory committee meetings of the Company were carried out in accordance with relevant laws and regulations. Furthermore, the Board endeavored to execute internal control construction and genuinely carried out its duties in information disclosure by actively developing an investor relations platform. All these initiatives have contributed to the effective protection of the Group's corporate image in terms of compliance, integrity and transparency in the capital markets. During the year, the Company was honored with various prestigious awards and accolades within the investment community, such as "Excellent Board of Directors", "Top 100 Listed Companies in China", "2011 Best Corporate Governance", "Golden Bull Award", "Golden Tripod Award", "Corporate Governance Award of Greater China", "China Investor Relations Website Award", "Best Management Team" and "the Listed Company Most Welcomed by Investors in China and Hong Kong". The Group was also voted a "World 500 Green Enterprises" for the first time. In addition, it was ranked No. 1 among the world's 200 largest construction companies according to International Construction (UK), and No. 9 on the 2011 Social Responsibility Ranking of China State-owned Listed Enterprises.

Chairman's Report *(continued)*

Outlook

In 2012, the theme of the economic and social development plan put forward by the Central Government is to "seek progress while maintaining stability". At the core of this plan is to "ensure steady growth, control commodity prices, adjust structures, benefit the community, focus on reform and promote harmony". Overall, the nation's economic development is still in a crucial phase marked by strategic opportunities. However, the domestic economy remains to be beset by a whole host of issues and problems such as imbalanced economic development, and un-coordinated and unsustainable development. Furthermore, competition in the international market is set to intensify with growing instability and uncertainty. A market environment that is even more complex and challenging is ahead of us, posing greater pressure and challenges for the development of the Group. In evaluating the new situation and the task ahead of us, the Group has carried out a serious, comprehensive, scientific and thorough analysis of the market situation. Following which, the Group has set itself the key task for the year, which is to "ensure development, adjust structure, enhance management and promote stability", in order to enable the Group to seize production and management opportunities in an effort to achieve comprehensive, coordinated and sustainable development for the creation of greater shareholder value.

Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders and the general public for their concerns and support, and thank all of our employees for their selfless devotion and hard work in the past year.

LI Changjin
Chairman

Beijing, the PRC
30 March 2012

Changes in Share Capital and Information on Shareholders

1. Changes in Share Capital

(1) During the reporting period, there was no change in share capital and shareholding structure of the Company.

Unit: Shares

	Before movement		Increase/decrease (+/–)					After movement	
	Number of Shares	Percentage (%)	New Issue	Bonus Issue	Conversion from Reserves	Others	Sub-total	Number of Shares	Percentage (%)
(1) Shares with selling restrictions									
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. Shares held by state-owned legal persons	0	0	0	0	0	0	0	0	0
3. Shares held by other domestic investors	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
Of which:									
Shares held by domestic non-state-owned legal persons	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
Shares held by domestic natural persons	0	0	0	0	0	0	0	0	0
4. Shares held by foreign investors	0	0	0	0	0	0	0	0	0
Of which:									
Shares held by foreign legal persons	0	0	0	0	0	0	0	0	0
Shares held by foreign natural persons	0	0	0	0	0	0	0	0	0
Total number of shares with selling restrictions	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
(2) Tradable shares without selling restrictions									
1. RMB-denominated ordinary shares	16,625,010,000	78.05	0	0	0	0	0	16,625,010,000	78.05
2. Domestic listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign shares	4,207,390,000	19.75	0	0	0	0	0	4,207,390,000	19.75
4. Others	0	0	0	0	0	0	0	0	0
Total number of tradable shares without selling restrictions	20,832,400,000	97.8	0	0	0	0	0	20,832,400,000	97.8
(3) Total	21,299,900,000	100	–	–	–	–	–	21,299,900,000	100

(2) Details of Changes in Shares with Selling Restrictions

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

Changes in Share Capital and Information on Shareholders *(continued)*

2. Issue of Securities and Listing

(1) Issue of Securities over the Past Three Years

Unit: Shares Currency: RMB

Category of stock and its derivative securities	Issue date	Offer price	Number of shares issued	Date of listing	Number of approved tradable shares	Termination date
Shares						
A Shares	21 November 2007	RMB4.80 per share	4,675,000,000	3 December 2007	3,272,450,000	–
H Shares	23 November 2007	HK$5.78 per share	4,207,390,000	7 December 2007	3,658,600,000	–
				14 December 2007	548,790,000	–
Corporate bonds						
Corporate bonds	27 January 2010	100	10,000,000	3 March 2010	10,000,000	27 January 2015
	27 January 2010	100	50,000,000	3 March 2010	50,000,000	27 January 2020
	19 October 2010	100	35,000,000	3 November 2010	35,000,000	19 October 2025
	19 October 2010	100	25,000,000	3 November 2010	25,000,000	19 October 2020

In November 2007, the Company carried out its initial public offering of 4,675,000,000 A Shares at the offer price of RMB4.80 each, and such A Shares were listed on the Shanghai Stock Exchange on 3 December 2007. Upon completion of the offering of such A Shares, the total issued share capital of the Company amounted to 17,475,000,000 shares, of which CRECG held 12,800,000,000 shares, accounting for 73.25% of the total issued share capital of the Company and the public shareholders held 4,675,000,000 shares, representing 26.75% of the total issued share capital of the Company.

In November 2007, the Company, by means of the global offering and the Hong Kong public offering, carried out its initial public offering of 4,207,390,000 H Shares (upon the exercise of the over-allotment option) at the offer price of HK$5.78 each, which included 382,490,000 state-owned shares simultaneously disposed by CRECG. Upon completion of the offering of such H Shares, the total issued share capital of the Company amounted to 21,299,900,000 shares, of which CRECG held 12,417,510,000 A Shares, representing 58.30% of the total issued share capital of the Company, the public shareholders of A shares held 4,675,000,000 shares, representing 21.95% of the total issued share capital of the Company; and the shareholders of H Shares held 4,207,390,000 H Shares, representing 19.75% of the total issued share capital of the Company.

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

(2) Changes in the Total Issued Share Capital and Shareholding Structure of the Company

There were no changes during the reporting period.

(3) Details of Shares Held by Company's Employees

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

Changes in Share Capital and Information on Shareholders *(continued)*

3. Information on Shareholders and Ultimate Controller

(1) Total number of shareholders at the end of the reporting period

At the end of the reporting period, the Company had a total of 772,580 shareholders, of which 745,046 were holders of A Shares (including CRECG) and 27,534 were holders of H Shares. As at 29 February 2012, the total number of shareholders was 768,700.

(2) Shareholdings of the top ten shareholders

Unit: Shares

Number	Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Increase/ decrease during the reporting period	Number of shares with selling restrictions	Number of pledged or frozen shares
1	CRECG	State-owned	56.10	11,950,010,000	0	0	0
2	HKSCC Nominees Limited (note 1)	Other	19.42	4,135,963,217	–9,842,343	0	0
3	No. 3 Transfer Account of National Council for Social Security Fund	Other	2.20	467,500,000	0	467,500,000	0
4	China Construction Bank Co., Ltd. – Changsheng Tongqing Separately Traded Equity Securities Investment Fund	Other	0.23	49,999,933	+49,999,933	0	0
5	Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund	Other	0.13	28,058,651	–1,335,411	0	0
6	Bill and Melinda Gates Foundation Trust	Other	0.12	25,000,090	+5,000,000	0	0
7	Maanshan City Changtai Investment Centre (general partner)	Other	0.10	22,104,600	+22,104,600	0	0
8	Guotai Junan Securities Co., Ltd. – Client Credit Trading Guarantee Securities Account	Other	0.08	18,060,987	+12,384,076	0	0
9	UBS AG	Other	0.08	18,038,127	+1,053,566	0	0
10	Guotai Junan – CCB – HSBC	Other	0.08	17,554,624	–1,184,058	0	0

Statement on the connected relations and concerted actions between the shareholders above	CRECG, the controlling shareholder, does not have connected relations or perform concerted actions with the above other 9 shareholders. Guotai Junan Securities Co., Ltd. – Client Credit Trading Guarantee Securities Account and Guotai Junan – CCB – HSBC are different accounts which are managed by Guotai Junan Securities Co., Ltd. Save as disclosed above, the Company is not aware of any connected relationships or concerted action relationships between the above shareholders.

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

Note 2: The numbers shown in the table are based on the register of members as at 31 December 2011.

Changes in Share Capital and Information on Shareholders *(continued)*

(3) Shareholdings of the top ten shareholders without selling restrictions

Unit: Shares

	Name of shareholder	Number of shares held without selling restrictions	Type of shares
1	CRECG	11,950,010,000	RMB-denominated ordinary shares
2	HKSCC Nominees Limited (note 1)	4,135,963,217	Overseas listed foreign shares
3	China Construction Bank Co., Ltd. – Changsheng Tongqing Separately Traded Equity Securities Investment Fund	49,999,933	RMB-denominated ordinary shares
4	Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund	28,058,651	RMB-denominated ordinary shares
5	Bill and Melinda Gates Foundation Trust	25,000,090	RMB-denominated ordinary shares
6	Maanshan City Changtai Investment Centre (general partner)	22,104,600	RMB-denominated ordinary shares
7	Guotai Junan Securities Co., Ltd. – Client Credit Trading Guarantee Securities Account	18,060,987	RMB-denominated ordinary shares
8	UBS AG	18,038,127	RMB-denominated ordinary shares
9	Guotai Junan – CCB – HSBC	17,554,624	RMB-denominated ordinary shares
10	Founder Securities Co., Ltd. – Client Credit Trading Guarantee Securities Account	17,006,758	RMB-denominated ordinary shares

Statement on the connected relations and concerted actions between the shareholders above	CRECG, the controlling shareholder, does not have connected relations or perform concerted actions with the above other 9 shareholders. Guotai Junan Securities Co., Ltd. – Client Credit Trading Guarantee Securities Account and Guotai Junan – CCB – HSBC are different accounts which are managed by Guotai Junan Securities Co., Ltd. Save as disclosed above, the Company is not aware of any connected relationships or concerted action relationships between the above shareholders.

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

Note 2: The numbers shown in the table are based on the register of members as at 31 December 2011.

Changes in Share Capital and Information on Shareholders *(continued)*

(4) Number of shares held by and selling restrictions of the top ten shareholders with selling restrictions

Unit: Shares

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

Note: According to the "implementation measure for the transfer of part of the state-owned shares to the Social Security Fund in domestic securities market" jointly promulgated by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund, in respect of transferred state-owned shares, the National Council for Social Security Fund will extend the lock-up period for a further three years from the expiry of the statutory and voluntarily promised lock-up periods of the previous state-owned shareholder that it takes over.

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

None of the strategic investors or general legal persons becomes the top ten shareholders by placing of new shares during the reporting period.

(6) Changes in the controlling shareholder and the ultimate controller

1. Details of controlling shareholder and ultimate controller

Controlling shareholder – China Railway Engineering Corporation

CRECG is a super-scale central enterprise group supervised by State-owned Assets Supervision and Administration Commission of the State Council established on 7 March 1990 with its headquarter in Beijing. In September 2007, CRECG restructured by injecting the major scope of business and related assets, and employees into China Railway and established the China Railway Group Limited as the sole promoter. At present, CRECG is holding 11,950,010,000 shares of China Railway Group Limited representing 56.1% of the shares.

Ultimate controller – State-owned Assets Supervision and Administration Commission of the State Council

State-owned Assets Supervision and Administration Commission of the State Council is the ministry-level organization directly under the State Council which 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. Under authorization of the State Council, State-owned Assets Supervision and Administration Commission of the State Council performs its duties as an investor on behalf of the State. The scope of supervision of State-owned Assets Supervision and Administration Commission of the State Council extends to the state-owned assets of central government owned enterprises (excluding financial enterprises). Currently, State-owned Assets Supervision and Administration Commission of the State Council is holding 100% of the shareholding of CRECG.

Changes in Share Capital and Information on Shareholders *(continued)*

2. Controlling shareholder

Name of controlling shareholder:	China Railway Engineering Corporation
Legal representative:	LI Changjin
Date of establishment:	7 March 1990
Registered capital:	RMB10,814,925,000
Registered address:	No. 1 Xinghuo Road, Fengtai District, Beijing
Principal business:	Construction works, related engineering technological research, survey, design, services, manufacturing of specialized equipment and development and operation of real estate.

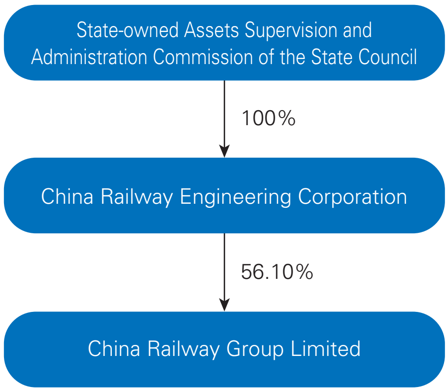
3. Ultimate controller

The ultimate controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

4. Changes in the controlling shareholder and the ultimate controller

There were no changes in the controlling shareholder and the ultimate controller of the Company during the reporting period.

5. The interests and controlling relationships between the Company and the ultimate controller



(7) Other legal person shareholders with shareholding of over 10%

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

Business Overview

BAI Zhongren
Executive Director and President

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

For the year of 2011, the Group recorded operating revenue of RMB442.216 billion, representing a year-on-year decrease of 3.1%; the value of new contracts amounted to RMB570.80 billion, representing a year-on-year decline of 22.4%. As of 31 December 2011, the Group's contract backlog reached RMB1,058.079 billion, representing a year-on-year increase of 9.5%.

1. Industry Development Overview

(1) Infrastructure Construction Business

In 2011, infrastructure construction investment by the MOR of RMB461.1 billion was completed, representing a decline of RMB246.4 billion or 34.8% as compared to RMB707.5 billion in 2010.

From January to November 2011, the State's highway construction investment accumulated to RMB1,140.93 billion, representing an increase of RMB101.35 billion or 9.7% as compared to RMB1,039.58 billion from January to November 2010.

(2) Survey, Design and Consulting Services Business

Affected by the decrease in the amount of infrastructure investment, the development of the State's survey, design and consulting services business industry also slowed down in 2011.

(3) Engineering Equipment and Component Manufacturing Business

Affected by the State's macroeconomic policies and railway construction, the growth rate of transportation equipment manufacturing industry in 2011 was lower than that in 2010. The growth rate of industrial value-added output related to the State's transportation equipment manufacturing industry was 12.0% (2010: 22.4%).

Business Overview *(continued)*

(4) Property Development Business

Investment in the State's property development in 2011 was RMB6,174.0 billion, an increase of 27.9% over the previous year, among which, investment in residential building accounted for RMB4,430.8 billion, an increase of 30.2%; investment in office building accounted for RMB254.4 billion, an increase of 40.7%; investment in commercial business space accounted for RMB737.0 billion, an increase of 30.5%. 4.32 million units of national urban social welfare housing were completed in 2011, with 10.43 million units to be commenced. The Central Treasury allocated RMB171.3 billion to fund social welfare housing in 2011, which was 2.2 times as much as that in 2010.

2. Business Development Overview

(1) Infrastructure Construction Business

In 2011, the continuous control on domestic macro economy resulted in adjustment on the investment scale and construction standard of certain projects of railway construction which exerted unprecedented pressure on construction progress and quality. Affected by adverse factors such as a significant dip in new railway tender projects, funding pressure of projects under construction and delay or suspension of projects, the Group timely adjusted its business layout by actively pursue non-railway projects and participate in overseas market, which was able to effectively lower the dependence on the railway market. In 2011, revenue from the Group's infrastructure construction business was RMB392.54 billion, representing a year-on-year decrease of 5.8%; the Group's value of new contracts hit RMB412.56 billion, albeit value of new contracts for the railway market dropped by 76%. As at 31 December 2011, the Group's contract backlog of the infrastructure construction business was RMB898.57 billion, up 3.4% on year-on-year basis.

1. Railway Construction

In 2011, the Group completed new railway construction contracts of RMB97.56 billion, representing a year-on-year decline of 76%, which accounted for approximately 50.6% of the market share. The Group completed track laying of 5,697 kilometers of main railway line (new tracks and double-track) and 6,847 kilometers of the main line of the electrified railway network in total. Railway projects constructed by the Group such as Beijing-Shanghai high speed railway, electrified project for additional second line from Xining to Golmud of the Qinghai-Tibet Railway, Guangzhou-Shenzhen Section of the Guangzhou-Shenzhen-Hong Kong high speed railway passenger line, Taiyuan-Zhongwei-Yinchuan Railway commenced operation. Passenger lines constructed by the Group, such as Shi Jiazhuang-Wuhan, Hangzhou-Ningbo and Chengdu-Jiangyou-Lechuan as well as railway projects such as Lanzhou-Urumqi, Lanzhou-Chongqing, Nanning-Guangzhou and coal mine dedicated railway line in Indonesia proceeded smoothly.

2. Highway Construction

In 2011, the Group achieved remarkable results in highway construction. The value of new contracts amounted to RMB93.93 billion, representing a year-on-year growth of 22.9% and accounting for approximately 12.6% of the market share in highway market. The Group had completed highway construction totaling 1,125 kilometers, of which 748 kilometers were expressways. Xitong Expressway, Jilin Jicao Expressway, Suifenhe – Mudanjiang Expressway, Qingdao Jiaozhou Bay sea-crossing bridge and Jiaozhou Bay Undersea Tunnel have commenced operation successfully in 2011.

Business Overview *(continued)*

3. **Municipal Works and Other Construction**

With the acceleration of urbanization in the PRC, the urban rail transportation were constantly growing, the Group continued to make greater efforts on developing municipal engineering projects in 2011 and has achieved favorable economic benefits. In 2011, the value of new contracts for municipal works and other construction projects amounted to RMB221.07 billion, representing a year-on-year growth of 62.4%, of which the Group's market share in the urban rail transportation projects nationwide reached approximately 53.4%. In 2011, the Group completed the land construction of 161.1 kilometers of city light rails and subways and laid 188 kilometers of tracks in total. Shenzhen Subway Line 4 and Line 5, Beijing Subway Line 5 and Line 15, Xi'an Subway Line 2, construction of which the Group participated in, were officially launched. General construction and BT projects such as Zhengzhou Subway Line 2, expressway of Shengyang Forth Ring Road, Kunming Subway, Wuhan Yingwuzhou Yangtze River Bridge, Guizhou Longli Recreation Centre and Jiangmen Jiangshun Bridge proceeded in an orderly way.

(2) Survey, Design and Consulting Services Business

Leveraging on our enriched experience in survey, design and consulting services and leading technologies in the industry, the Group continued to strengthen its leading position in the industry. In 2011, the Group's revenue on survey, design and consulting services business was RMB8.926 billion, representing a year-on-year decline of 3.8%; the value of new contracts amounted to RMB10.35 billion, representing a year-on-year growth of 10.3%. As at 31 December 2011, the Group's contract backlog of the survey, design and consulting services business was RMB14.46 billion, representing a year-on-year growth of 18.3%. In 2011, the Group provided survey, design and consulting services for the following projects: high-speed railways, passenger railways and railway construction projects in complex mountainous areas such as Yunnan-Guilin, Guiyang-Guangzhou, Nanning-Guangzhou, Beijing-Zhangjiakou, Dali-Ruili, Chongqing-Lichuan and channels in south central of Shanxi Province; urban rail transportation projects in areas such as Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Zhengzhou, Nanjing and Changsha; bridge engineering projects such as the combined highway and railway Huanggang Yangtze River Bridge, Anqing Yangtze River Bridge, Ma Anshang highway Yangtze River Bridge and Wuhan Erqi Yangtze River Bridge; expressway projects such as Chengdu-Zigong-Luzhou Expressway and Chengdu-Anyue-Chongqing Highway as well as international engineering projects such as railway projects in Venezuela, Ethiopia and Kunming(China)-Vientiane(Laos).

(3) Engineering Equipment and Component Manufacturing Business

In 2011, revenue from the Group's engineering equipment and component manufacturing business was RMB11.147 billion, representing a year-on-year decline of 8.7%; the value of new contracts amounted to RMB16.41 billion, representing a year-on-year growth of 11.2%. As at 31 December 2011, the Group's contract backlog of the engineering equipment and component manufacturing business was RMB11.25 billion, representing a year-on-year growth of 29.2%. In 2011, the Group remained specific industrial competitiveness in engineering equipment manufacturing, large bridge steel structures, and high-speed passenger line turnout, while shield manufacturing capacity and producing scale of the Group both grew substantially, with manufacturing capacity reaching 20 sets of shields and more. In 2011, 15 sets of shields/TBM were produced and manufactured and purchase order for 18 sets of shields/TBM were entered into.

(4) Property Development Business

In 2011, revenue from the Group's property development business was RMB17.135 billion, representing a year-on-year growth of 43.4%. Property projects such as Shanghai China Railway Times Square, Guiyang China Railway Yidu International, Chengdu Xinjie, Xi'an South County and Wuhan Bairuijing Central Business District recorded satisfactory results. As at 31 December 2011, site area and gross floor area of projects under development of the Group amounted to 16.45 million square meters and 28.87 million square meters respectively.

Business Overview *(continued)*

(5) Other Businesses

Leveraging on the existing businesses platform, the Group steadily developed BOT for highways, exploitation of mineral resources, materials trade, financial services etc. In 2011, the operation of the BOT for highways projects invested and constructed by the Group had been steady and revenue increased year by year to RMB1.359 billion. The exploitation and construction of mineral resources were well under way with an annual revenue of RMB1.628 billion. With the commencement of bulk purchase business of materials, the annual revenue of material trade amounted to RMB33.225 billion. Benefited from tight monetary policy of the State, financial services grew fast with an annual revenue of RMB1.023 billion.

3. Technology Research Development and Technological Achievements

In 2011, through improvement in technological process, the adoption of a substantial number of new techniques, new processes, new materials and new equipments by the Group are essential to the engineering construction, which fully improve the quality of its construction products. Through the implementation of strategy of improving technologies, the Group has substantially strengthened its own innovative capacity. In 2011, 1,198 new technological research projects were newly developed by the Group, with technological investment amount of approximately RMB9.7 billion. With our core technologies in plateau railway, high-speed railway, electrified railway, metropolitan railway, large scale bridge and tunnel, high-speed railway turnouts, steel structure research, manufacturing and information construction fields, the Group established a leading position in the world and the domestic market.

Presently, the Company is one of the first batch of "Innovative Enterprises" awarded by the Ministry of Science and Technology, State-owned Assets Supervision and Administration Commission of the State Council and All China Federation of Trade Unions, and it had "National Engineering Laboratory of High Speed Railway Construction" and "National Key Laboratory of Shield Tunneling and Drilling Technology", as well as six postdoctoral work stations. It also had six technology centers recognized by the State and 19 technology centers recognized by provincial and ministerial authorities. In addition, the Group had established six professional research and development centers of bridges, tunnels, electrification, advanced engineering materials and inspection technology, railways and construction equipment.

In 2011, the Group won five prizes of the National Advanced Science and Technology Prizes, 255 technological advancement awards at the provincial level l (including awards established by state-accredited social power), 38 awards of engineering methods at the national level and 99 awards of engineering methods at the provincial and ministerial level and obtained 519 patent rights (146 of which were invention patents). In 2011, the Group had won 5 Zhan Tianyou Prizes for Civil Engineering for the projects: Neiqu Logistic Center in Qinghai – Tibet Railway, Hangzhou Bay Bridge, Dabashan Tunnel in Xiang-Yu Railway, Zhegu Mountain Tunnel in National Highway Line 317 and Liuyanghe Tunnel in Wuhan to Guangzhou High-speed Railway.

In 2011, the Group's energy consumption of revenues of over RMB10,000 amounted to 0.0742 tonnes of standard coal, dropped by 5.5% as compared with last year, surpassed the target of 5% lower of energy conservation and emission reduction for the year and was awarded the title of "Outstanding Enterprise of Energy Conservation and Emission Reduction in the Eleventh Five-year Plan" for the Company.

Achievements in self-developed and innovative technological research greatly enhanced the Group's technical advancement, strengthened the Group's leading position in relevant domestic domains, and substantially increased the Group's core competitiveness.

Business Overview *(continued)*

4. Outlook

(1) Development trend of the industry where the Group belongs to and the market competition which the Group is facing

Looking forward to 2012, the recovery of global economic development is expected to continue but there remain many factors of instability and uncertainty. The severe impact of the international financial crisis continues, and the structure of the global economy is expected to continue to undergo profound and complex changes. Many countries have formulated large-scale infrastructure planning to cope with the financial crisis. The emerging construction markets led by the developing countries will take over the construction markets of developed countries and lead a dominant position in the sector. Most countries and regions will shift their policy focus to livelihood issues as well as to foster consumption and enlarge the investment in infrastructure development. The PRC economy will maintain a steady growth and the government will continue to implement proactive fiscal policies and prudent monetary policies. The PRC economy enters a new development cycle where the main characteristics include changing ways of development, protecting and improving people's livelihood, adjusting structure of economy and improving development quality, and therefore the Group will face historical opportunities which could result in huge achievements and is also exposed to many unforeseeable risks and challenges.

Domestic market: With thorough implementation of the "Twelfth Five-Year Plan" and rapid urbanization, the infrastructure development of city clusters, rail transportation, water and electricity, airport, port, social welfare housing and environmental protection construction projects in the central and western regions will be the focus of the next round of development. Although railway development experiences a slowdown, the central government's intention to adopt a more scientific approach for railway development is very clear and there is no change in the medium to long-term railway development target approved by the State Council. The Group will continue to strengthen its competitive edges in the infrastructure field. While maintaining its market share in the railway market, it will also seize business opportunities arising from development of western regions and urbanization and accelerate the structural adjustment so as to realize sustainable growth.

International market: Influenced by the instability and uncertainty of global economic recovery and the complication of international political conflicts, infrastructure investment showed obvious regional characteristics: the growth of infrastructure investment in the developed countries led by the USA, UK and Germany is slow whereas in the emerging countries such as Russia, Brazil, South Africa and Latin America countries as well as China's neighboring countries such as Laos, Burma, Thailand and Mongolia, a strong growth momentum sustains. The Group will adhere to its overseas expansion strategy and will continue to put more efforts on exploring opportunities in the emerging developing countries in Central Asia, Middle East, Latin America and Africa, strengthening cooperation with international and domestic top ranking companies as well as the local outstanding enterprises, in order to achieve a win-win result for all sides.

Business Overview *(continued)*

(2) Future development opportunities and challenges of the Group concerned by the management of the Company

Year 2012 is an important interchanging year for the PRC government's "Twelfth Five-Year Plan" and a strategically important year for the development of the PRC which will maintain a steady yet fast growth of economy for a longer period of time. During the "Twelfth Five-Year", another round of large-scale development in the western region is launched, the government will facilitate regional coordinated development, accelerate the pace of urbanization, boost the infrastructure development of city clusters and rail transportation in the central and western regions, the railway construction in the PRC will grow steadily. Total railway network operating length will be about 120,000 kilometers as at the end of 2015, representing an increase of 87.5% as compared to those at the end of the "Eleventh Five Year Plan". In 2012, the investment in railway construction projects is RMB406.0 billion with 6,366 kilometers of new lines in operation, which is more than triple the length of 2011.

The development of railway construction continues to grow rapidly globally. Countries such as the USA, UK, Germany and Brazil have planned to construct high speed railways while radiant railway projects will commence construction in China's neighboring countries such as Laos, Burma, Thailand and Mongolia in the coming years. In the PRC, through means of providing foreign aids, concessional loans and preferential export buyer's credit, enterprises are encouraged to go global. In addition, with great potential in the international steel bridge market, developed countries will gradually open up the steel fabrication industry which added-value is relatively low and is labour intensive. Regions such as Africa and America also speed up bridge infrastructure construction work. All of these provide unprecedented opportunity for the Group to expand overseas markets of steel structure, turnouts and railway engineering machinery products.

In 2012, the Group is still facing a tough and complicated business environment. The growing instability and uncertainty in the recovery of global economy will have various impacts on the economic development of the PRC; more imbalance, uncoordinated and unsustainable conflicts and issues occur in the course of domestic economic development and the economy also face a lot of new issues and problems. Facing the new situation and mission, the Group will adhere to its annual core mission of "ensure development, adjust structure, enhance management and promote stability". By shifting to a new development mode with an aim for quality enhancement, it will focus on expanding the domestic and overseas markets, consolidating management fundamentals, strengthening safety quality, enhancing internal risk control, promoting self innovation, safeguarding and improving the livelihood of the staff, to procure all-round coordination in achieving sustainable development so as to create higher value for shareholders.

Business Overview *(continued)*

(3) Development strategy and business development plan of the Group

In the "Twelfth Five-year" (i.e. 2011–2015), the overall strategic aims of the Group's development include instigating two changes and creating second startup, so as to promote "China Railway" as a leading conglomerate in the PRC and top-class in the world with outstanding core businesses, wide diversification and strong international competitiveness.

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

2. **Survey, Design and Consulting Services Business**
   Capitalizing on the capability of railway survey and design, the Group will actively expand into other areas and develop the general construction contract and project management by using its profound consulting services. The Group will devote to build new concepts in design theory and design technology so as to become a world class all-round design conglomerate, implement the strategy of "Go Global" and provide technical support and security for the Group's internationalization strategy.

3. **Engineering Equipment and Component Manufacturing Business**
   The Group will give full play of its overall advantage and realise a professional and systematic operation. 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 of the industry.

4. **Property Development Business**
   The Group will strengthen resources integration, optimize regional planning, innovate operating model, streamline decision-making procedures and build a scientific investment and financing system, so as to further establish the brand of "China Railway Real Estate", improve the internal control and risk management and promote the professionalism, scale and branding of the Group's property business.

5. **Other Businesses**
   Leveraging on its advantage on brand, technology and management, the Group will actively enter into the area of mineral resources development mainly on energy, nonferrous metals and precious metals by using its geological survey capability. By means of industrial management and capital management, the Group primarily aims to build up a multi-national operation and develop three major industries, namely geological survey, mining and commercial logistics, simultaneously. At the same time, the Group will actively develop materials trade, financial business and enhance the operation and management of BOT highway projects.

In 2012, the Group plans to achieve revenue of approximately RMB431.0 billion and costs of sales of approximately RMB423.1billion. It is estimated that the amount of new contracts to be entered into will be approximately RMB650.0 billion, and capital expenditure will be approximately RMB10.0 billion. The Group will promptly adjust its operation plan to suit market conditions and to reflect the actual implementation of the plan.

Management Discussion and Analysis

1. Overview

In the year of 2011, despite the shrinkage of railway construction market, the Group still managed to achieve revenue of RMB442.216 billion, representing a year-on-year decrease of 3.1%. Net profit for the year decreased by 11.8% year-on-year to RMB7.240 billion while profit for the year attributable to owners of the Company decreased by 9.6% year-on-year to RMB6.690 billion. After excluding the non-recurring profit and loss items (such as government subsidies, profit and loss resulting from restructuring etc.), profit for the year attributable to owners of the Company decreased by 3.21% year-on-year to RMB6.313 billion.

A comparison of the financial results for 2011 and 2010 is set out below.

2. Consolidated Results of Operations

Revenue

The Group is mainly engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses. The Group's total revenue decreased by 3.1% from RMB456.162 billion for 2010 to RMB442.216 billion for 2011. The decrease in the Group's revenue was attributable to the fact that in 2011, the Group was adversely affected by the tightened credit policy in the PRC which resulted in substantial decrease in investment of the railway construction market, substantial decrease in numbers of railway projects opened for bidding, lack of funding for the projects in progress and the delay in or suspension of projects.

Cost of sales and gross profit

The Group's cost of sales primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. In 2011, the Group's cost of sales decreased by 4.4% to RMB409.963 billion from RMB429.019 billion for 2010. In 2011, gross profit of the Group increased by RMB5.110 billion or 18.8% to RMB32.253 billion from RMB27.143 billion for 2010. The overall gross profit margin for 2011 was 7.3%, an increase of 1.3 percentage point from 6.0% for 2010. It was mainly due to (1) adjustment of contract prices was obtained for Beijing-Shanghai, Shanghai-Kunming, Xiangtang-Putian and Chengdu-Mianyang-Leshan railway projects; (2) decrease in project cost due to the decrease in prices of steel and cement; (3) promising result on cost control brought by strengthened management and centralization of procurement for materials and equipment.

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, subsidies from government and other income. In 2011, the Group's other income increased by 101.4% year-on-year from RMB1.198 billion to RMB2.413 billion. The increase of other income was primarily due to the increase of government subsidies and income from sales of materials.

Other expense

The Group's other expense primarily includes expenditures on research and development. In 2011, other expenses increased by 156.0% from RMB2.088 billion of last year to RMB5.345 billion, mainly due to the fact that the Group further improved its technological self-development and innovation capacities 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 interests in fixed assets and subsidiaries. There were other losses of RMB0.388 billion in 2011 whereas there were other gains of RMB0.532 billion in 2010, primarily due to the decrease in net exchange gain and gain on sale of investment.

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 2011, the Group's selling and marketing expenses amounted to RMB1.813 billion, representing an increase of 25.6% from RMB1.443 billion of 2010. The selling and marketing expenses as a percentage of revenue for 2011 was 0.4%, a slight increase from 0.3% for 2010. It was mainly due to the significant growth of the Group's property development business resulting in the corresponding increase in selling expenses.

Management Discussion and Analysis *(continued)*

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits, impairment in trade and other receivables and depreciation and amortization of its assets related to administration. In 2011, the Group's administrative expenses increased by 5.6% to RMB14.325 billion from RMB13.568 billion of last year. Administrative expenses as a percentage of revenue for 2011 was 3.2%, representing an increase of 0.2 percentage point from 3.0% of 2010. It was mainly because in response to the unfavorable macro condition, the Group strengthened its management effort which caused the corresponding increase in administrative expenses.

Interest income

In 2011, the interest income increased by 6.7% to RMB1.462 billion from RMB1.370 billion for 2010. The increase in the interest income was primarily due to the increase in imputed interest income on retention receivables.

Interest expenses

In 2011, the interest expenses was RMB4.148 billion, representing an increase of 59.8% from RMB2.596 billion for 2010. The increase in interest expenses was mainly due to (1) the increase in total loan balances for fulfilling production and operation needs; (2) the increase in finance cost in the market as a result of tightened credit policy and appreciation of interest rate by the central bank.

Profit before taxation

As a result of the foregoing factors, the profit before taxation for 2011 was RMB9.998 billion, decreased by RMB0.550 billion, or 5.2% from RMB10.548 billion for 2010.

Income tax expense

In 2011, the income tax expense increased by 18.0% to RMB2.758 billion from RMB2.337 billion for 2010. The effective tax rate of the Group increased from 22.2% for 2010 to 27.6% for 2011, primarily attributable to the expiration of preferential income tax arrangement enjoyed by certain subsidiaries, resulting in the increase of the income tax rate.

Minority interests

As a result of the decrease in profitability of subsidiaries, minority interests decreased by 32.3% from RMB813 million for 2010 to RMB550 million for 2011.

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 2011 decreased by 9.6% to RMB6.690 billion from RMB7.398 billion for 2010. By excluding the non-recurring profit and loss items (such as government subsidies, profit and loss resulting from restructuring etc.), profit for the year attributable to owners of the Company decreased by 3.21% year-on-year to RMB6.313 billion.

Management Discussion and Analysis *(continued)*

3. Segment Results

The revenue and results of each segment of the Group's business for the year ended 31 December 2011 are set forth in the table below.

Business segments	Segment revenue RMB million	Growth rate (%)	Profit before taxation RMB million	Growth rate (%)	Profit before taxation margin[1] (%)	Segment revenue as a percentage of total (%)	Profit before taxation as a percentage of total (%)
Infrastructure Construction	392,540	–5.8	4,971	–40.0	1.3	83.2	45.5
Survey, Design and Consulting	8,926	–3.8	803	–0.7	9.0	1.9	7.4
Engineering Equipment and Component Manufacturing	11,147	–8.7	602	–6.1	5.4	2.4	5.5
Property Development	17,135	43.4	2,750	101.0	16.0	3.6	25.2
Other Businesses	42,211	29.7	1,794	36.5	4.3	8.9	16.4
Inter-segment Elimination and Adjustments	(29,743)		(922)				
Total	**442,216**	**–3.1**	**9,998**	**–5.2**	**2.3**	**100.0**	**100.0**

[1] *Profit before taxation margin is the profit before taxation 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 2011, the revenue from the infrastructure construction business accounted for 83.2% of the total revenue of the Group (2010: 86.3%). In 2011, segment revenue from the Group's infrastructure construction business decreased by 5.8% year-on-year to RMB392.540 billion. Profit before taxation margin of the infrastructure construction segment was 1.3% (2010: 2.0%). The decrease in profit before taxation margin was primarily due to the increase in the expenditure on research and development and interest expenses.

Management Discussion and Analysis *(continued)*

An explanatory note of the dispute between the consortium established by China Overseas Engineering Group Co., Ltd., China Railway Tunnel Group Co., Ltd., (both of which are subsidiaries of the Company) and two other third party companies (the "Consortium") and General Directorate of National Roads and Motorways of Poland (the "Project Owner"), in relation to the Section A and C of the A2 Motorway Project in Poland (the "Poland A2 Project") in which the Consortium won the bid, is set out in the 2011 Interim Report of China Railway Group Limited published on 31 August 2011 and the Third Quarterly Report of China Railway Group Limited published on 31 October 2011. The contract of Poland A2 Project has been terminated before 30 June 2011. The Warsaw District Court has issued an order of payment demanding China Overseas Engineering Group Co., Ltd. and a third party company of the Consortium to pay, jointly or severally, Zloty 128,913,670.98 (equivalent to RMB238 million using the exchange rate as at the 2011 balance sheet date) as damages for breach of contract plus statutory interest. We raised objection against the order of payment and filed a response to the Warsaw District Court. The Warsaw District Court accepted our objection and the order of payment automatically became null and void. The case now continue as normal civil litigation. The case was heard at the Warsaw District Court on 8 February 2012. The judge decided to adjourn the hearing to April 2012 in four times after hearing to the statements of the plaintiff and the defendant. The case is still pending.

As of 31 December 2011, the confirmed total loss of the Group for the Poland A2 Project is RMB632 million, representing a decrease of RMB12 million comparing with the confirmed loss as of 30 September 2011. The main reason for the decrease of loss is the changes in exchange rate in the fourth quarter of 2011.

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects, including integrated "one-stop" solutions as well as specialized services in the areas of railway electrification, bridge, tunnel and machinery design. In 2011, segment revenue of survey, design and consulting services business decreased by 3.8% to RMB8.926 billion from RMB9.279 billion for last year, primarily due to the decrease in government's investment in infrastructure construction. The profit before taxation margin for the segment for 2011 was 9.0%, representing a slight increase from 8.7% for 2010. It was mainly due to (1) the strengthening in control of labour cost in that segment; (2) the decrease in proportion of outsourcing projects which have lower gross profit margin.

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 2011, segment revenue of the engineering equipment and component manufacturing business of the Group decreased by 8.7% year-on-year to RMB11.147 billion from RMB12.210 billion. Profit before taxation margin was 5.4% for 2011, representing a slight increase from 5.2% for 2010. The decrease in operating revenue is attributable to the decrease in demand from the railway construction market. The slight increase in profit before taxation margin was mainly due to (1) orders received in 2010 regarding turnouts of high-speed and passenger line railways, which have higher gross profit margin, were delivered and profit recognized in 2011; (2) the decrease in prices of raw materials, such as steel, caused the decrease in production cost.

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 2011, revenue from property development business increased by 43.4% to RMB17.135 billion from RMB11.945 billion for 2010. Profit before taxation margin increased from 11.5% for 2010 to 16.0% for 2011. The increase in profit before taxation margin for 2011 is primarily due to the significant improvement on number, geographical location and quality of property projects as compared to last year as well as the effect from economies of scale.

Management Discussion and Analysis *(continued)*

Other businesses

Revenue from other businesses increased by 29.7% from RMB32.535 billion in 2010 to RMB42.211 billion in 2011. Profit before taxation margin increased from 4.0% for 2010 to 4.3% for 2011. The increase in revenue was due to the fact that by leveraging on the advantage of the traditional businesses, the Group achieved a smooth development in mining development business by adopting an interactive model on mining resources and infrastructure construction, resulting in the increase in the quantity of metals mined, increase in selling prices and thereby the significant increase in revenue. Also, the increase in bulk purchase and sale of steel caused the significant growth of material trading business. Highway projects operated smoothly with Yulin-Shenmu highway commenced trial operation as well as the increase in traffic and revenue for existing highway projects. In addition, thanks to the macro market condition, financial business grew significantly with annual revenue reached RMB1.023 billion. The increase in profit before taxation margin was primarily due to the increase in profitability of financial business and mining development business.

4. Cash Flow

In 2011, the net cash used in operating activities amounted to RMB13.483 billion while there was a net cash generated from operating activities of RMB1.012 billion for 2010. It was primarily attributable to (1) funding pressure of certain project owners caused delay in project prepayment and settlement; (2) increased investment in land acquisition and construction for property development projects. In 2011, the net cash used in investing activities of the Group amounted to RMB11.710 billion, a decrease from RMB16.416 billion for 2010. It was mainly due to the fact that (1)the Group strengthened its effort on internal reallocation of equipment as a result of slow down of railway projects, which resulted in the decrease in purchase of project machinery; (2) the Group strengthened the control on purchase of non-production related fixed assets. In 2011, the net cash generated from financing activities of the Group amounted to RMB30.600 billion, representing an increase than the net cash generated from financing activities of RMB20.918 billion for 2010. The increase was primarily attributable to the increase in short-term bank loans and issuance of medium-term notes to fulfill the funding requirement for working capital and capital expenditures as a result of expansion in the Group's operating and investment scale as well as the delay in repayment from certain projects.

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 2011 was RMB12.772 billion (2010: RMB14.452 billion).

The following table sets forth the Group's capital expenditure by business segments in 2011.

For the year ended 31 December 2011	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	5,740	453	1,275	112	3,297	10,877
Lease prepayments	277	120	81	–	372	850
Investment properties	15	–	–	7	39	61
Intangible assets	30	20	–	1	850	901
Mining assets	–	–	–	–	83	83
Total	**6,062**	**593**	**1,356**	**120**	**4,641**	**12,772**

Management Discussion and Analysis *(continued)*

Working capital

	As at 31 December	
	2011	2010
	RMB million	RMB million
Inventories	**36,329**	30,026
Properties under development for sale	**52,995**	38,411
Trade and bills receivables	**99,094**	83,194
Trade and bills payables	**159,090**	136,737
Turnover of inventory (days)	**29**	23
Turnover of trade and bills receivables (days)	**74**	60
Turnover of trade and bills payables (days)	**130**	97

The Group's inventories and properties under development for sale increased by 21.0% and 38.0% respectively from RMB30.026 billion and RMB38.411 billion as at the end of 2010 to RMB36.329 billion and RMB52.995 billion as at the end of 2011. The increase was primarily due to the increase in investment of property under development as a result of growth of the Group's property development business. The Group's inventory turnover days was 29 days in 2011, a slight increase from 23 days in 2010. The Group's trade and bills receivables increased by 19.1% from RMB83.194 billion as at the end of 2010 to RMB99.094 billion as at the end of 2011, among which, the balance of retention receivables as at the end of 2011 increased by 21.5% from RMB34.917 billion as at the end of 2010 to RMB42.433 billion as at the end of 2011. At the same time, the trade and bills receivables turnover days increased to 74 days in 2011 from 60 days in 2010. In 2011, the increase in balance and turnover days of trade and bills receivables was mainly due to the slow repayment of project settlement money from the project owners who have funding pressure as a result of tightened credit policy.

According to the ageing analysis of the Group's trade and bills receivables, most of the Group's trade and bills receivables were of less than 6 months and the trade and bills receivables of more than one year accounted for 29.2% (2010: 25.7%) of the total receivables, which reflected the sound receivables management capability of the Group.

Trade and bills receivables

	As at 31 December	
	2011	2010
	RMB million	RMB million
Less than six months	**41,248**	43,455
Six months to one year	**28,943**	18,386
One year to two years	**18,766**	13,415
Two years to three years	**5,835**	5,823
More than three years	**4,302**	2,115
Total	**99,094**	83,194

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 16.3% from RMB136.737 billion as at the end of 2010 to RMB159.090 billion as at the end of 2011. The number of turnover days was 130 days in 2011, representing an increase from 97 days in 2010. According to the ageing analysis of the Group's trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 12.0% (2010: 10.3%) of the total payables.

Management Discussion and Analysis *(continued)*

Trade and bills payables

	As at 31 December	
	2011	2010
	RMB million	RMB million
Less than one year	**140,005**	122,632
One year to two years	**13,222**	10,144
Two years to three years	**3,877**	2,494
More than three years	**1,986**	1,467
Total	**159,090**	136,737

5. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2011 and 2010. 43.4% of the Group's borrowings were short-term borrowings (31 December 2010: 47.9%). The Group is generally capable of making timely repayments.

	As at 31 December	
	2011	2010
	RMB million	RMB million
Bank borrowings:		
Secured	**31,235**	16,242
Unsecured	**67,736**	42,314
Total	**98,971**	58,556
Short-term debentures, unsecured	**908**	6,702
Long-term debentures, unsecured	**24,221**	11,933
Other short-term borrowings, unsecured	**2,567**	6,136
Other long-term borrowings, secured	**1,457**	–
Other long-term borrowings, unsecured	**1,972**	1,808
Total	**130,096**	85,135
Long-term borrowings	**73,606**	44,394
Short-term borrowings	**56,490**	40,741
Total	**130,096**	85,135

Bank borrowings carry interest rates ranging from 3.86% to 14.5% (2010: 3.86% to 10.0%) per annum. Short-term debentures carry fixed interest rates ranging from 5.92% to 7.11% (2010: 1.65% to 4.06%) per annum. Long-term debentures carry fixed interest rates ranging from 4.34% to 6.65% per annum (2010: 4.34% to 4.88%). Other short-term borrowings carry interest rates ranging from 5.13% to 9.51% (2010: 3.82% to 6.98%) per annum. Other long-term borrowings carry interest rates ranging from 4.39% to 13.6% (2010: 3.89% to 13.0%) per annum.

Management Discussion and Analysis *(continued)*

The following table sets forth the maturity of the Group's bank loans and other long-term borrowings as at 31 December 2011 and 2010.

	As at 31 December	
	2011	2010
	RMB million	RMB million
Bank borrowings:		
Within one year	**53,015**	27,903
More than one year, but within two years	**9,725**	3,529
More than two years, but within three years	**8,933**	5,469
More than three years, but within four years	**4,766**	1,704
More than four years, but within five years	**3,573**	4,564
More than five years	**18,959**	15,387
Total bank borrowings	**98,971**	58,556
Long-term debentures:		
More than two years, but within three years	**400**	–
More than three years, but within four years	**995**	–
More than four years, but within five years	**–**	995
More than five years	**22,826**	10,938
Total long-term debentures	**24,221**	11,933
Other long-term borrowings:		
More than one year, but within two years	**3,323**	1,723
More than two years, but within three years	**59**	23
More than three years, but within four years	**47**	–
More than four years, but within five years	**–**	62
Total other long-term borrowings	**3,429**	1,808

As at 31 December 2011 and 2010, the Group's bank borrowings comprised fixed-rate bank borrowings amounting to RMB1.062 billion and RMB0.701 billion and floating-rate bank borrowings amounting to RMB97.909 billion and RMB57.855 billion, respectively.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 31 December 2011 and 2010. 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 2011	**2,874**	**389**	**20**
As at 31 December 2010	740	349	42

Management Discussion and Analysis *(continued)*

As at 31 December 2011, approximately RMB32.692 billion (31 December 2010: RMB14.665 billion) of total bank borrowings were pledged by assets of the Group with an aggregate value of RMB49.399 billion (31 December 2010: RMB22.703 billion). As at 31 December 2011, the Group had unutilized credit facilities with an aggregate amount of approximately RMB116.762 billion (31 December 2010: RMB232.879 billion).

As at 31 December 2011, the Group's gearing ratio (total liabilities/total assets) was 82.7%, representing an increase of 1.6 percentage points as compared with 81.1% for 2010. Such increase was primarily attributable to the fact that the Group has been primarily financing its working capital and other capital requirements through internal funds generated from operations, and through borrowings in case of any deficiencies. The Group will, guided by the financial budget, strengthen the management of investment and financing budget and will actively raise financing, such as debt financing etc., based on the restructuring of product mix and reasonable control on business and investment scale. In 2011, the Group has issued a total amount of RMB12.4 billion medium-term notes. In 2012, the Group will, in a timely manner as required, issue medium-term notes of RMB5 billion by private placement, short-term debentures of RMB5 billion and bank and trust loans, etc.. The Group will continue to adjust its financing policies and centralize cash management to minimize financing costs and shorten liquidity turnover period, thereby utilizing operating capital more efficiently. The Group's cash and cash equivalents were primarily denominated in Renminbi, with foreign currencies denominated in US dollars and other currencies.

6. Contingent Liabilities

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

	As at 31 December	
	2011	2010
	RMB million	RMB million
Pending lawsuits:		
– arising in the ordinary course of business *(note 1)*	**275**	237
– oversea lawsuit *(note 2)*	**238**	–
	513	237

Notes:

(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 these pending lawsuits where the management considered that the claims will not be successful. The aggregate sum of these unprovided claims is disclosed in the table above.

(2) Two subsidiaries of the Company, 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 ("Zloty") 1,160 million (approximately USD402 million or RMB2,741 million) and Zloty 116 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. Up to 31 December 2011, the accumulated losses identified by the Group in respect of this project is about RMB632 million, resulting in the Group's profit before tax for the year ended 31 December 2011 being decreased by RMB632 million.

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 of an aggregate amount of Zloty 129 million (approximately USD38 million or RMB238 million) and interests, 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 null and void under Polish law. The relevant parties 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 case according to the civil procedure and the Count proposed this case to be heard in April 2012 to testify the witness statement of supervision engineer. The Consortium is actively preparing the defence. Since the case is pending, the directors consider it impracticable to assess the outcome of this case.

Management Discussion and Analysis *(continued)*

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

	As at 31 December			
	2011		2010	
	Amount RMB million	Expiry period	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Jointly controlled entities and associates	983	2012–2025	5,283	2011–2027
Other government-related enterprises	55	2014	659	2011–2012
Property purchasers	5,831	2012–2015	5,250	2011–2012
Investees of the Group	170	2012–2016	43	2011–2016
Other independent parties	–		50	2011–2018
Total	7,039		11,285	

In addition to the above, as at 31 December 2011, 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") amounted to RMB181 million (2010: RMB303 million) (being the amount of liabilities of Yichang Sanxia on the date it was spun off from Yichang Hongming Real Estate Co., Ltd.) if Yichang Sanxia failed to repay those liabilities in future.

7. Business Risks

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

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

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

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

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

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

Management Discussion and Analysis *(continued)*

Investment risk: Investment risk is mainly associated with relevant advance payments for projects, decrease of investment of infrastructural projects by nongovernmental investment institutions resulting from changes in policies, and significant outlay of working capital over extended periods.

Interest rate risk: The Group's exposure to changes in interest rates is mainly attributable to its external borrowings from the market. According to our analysis of the current funding size, changes in interest rate policy will considerably affect our finance cost. The Group currently does not have any hedging policy against interest rate risk. However, the Group's management closely monitors any change in interest rate at all time and, if necessary, will consider to take effective measures against any significant interest rate exposure in accordance with the strict implementation of the national policy and in compliance with the regulatory requirements.

Biography of Directors, Supervisors and Senior Management

1. Directors

LI Changjin
(Chairman and Executive Director)

LI Changjin, 53, professor level senior engineer, is the Chairman, an Executive Director, Secretary to the Communist Party Committee of the Company, chairman of the Strategy Committee and chairman of the Nomination Committee. Mr. Li is also the chairman, general manager and deputy secretary to the Communist Party Committee of CRECG. From July 2002 to September 2006, he was deputy general manager of CRECG. From September 2006 to September 2007, he was a director, general manager and deputy secretary to the Communist Party Committee of CRECG. From September 2007 to June 2010, Mr. Li was a director and secretary to the Communist Party Committee of CRECG, an Executive Director, President and Deputy Secretary to the Communist Party Committee of the Company. Mr. Li has been the chairman of the board of SICOMINES SARL since June 2008, the chairman of CRECG since May 2010, and general manager and deputy secretary to the Communist Party Committee of CRECG and Chairman, an Executive Director and Secretary to the Communist Party Committee of the Company since June 2010.

BAI Zhongren
(Executive Director and President)

BAI Zhongren, 51, professor level senior engineer, is an Executive Director, President, Deputy Secretary to the Communist Party Committee of the Company and chairman of the Safety, Health and Environmental Protection Committee. Mr. Bai is also secretary to the Communist Party Committee and a director of CRECG. Mr. Bai was deputy general manager and chief economist of CRECG from October 2001 to September 2007, chairman of China Railway Construction Group (CRGC) Co., Ltd. from November 2006 to January 2008. He was an Executive Director, Vice President and Chief Economist of the Company from September 2007 to June 2010, a director and vice chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co., Ltd from July 2008 to June 2011, and a director and vice chairman of Lince Railway Co., Ltd. from June 2009 to October 2010, and a director, deputy secretary to the Communist Party Committee of CRECG from June 2010 to July 2010. Mr. Bai has been a director, secretary to the Communist Party Committee of CRECG and an Executive Director, President and Deputy Secretary to the Communist Party Committee of the Company since July 2010.

Biography of Directors, Supervisors and Senior Management *(continued)*

YAO Guiqing
(Vice Chairman and Executive Director)

YAO Guiqing, 57, senior economist, is an Executive Director, the Vice Chairman, Deputy Secretary to the Communist Party Committee and Chairman of the Labor Union of the Company. He is also vice chairman of the board, deputy secretary to the Communist Party Committee and chairman of the labor union of CRECG as well as executive member of All China Federation of Trade Unions. He has been the deputy secretary to the Communist Party Committee and chairman of the labor union of CRECG as well as executive member of All China Federation of Trade Unions since December 2004. Mr. Yao was a director of the labour union of CRECG from September 2006 to September 2007, chairman of China Railway No. 9 Engineering Group Co., Ltd. from April 2006 to March 2008, and Vice President of the Company from September 2007 to June 2009, and the Chairman of the Company's Supervisory Committee from June 2009 to August 2010. Mr. Yao has been vice chairman of CRECG since June 2010 and an Executive Director and Vice Chairman of the Company since August 2010.

HAN Xiuguo
(Non-executive Director)

HAN Xiuguo, 66, engineer, is a member of the 11th National Committee of the Chinese People's Political Consultative Conference and a Non-executive Director of the Company. Mr. Han was chairman of the Supervisory Board under the State Council 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, 68, professor level senior engineer, is an Independent Non-executive Director of the Company and chairman of the Remuneration Committee. Mr. He is also an external director of Dongfang Electric Corporation and China South Industries Group Corporation. He served as secretary to the Communist Party Committee and general manager of China Hua Dian Corporation from December 2002 to October 2006, chairman of Yunnan Jinsha River Midstream Hydropower Development Co., Ltd from October 2005 to March 2008, chairman of speciality committee of China Hua Dian Corporation from November 2006 to March 2008. He has been an Independent Non-executive Director of the Company since September 2007, an external director of Dongfang Electric Corporation since April 2009, an external director of China South Industries Group Corporation since July 2011 and an external director of CNOOC since February 2012.

Biography of Directors, Supervisors and Senior Management *(continued)*

GONG Huazhang
(Independent Non-executive Director)

GONG Huazhang, 66, professor level senior accountant, is an Independent Non-executive Director of the Company and chairman of the Audit Committee. Mr. Gong is also a member of Accounting Standards Committee and Valuation Standards Committee under the Ministry of Finance, vice director of the Accounting Society of China, advisor of the Price Association of China. Mr. Gong is a part-time professor of Tsinghua University, Nankai University, Xiamen University, China University of Petroleum (Beijing), China University of Petroleum (Huadong), Shanghai National Accounting Institute and Xiamen National Accounting Institute, and a professor of Beijing National Accounting Institute. From August 2000 to April 2007, Mr. Gong was a member of the Communist Party Committee and the chief accountant of China National Petroleum Corporation. From November 1999 to March 2008, he was a director of PetroChina Company Limited. He was the chairman of China Petroleum Finance Co., Ltd. from May 1999 to September 2009 and a director of China Yangtze Power Co., Ltd. from September 2002 to June 2010. He has been an independent non-executive director of China Southern Airlines Company Limited since June 2007, an Independent Non-executive Director of the Company since September 2007, an independent non-executive director of Nanyang Commercial Bank (China) Limited since December 2007, an external director of Dongfang Electric Corporation since April 2009, an independent non-executive director of China Shenhua Energy Company Limited since June 2009, as well as an external director of COFCO Corporation since April 2011.

WANG Taiwen
(Independent Non-executive Director)

WANG Taiwen, 65, is an Independent Non-executive Director of the Company. Mr. Wang is also an external director of China National Foreign Trade Transportation Group Corporation and an independent director of China Automation Group Limited. He was chairman and secretary to the Communist Party Committee of China Southern Locomotive Industrial Group Corporation from June 2000 to May 2004 and served as an external director of CRECG from October 2006 to September 2007. He has been an external director of China National Foreign Trade Transportation Group Corporation since October 2006, an Independent Non-executive Director of the Company since September 2007 as well as an independent director of China Automation Group Limited since February 2008.

Biography of Directors, Supervisors and Senior Management *(continued)*

SUN Patrick
(Independent Non-executive Director)

SUN Patrick, 53, a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants, United Kingdom and vice president of the Chamber of Hong Kong Listed Companies, is an Independent Non-executive Director of the Company. Mr. Sun is also an independent non-executive director and the chairman of Solomon Systech International Limited and served as an independent non-executive director of the companies as follows: Trinity Limited, Sihuan Pharmaceutical Holdings Group Limited, China NT Pharma Group Company Limited, Renhe Commercial Holdings 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 Stock Exchange of Hong Kong Limited, member of the Council of the Stock Exchange of Hong Kong Limited and the honorary chief executive officer of the Chamber of Hong Kong Listed Companies. He was President and Head of Investment Banking for Hong Kong of JPMorgan Chase. Mr. Sun also served as an executive director and chief executive officer of Value Convergence Holdings Limited, 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, independent non-executive director of Everbright Pramerica Fund Management Co., Ltd.. He has been an independent non-executive director and the chairman of Solomon Systech International Limited since February 2004, an Independent Non-executive Director of the Company since September 2007, an independent non-executive director of Trinity Limited since October 2008 as well as an independent non-executive director of Sihuan Pharmaceutical Holdings Group Limited since October 2010. Mr. Sun has also been an independent non-executive director of China NT Pharma Group Company Limited since April 2011, an independent non-executive director of Renhe Commercial Holdings Company Limited since December 2011 and an independent non-executive director of China CNR Corporation Limited since February 2012.

2. Supervisors

WANG Qiuming
(Chairman of the Supervisory Committee)

WANG Qiuming, 59, senior economist, is Chairman of the Supervisory Committee, Deputy Secretary to the Communist Party Committee and Secretary to the Disciplinary Committee of the Company. Mr. Wang is also deputy secretary to the Communist Party Committee and secretary to the disciplinary committee of CRECG. He served as deputy chief economist and concurrently director of Division of Cadre of CRECG from June 2004 to August 2006. In September 2006, Mr. Wang became deputy secretary to the Communist Party Committee and secretary to the disciplinary committee of CRECG. He was chairman of China Railway NO. 3 Engineering Group Co., Ltd. from April 2007 to January 2008. From September 2007 to August 2010, Mr. Wang served as a Non-executive Director of the Company. Since August 2010, he has been an employee representative Supervisor and Chairman of the Supervisory Committee.

Biography of Directors, Supervisors and Senior Management *(continued)*

LIU Jianyuan
(Supervisor)

LIU Jianyuan, 50, senior economist and senior political engineer, is an employee representative Supervisor, Vice-chairman of the Labour Union and Director of Female Staff Committee of the Company. From February 2005 to January 2008, Ms. Liu was deputy secretary to the Communist Party Committee, secretary to the disciplinary committee, chairman of the supervisory committee and a supervisor of China Railway NO.7 Engineering Group Co., Ltd.. She has been Vice-chairman of the Labour Union and Director of Female Staff Committee of our Company and 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.

ZHANG Xixue
(Supervisor)

ZHANG Xixue, 59, engineer and senior political engineer, is an employee representative Supervisor of the Company and concurrently an employee supervisor of the State-owned Enterprise Supervisory Committee of the State Council. From September 1990 to September 2007, Mr. Zhang was 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 of the State Council from 2001 to 2007 and has served the same position since February 2010.

LIN Longbiao
(Supervisor)

LIN Longbiao, 54, senior accountant, is an employee representative Supervisor and the Director of Audit Department of the Company. Mr. Lin is also an employee supervisor of State-owned Enterprise Supervisory Committee of the State Council. From July 2005 to September 2007, he was director of the audit department of CRECG. He has been an employee supervisor of State-owned Enterprise Supervisory Committee of the State Council since February 2007 and an employee representative Supervisor and the Director of Audit Department of the Company since September 2007.

Biography of Directors, Supervisors and Senior Management *(continued)*

CHEN Wenxin
(Supervisor)

CHEN Wenxin, 48, senior economist, is a shareholder representative Supervisor of the Company. Mr. Chen was deputy director of audit and supervision division and deputy director of legal affair division of China Railway No. 10 Engineering Group Co., Ltd. from January 2004 to January 2008, supervisor of China Railway Engineering Deshang Expressway Development Co., Ltd. from December 2004 to April 2010. He has been a supervisor of China Railway South Investment & Development Co., Ltd. since December 2007. He was Deputy Director of the Office of Board and concurrently Head of Property Representative Management Department of the Company from January 2008 to December 2010. He has been a director of Lince Railway Co., Ltd. since December 2010 as well as a shareholder representative Supervisor of the Company since January 2011.

3. Senior Management

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

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

LI Jiansheng, 57, senior accountant, is a certified public accountant and corporate legal advisor, Vice President, Chief Financial Officer and General Legal Advisor of the Company. Ms. Li was the chief accountant of CRECG from January 2000 to December 2002 and was the chief accountant and general legal advisor of CRECG from December 2002 to September 2007 and chairman of China Railway Trust Co., Ltd. from May 2005 to December 2009. She has been the Vice President, Chief Financial Officer and General Legal Advisor of the Company since September 2007 and an independent non-executive director of Anhui Haofang Electromechanics Co., Ltd. since June 2011.

LIU Hui
(Vice President and Chief Engineer)

LIU Hui, 52, professor level senior engineer, is a state registered consulting engineer and state-registered grade one contractor, Vice President and Chief Engineer of the Company. Mr. Liu is the vice chairman of the Third Railway Survey and Design Institute Group Corporation as well as a director and the vice chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co.. Mr. Liu was deputy general manager and chief engineer of CRECG from April 2001 to September 2007, and has been the vice chairman of the Third Railway Survey and Design Institute Group Corporation since January 2007, a director and the vice chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co. since June 2011 and the Vice President and Chief Engineer of the Company since September 2007.

Biography of Directors, Supervisors and Senior Management *(continued)*

MA Li
(Vice President)

MA Li, 54, 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, 47, professor level senior engineer, is a Vice President of the Company. Mr. Zhou was chairman and general manager of China Railway Major Bridge Engineering Group Co., Ltd. from April 2001 to September 2006. Mr. Zhou served as deputy general manager of CRECG from September 2006 to September 2007. He has been a Vice President of the Company since September 2007.

DAI Hegen
(Vice President)

DAI Hegen, 46, senior economist, is a Vice President of the Company. Mr. Dai was general manager, vice chairman and deputy secretary to the Communist Party Committee of China Railway No. 4 Engineering Group Co., Ltd. from April 2004 to September 2006. He served as deputy general manager of CRECG from September 2006 to September 2007 and has been a Vice President of the Company since September 2007.

Biography of Directors, Supervisors and Senior Management *(continued)*

DUAN Xiubin
(Vice President)

DUAN Xiubin, 58, professor level senior engineer, is a Vice President of the Company. From March 2004 to October 2006, Mr. Duan was chairman and secretary to the Communist Party Committee of China Railway Construction Group (CRCG) Co., Ltd.. Mr. Duan was deputy general manager of CRECG from October 2006 to September 2007. He was also chairman and secretary to the Communist Party Committee of China Railway Real Estate Group Co., Ltd. from February 2007 to July 2008. He has been a Vice President of the Company since September 2007.

ZHANG Xian
(Vice President)

ZHANG Xian, 51, professor level senior engineer, is a Vice President of the Company. Mr. Zhang was general manager, vice chairman and deputy secretary to the Communist Party Committee of China Railway NO. 6 Engineering Group Co., Ltd. from December 2003 to July 2010. He has been a Vice President of the Company since August 2010.

XU Tingwang
(Chief Economist)

XU Tingwang, 56, senior economist, is the Chief Economist of the Company. Mr. Xu was a deputy secretary to the disciplinary committee and head of supervisory department of CRECG from April 1997 to December 2006, deputy chief economist and director of Division of Cadre of CRECG from December 2006 to January 2008, Deputy Chief Economist and Director of Division of Human Resources (Division of Cadre to the Communist Party Committee) of the Company from January 2008 to July 2010, Chief Economist and also Director of Division of Human Resources (Division of Cadre to the Communist Party Committee) of the Company from July 2010 to November 2010. He has been Chief Economist of the Company since November 2010.

Biography of Directors, Supervisors and Senior Management *(continued)*

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

YU Tengqun, 42, senior economist, lawyer, arbitrator, corporate legal advisor and tutor for graduates, is the Secretary to the Board of Directors and spokesperson of the Company. Mr. Yu is also a member of the All-China Youth Federation, member of the China Young Entrepreneurs Association, the deputy secretary of Association of State-owned Enterprise Youth, a member of the Beijing Youth Federation, the deputy secretary of the Listed Companies Association of Beijing, vice director of Legal Committee of China Association of Communication Enterprise Management, and standing director of China Securities Law Research Branch. Mr. Yu was vice director of enterprise management division, vice director of enterprise development and planning department and assistant general legal advisor and director of legal affair division of CRECG successively from March 2000 to November 2006. He was secretary to the board and director of legal affair division of CRECG from November 2006 to September 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. from 2001 to 2007. Mr. Yu has been the Secretary to the Board of Directors of the Company since September 2007.

TAM Chun Chung
(Joint Company Secretary and Qualified Accountant)

TAM Chun Chung, 39, 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 major international accounting firm as an assistant manager. Mr. Tam has over 14 years of experience in the accounting and audit 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 2011 and the state of the Company's and the Group's financial affairs as at that date are set out in the financial statements on pages 70 to 180.

Dividends

The Board of Directors recommend the payment of a final dividend in the amount of RMB0.048 per share (including tax), totalling approximately RMB1.0224 billion for the year ended 31 December 2011 (2010: RMB0.055 per share (including tax) totaling approximately RMB1.1725 billion). The distribution plan will be implemented upon approval at the 2011 annual general meeting of the Company.

Donations

Donations made by the Group during the year amounted to RMB4.907 million (2010: RMB6.528 million).

Property, Plant and Equipment

Changes to the property, plant and equipment of the Group and the Company during the year are set out in note 18 to the financial statements.

Share Capital

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

Distributable Reserves

As at 31 December 2011, pursuant to the relevant laws and regulations, the Company's distributable reserves amounted to approximately RMB6.82 billion.

Use of Proceeds from the Initial Public Offering

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

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

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

During the financial year, approximately RMB30 million raised from the A share offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB30 million was used for the Xincheng Dongyuan Garden development project in Anhui Anqing.

Approximately RMB55 million raised from the A share offering of the Company remains unused, which is deposited in the special bank account of the Company.

During the financial year, approximately RMB725 million raised from the H share offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB162 million was used for overseas mining projects; and

- Approximately RMB563 million was used for supplement working capital and others.

Approximately RMB2.624 billion 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 73 to 74.

Report of the Directors *(continued)*

Major Customers and Suppliers

The Ministry of Railways of the PRC ("MOR") is the largest customer of the Group. For the year ended 31 December 2011, sales to the MOR accounted for approximately 41% of the total revenue of the Group. For the same period, sales to the five largest customers of the Group (including the MOR) in aggregate accounted for approximately 44% 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 2011, purchases from the five largest suppliers of the Group in aggregate accounted for approximately 2.2% of the cost of sales of the Group in 2011.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2011 are set out in note 48 and note 50, respectively, to the financial statements.

Directors, Supervisors and Senior Management of the Company

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

Name	Position
LI Changjin	Chairman and Executive Director
BAI Zhongren	Executive Director and President
YAO Guiqing	Vice Chairman and Executive Director
HAN Xiuguo (appointed on 27 January 2011)	Non-executive Director
HE Gong	Independent Non-executive Director
GONG Huazhang	Independent Non-executive Director
WANG Taiwen	Independent Non-executive Director
SUN Patrick	Independent Non-executive Director

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

Name	Position
WANG Qiuming	Chairman of the Supervisory Committee
CHEN Wenxin (appointed on 27 January 2011)	Supervisor
LIU Jianyuan (appointed on 22 January 2011)	Supervisor
ZHANG Xixue	Supervisor
LIN Longbiao	Supervisor
JI Zhihua (appointment ceased on 22 January 2011)	Supervisor
ZHOU Yuqing (appointment ceased on 22 January 2011)	Supervisor

Report of the Directors *(continued)*

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

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

At the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, Mr. LI Changjin, Mr. BAI Zhongren and Mr. YAO Guiqing were re-elected as Executive Directors, Mr. HE Gong, Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick were re-elected as Independent Non-executive Directors, Mr. HAN Xiuguo was elected as a Non-executive Director. These directors comprise the second session of the Board of the Company. Furthermore, at the first meeting of the second session of the Board of the Company held on the same date, Mr. LI Changjin was elected as Chairman of the Board and Mr. YAO Guiqing was elected as Vice Chairman of the Board. At the second meeting of the first session of the employee representatives general meeting of the Company held on 22 January 2011, Ms. LIU Jianyuan, Mr. ZHANG Xixue and Mr. LIN Longbiao were elected as employee representative Supervisors. At the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, Mr. WANG Qiuming was re-elected as a shareholder representative Supervisor and Mr. CHEN Wenxin was elected as a shareholder representative Supervisor. Therefore, Mr. JI Zhihua and Mr. ZHOU Yuqing ceased to be supervisors of the Company from 22 January 2011. Furthermore, at the first meeting of the second session of the Supervisory Committee of the Company held on 27 January 2011, Mr. WANG Qiuming was elected as Chairman of the Supervisory Committee.

In addition, at the first meeting of the second session of the Board of the Company held on 27 January 2011, Mr. BAI Zhongren was appointed as President of the Company, Ms. LI Jiansheng was appointed as Vice President, Chief Financial Officer and General Legal Advisor of the Company, Mr. LIU Hui was appointed as Vice President and Chief Engineer of the Company, Mr. MA Li, Mr. ZHOU Mengbo, Mr. DAI Hegen, Mr. DUAN Xiubin and Mr. ZHANG Xian were appointed as Vice Presidents of the Company, Mr. XU Tingwang was appointed as Chief Economist of the Company, Mr. YU Tengqun was appointed as Secretary to the Board 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 and Supervisors and the Five Highest Paid Individuals of the Company

Details of the emoluments of the directors, supervisors and the five highest paid individuals of the Company in 2011 are set out in note 15 of the audited financial statements.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2011, none of the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company was a party to any arrangement to enable the Company's directors, supervisors or their respective spouses or minor children to acquire shares in or debentures of the Company or any other body corporate.

Directors' and Supervisors' Service Contracts

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

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

Save as disclosed below, as at 31 December 2011, none of the directors and supervisors of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

Report of the Directors *(continued)*

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

As at 31 December 2011, 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 (Share)	Nature of interest	Approximate percentage of issued A Shares (%)	Approximate percentage of total issued Shares (%)
CRECG	Beneficial owner	11,950,010,000	Long position	69.91	56.10

Holders of H Shares

Name of substantial shareholders	Capacity	Number of H Shares held (Share)	Nature of interest	Approximate percentage of issued H Shares (%)	Approximate percentage of total issued Shares (%)
National Council for Social Security Fund of the PRC	Beneficial owner	382,490,000	Long position	9.09	1.80
Lehman Brothers Holdings Inc. *(note 1)*	Interest of controlled corporations	210,186,560	Long position	5.00	0.99
	Interest of controlled corporations	94,560,550	Short position	2.25	0.44
Blackrock, Inc. *(note 2)*	Interest of controlled corporations	143,991,204	Long position	3.42	0.68
	Interest of controlled corporations	12,803,741	Short position	0.30	0.06

Notes:

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

(2) According to the Corporate Substantial Shareholder Notice filed by Blackrock, Inc. with the Hong Kong Stock Exchange dated 20 September 2011, Blackrock, Inc. indirectly wholly owns BlackRock Investment Management, LLC (which held 2,740,753 H Shares of the Company) and BlackRock Institutional Trust Company, N.A. (which held 102,637,114 H Shares of the Company), while BlackRock Institutional Trust Company, N.A. wholly owns BlackRock Fund Advisors (which held 37,198,000 H Shares of the Company). Blackrock, Inc. also indirectly wholly owns BR Jersey International LP which in turn wholly owns Blackrock Asset Management Australia Limited (which held 63,000 H Shares of the Company), Blackrock Asset Management Canada Limited (which held 314,000 H Shares of the Company) and BlackRock Asset Management North Asia Limited (which held 5,178,386 H Shares of the Company and 3,901,136 short position in H Shares of the Company). BR Jersey International LP also indirectly wholly owns BlackRock Group Limited which in turn wholly owns Blackrock Asset Management Ireland Ltd (which held 6,377,000 H Shares of the Company), Blackrock Advisors UK Ltd (which held 11,538,605 H Shares of the Company and 8,902,605 short position in H Shares of the Company), BlackRock International Ltd. (which held 5,216,595 H Shares of the Company), as well as BlackRock Fund Managers Ltd (which held 322,000 H Shares of the Company). Accordingly, Blackrock, Inc. is deemed interested in the long positions and short positions held by each of the entities as set out above.

Apart from the foregoing, as at 31 December 2011, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

Competing Business

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

Connected Transactions

One-off Connected Transactions as 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 Limited ("Listing Rules"). Transactions between the Company and/or its subsidiaries and CRECG and/or its associates constitute connected transactions.

China Railway Xinan Investment & Management Co., Ltd. ("Xinan Investment"), a wholly-owned subsidiary of the Company, entered into the equity transfer agreement with CRECG on 29 September 2011 and issued an announcement on the same date. Pursuant to the equity transfer agreement, Xinan Investment agreed to purchase and CRECG agreed to sell its 100% equity interest in Henan Pingzheng Expressway Development Co., Ltd. ("Pingzheng"), a company primarily engaged in investment in expressway, sale of engineering construction materials, ancillary services and leasing of engineering equipment of highway and road maintenance businesses. The consideration is RMB302,934,800 (equivalent to approximately HK$366,009,158) and will be satisfied in cash and payable to CRECG within 15 days of the effective date of the equity transfer agreement. The consideration will be funded by internal resources of the Group. Pingzheng is primarily engaged in expressway operation management business with stable growth in operating income. The acquisition will help enhance the development of the Company's expressway operation business and would bring synergy as a result of integrated management. It will also effectively minimize the competition between the businesses of CRECG, the controlling shareholder, and that of the Company. The acquisition has been completed by the end of 2011.

Material Related Party Transactions as Defined under PRC Laws and Regulations

Details of the material related party transactions as defined under PRC laws and regulations are set out on pages 186 to 187 of this annual report.

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

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

Pre-emptive Rights and Share Option Arrangements

There are no provisions for pre-emptive rights pursuant to the Company's Articles of Association (the "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 2011 are set out in note 37 to the financial statements.

Report of the Directors *(continued)*

Financial Summary

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

Emolument Policy

The Group emphasises the importance of recruiting, incentivising, developing and retaining its staff and paid close attention to the fairness of its remuneration structure. The Group implemented an annual remuneration adjustment policy with reference to market price and performance. Employees' remuneration comprises basic salary, performance-based bonus and allowances. In accordance with applicable PRC laws, the Group entered into an employment contract with each of its employees. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination. Particulars of the employees' remuneration of the Company are set out in note 15 to the financial statements.

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

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

The annual remuneration of executive directors of the Company consists of a basic salary and a performance-linked bonus. The revised remuneration policies for the independent directors of the Company were approved at the 2009 annual general meeting of the Company held on 29 June 2010, according to which, the remuneration of the non-executive directors and independent non-executive directors is fixed on a pre-determined basis by virtue of their position. Remuneration of the directors is determined with reference to the prevailing market conditions and in accordance with applicable regulations. Details of the remuneration of the directors of the Company are set out in note 15 to the financial statements.

The personnel expenses of the Company for the year ended 31 December 2011 were RMB26.881 billion. As at 31 December 2011, the number of employees hired by the Group was 294,761. The following table sets forth a breakdown of the Group's employees by divisions as at 31 December 2011:

Report of the Directors *(continued)*

Division	Number of employees as at 31 December 2011
Production	142,663
Sales and Marketing	21,681
Engineering and Technology	99,285
Financing	14,036
Administration	17,096
Total	294,761

Employee Retirement Benefits

Particulars of the employee retirement benefits of the Group are set out in note 40 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 Code on Corporate Governance Practices of the Listing Rules

For details of the Company's corporate governance practices, please refer to the Report on Corporate Governance Practices on pages 56 to 68 of this annual report.

Auditors

The 2011 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 Ltd..

By order of the Board

Li Changjin
Chairman

Beijing, the PRC
30 March 2012

Report of the Supervisory Committee

1. Workings of Supervisory Committee

During the reporting period, the Supervisory Committee actively performed its duties pursuant to the terms of reference under the Articles of Association. During the year, the Supervisory Committee held 5 meetings and the convening and procedure of the meetings complied with the Articles of Association and Terms of Reference for the Supervisory Committee. At the second meeting of the first session of the employee representatives general meeting of the Company held on 22 January 2011, LIU Jianyuan, ZHANG Xixue and LIN Longbiao were elected as employee representative Supervisors of the second session of the Supervisory Committee; and at the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, WANG Qiuming and CHEN Wenxin were elected as shareholder representative Supervisors of the second session of the Supervisory Committee, together forming the second session of the Company's Supervisory Committee. Mr. Wang Qiuming was elected as the Chairman of the Second Session of the Supervisory Committee at the First Meeting thereof of the Company. The supervisors are with a three-year term, from the approval date by the Supervisory Committee to the expiry of the term of the second session of the Supervisory Committee. Workings of the Supervisory Committee of the Company are detailed as follows:

On 27 January 2011, the First Meeting of the Second Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed the Resolution on the Election of the Chairman of the Second Session of the Supervisory Committee.

On 29 March 2011, the Second Meeting of the Second Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed 8 resolutions, namely, Resolution on the Reviews of 2010 A Shares Annual Report and its Summary and 2010 H Shares Annual Report and Results Announcement, Resolution on the Audited Consolidated Financial Statements for 2010, Resolution on the Engagement of Auditors for 2011, Resolution on Implementation Plan for Internal Control Regulations of China Railway Group Limited, Resolution on the Profit Distribution for 2010, Resolution on Evaluation Report on Internal Control for 2010, Resolution on the Work Report of the Supervisory Committee for 2010, and Resolution on Guidelines for Further Enhancing and Improving Work of the Board and Supervisory Committee. They also heard reports on the acquisition and disposal of assets, connected transactions and use of listing proceeds in 2010.

On 28 April 2011, the Third Meeting of the Second Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed 5 resolutions, namely, Resolution on 2011 First Quarterly Report, Resolution on 2011 First Quarterly Financial Statements, Resolution on Engagement of Internal Control Audit Firm for 2011, Resolution on Application for Entrusted Loans not Exceeding RMB2 billion made by the Company to the Head Company, and Resolution on Comprehensive Risk Management Report for 2011.

On 28 August 2011, the Fourth Meeting of the Second Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed 3 resolutions, namely, Resolution on the Review of 2011 A Shares Half-year Report and its Summary and H Shares Interim Report and Results Announcement, Resolution on the Review of Financial Statements for the Accounting Period of Six Months Ended 30 June 2011 and Resolution on Working Plan of Internal Control Audit for 2011.

On 27 October 2011, the Fifth Meeting of the Second Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed 3 resolutions, namely, Resolution on the Review of 2011 Third Quarterly Report of China Railway Group Limited, Resolution on 2011 Third Quarterly Financial Statements of China Railway Group Limited, and Resolution on Working Plan of Evaluation on Internal Control of China Railway for 2011.

In 2011, the Supervisory Committee attended the 2010 first extraordinary general meeting of the Company, the 2010 annual general meeting, and all the Board meetings and work meetings of Presidents held during the year of the Company. The Supervisory Committee effectively supervised the convening and subjects of the Board meeting and work meetings of Presidents, and was not aware of any Board meeting or work meeting of Presidents being not in compliance with relevant laws or regulations.

2. Independent Opinions of Supervisory Committee on Legal Compliance of the Operations of the Company

The Supervisory Committee has carefully studied the corporate governance and actively participated in the drafting of Opinions on Further Enhancing and Improving Work of the Board and Supervisory Committee, and promoted for the implementation of such opinions. During the reporting period, the Supervisory Committee supervised the Directors and senior management of Company, and was of the opinion that the Board of the Company had been in strict compliance with the provisions of the Company Law, the Securities Law, the Articles of Association and other relevant laws, regulations and rules, and the Board had made decisions in compliance with applicable laws. The major decisions for the operation of the Company were made in a reasonable, legitimate and effective way. In order to further standardize the operation, the Company established and improved the internal governance rules and internal control system. Information disclosure of the Company was in line with norms, and the management system of registration for informed persons of insider information had been implemented well. The Directors and senior management of the Company discharged their duties in accordance with laws and regulations of the PRC, the Articles of Association, and the resolutions of the general meeting and the Board, in a diligent, devoted and innovative manner. The Supervisory Committee was not aware of any acts of the Directors and senior management of the Company in the performing of their duties which may result in a breach of laws or regulations or the Articles of Association and which may damage the interests of the Company and its shareholders.

Report of the Supervisory Committee *(continued)*

3. Independent Opinions of Supervisory Committee on Inspection of the Financial Position of the Company

The Supervisory Committee inspected and supervised the financial activities of the Company by debriefing the specific report from the financial officers of the Company, communicating with the accounting firms responsible for audit and review engagement of the Company, reviewing the financial statements of the Company, reviewing the regular report of the Company and the auditor's report from accounting firms, regular debriefings of internal audit department on implementation of auditing, and on-site investigation on major investment or financing projects approved by the Board. The Supervisory Committee was of opinion that the financial system was adequately prepared and all the expenses were provided properly. Deloitte Touche Tohmatsu CPA Ltd. has audited the financial report of the Company and issued an unqualified audit report confirming that the financial statements of the Company in 2011 are prepared in compliance with the requirements of Enterprise Accounting Standards in all material aspects, and give a fair view of the Company's and consolidated financial position as at 31 December 2011 and the Company's and consolidated operational results and cash flows of the Company in 2011.

4. Independent Opinions of Supervisory Committee on the Actual Use of the Latest Listing Proceeds

During the reporting period, the Supervisory Committee supervised the use of the listing proceeds by the Company and was of the opinion that the Company had managed and used the listing proceeds according to the Use and Management System of the Listing Proceeds and that the use of listing proceeds were in compliance with the commitments of the Company. The usage of the listing proceeds complied with the relevant laws and regulations of the PRC and the requirements of Articles of Association and there were no acts which may damage the interests of the Company and shareholders. The Supervisory Committee will continue to supervise and inspect the usage progress of the listing proceeds.

5. Independent Opinions of Supervisory Committee on Material Acquisition and Disposal of Assets by the Company

During the reporting period, the Supervisory Committee supervised the material acquisition as well as disposal of assets and mergers conducted by the Company, and was of the opinion that the material acquisition as well as disposal of assets and mergers by the Company were valued on fair basis and the relevant procedure was in compliance with laws. The Supervisory Committee was not aware of any acts that would be detrimental to the interests of shareholders or cause loss of assets of the Company.

6. Independent Opinions of Supervisory Committee on the Related Party Transactions of the Company

During the reporting period, the Supervisory Committee supervised the connected transactions of the Company and was of the opinion that all the connected transactions of the Company were entered into in accordance with applicable laws or regulations such as the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and the provisions of the Articles of Association and Administrative Rules Governing the Related Party Transactions of the Company. The connected transactions were entered into under fully justified and cautious decision by the Board and the management of the Company. The value of the connected transactions were determined in accordance with the principle of exchange of equal values by reference to fair market value and thus did not go against the principles of fairness, openness and justice. No acts were noted which may be detrimental to the interests of the Company and its minority shareholders.

7. Independent Opinions of Supervisory Committee on Accounting Firm's Non-standard Opinion

Not applicable

8. Independent Opinions of Supervisory Committee on the Significant Difference Between the Realized Profit and Profit Forecast

During the reporting period, the Company did not disclose any profit forecast, therefore, there is no significant difference between realized profit and profit forecast.

9. Supervisory Committee's Review of Self-assessment Report on Internal Control

The Supervisory Committee of the Company reviewed the self-assessment report on the internal control of the Company for 2011 and was of the opinion that the Company, based on its actual circumstances, had established a sound internal control system covering all aspects of the management of the Company in accordance with relevant requirements of the Company Law, the China Securities Regulatory Commission and the Shanghai Stock Exchange and in compliance with basic principles of internal control, to ensure the orderly operations of the Company. At the same time, the Company also established complete internal control organizations to ensure effective supervision and implementation of its internal control system. In 2011, the Company's internal major controlling activities were conducted in a standard, lawful and effective way and did not violate the relevant requirements of state securities regulatory bodies and internal control rules of the Company. In conclusion, the Supervisory Committee is of the opinion that self-assessment report on internal control for the year of 2011 is comprehensive and objective and gives a true and accurate picture of how the Company actually established, optimized and implemented its internal control system and do not have objections against the report.

Report on Corporate Governance Practices

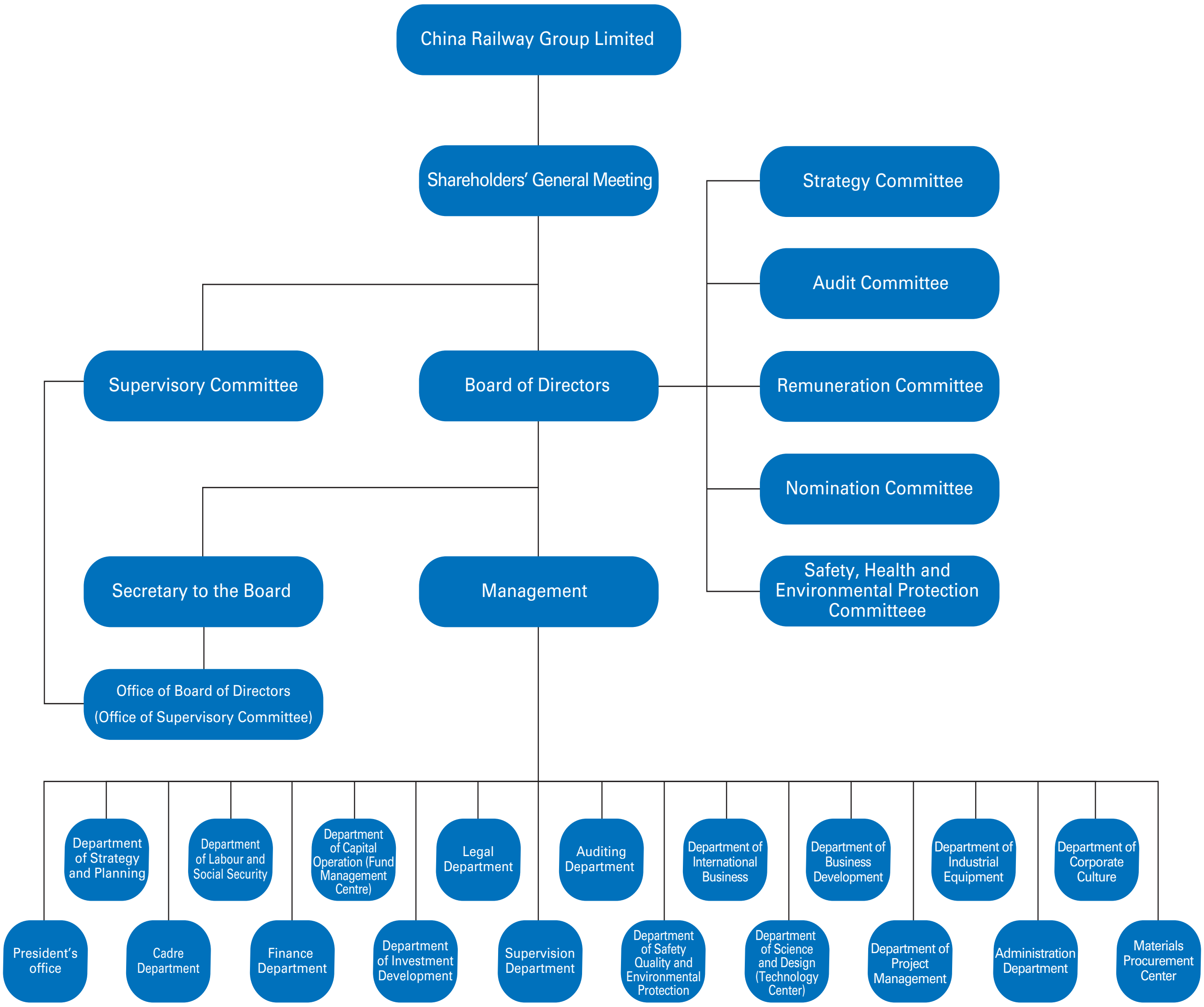
Overview

During the reporting period, the Company complied with the laws and regulations of the places where it operates its business as well as the regulations and guidelines stipulated by regulatory authorities such as the China Securities Regulatory Commission, the Hong Kong Securities and Futures Commission, the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited (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 of Directors 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 22 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.

Report on Corporate Governance Practices *(continued)*

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.



Report on Corporate Governance Practices *(continued)*

Compliance with the Code Provisions of the Code on Corporate Governance Practices

As a company listed on the main board of the Hong Kong Stock Exchange, the Company is committed to uphold the principles of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Company complied with all code provisions of the Code on Corporate Governance Practices during the reporting period.

Shareholders' General Meeting

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

During the reporting period, the Company convened and held two shareholders' general meetings, being the 2010 annual general meeting held on 16 June 2011 and the first extraordinary general meeting in 2011 held on 27 January 2011. A total of eight ordinary resolutions, including approving the 2010 report of the Board of Directors of the Company, the 2010 report of the Supervisory Committee of the Company, the 2010 work report of independent directors of the Company, the 2010 audited consolidated financial statements of the Company, the re-appointment of the external auditors of the Company and the 2010 profit distribution plan of the Company, were passed at the 2010 annual general meeting. In addition to eight ordinary resolutions, the special resolution of approving the issue of Dedicated Instruments with a principal amount not exceeding RMB10 billion was passed at the 2010 annual general meeting. A total of four resolutions, including approving the change of the use of part of the proceeds from the H share offering of the Company, the amendments to the Articles of Association of the Company, appointment of members of the second session of the Board and appointment of shareholder representative supervisor and the issue of short term bonds with a principal amount not exceeding RMB19 billion were passed at the 2011 first extraordinary general meeting. The meetings were convened in compliance with relevant legal procedures which safeguarded shareholders' participation and exercise of rights.

The Board of Directors

(1) Composition of the Board of Directors

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

Mr. LI Changjin	Chairman and Executive Director
Mr. BAI Zhongren	Executive Director and President
Mr. YAO Guiqing	Vice Chairman and Executive Director
Mr. HAN Xiuguo *(note)*	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: Mr. HAN Xiuguo was appointed as Non-executive Director of the Board on 27 January 2011.

Report on Corporate Governance Practices *(continued)*

At the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, Mr. LI Changjin, Mr. BAI Zhongren and Mr. YAO Guiqing were re-elected as Executive Directors, Mr. HE Gong, Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick were re-elected as Independent Non-executive Directors, and Mr. HAN Xiuguo was elected as a Non-executive Director. These directors comprise the second session of the Board. Furthermore, at the first meeting of the second session of the Board held on the same date, Mr. LI Changjin was elected as the Chairman of the Board, Mr. YAO Guiqing was elected as Vice Chairman of the Board, and Mr. BAI Zhongren was appointed as President of the Company.

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

One half of the members of the Board of the Company are Independent Non-executive Directors. The Company has received confirmation of independence from the Independent Non-executive Directors and the Company considers each Independent Non-executive Director as independent.

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

(2) Board Meetings

In 2011, the Company held 10 board meetings, one of which was convened by way of voting by correspondence. A total of 83 proposals were considered at these board meetings, including proposals for the consideration of the Company's 2010 annual report, 2011 first quarterly report, interim report and third quarterly report, 2010 internal control and evaluation work, 2010 profit distribution plan, the increase in registered capital of China Railway Tunnel Group Co., Ltd. and the investment in Shenyang Fourth Ring Expressway Construction BT Project. In addition, a total of 14 reports were presented at these meetings, including the Preparatory Condition of the Board Meeting and the 2010 Self Evaluation Report on the Trading of the Company's Shares by Insiders of China Railway.

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	10	10	0
BAI Zhongren	10	9	1
YAO Guiqing	10	10	0
HAN Xiuguo *(note)*	8	7	1
HE Gong	10	10	0
GONG Huazhang	10	10	0
WANG Taiwen	10	10	0
SUN Patrick	10	9	1

Note: Mr. HAN Xiuguo was appointed as Non-executive Director of the Board on 27 January 2011.

Report on Corporate Governance Practices *(continued)*

(3) Responsibilities and Operation of the Board of Directors

The responsibilities of the Board of Directors are, among other things, convening shareholders' general meetings and reporting its work to shareholders at such meetings, implementing resolutions of shareholders' general meetings, making decisions on business strategies, business plans and material investment plans, formulating proposed annual financial budgets and final accounts, formulating profit distribution plans and if applicable, plans for making up losses previously incurred, formulating plans relating to the increase or reduction of our Company's registered capital, formulating plans for the issuance of corporate bonds or other securities and where applicable, the listing of such securities, deciding on the organisation of the Company's internal management, and exercising any other powers conferred by shareholders' general meetings or under the Articles of Association of the Company.

There are currently five committees established under the Board of Directors, being the Strategy Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Safety, Health and Environmental Protection Committee.

The roles of the Chairman of the Board and President of the Company are performed by separate persons and the division of power between the Board of Directors and senior management strictly complies with the Articles of Association of the Company and relevant regulations. The Board formulates overall strategy of the Company and monitors its financial performance. The management of the Company is responsible for implementing the strategy and direction as determined by the Board, and is delegated with daily operations and administration of the Company. The Chairman of the Board is responsible for leading the Board of Directors. Pursuant to the Articles of Association of the Company, the President is delegated with the authority to, among other things, oversee the operation and management of the Company, implement Board decisions, carry out investment plans, and formulate the management structure and 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.

Report on Corporate Governance Practices *(continued)*

(5) Committees under the Board

During the reporting period, the first meeting of the second session of the Board of the Company 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, strategy for the business segments, major investments, material business reorganisation, mergers and acquisitions, division and dissolution. The Strategy Committee currently comprises Mr. GONG Huazhang who is an Independent Non-executive Director, Mr. LI Changjin, Mr. BAI Zhongren and Mr. YAO Guiqing who are Executive Directors and Mr. HAN Xiuguo who is a Non-executive Director, and is chaired by Mr. LI Changjin.

During the reporting period, the Strategy Committee held one meeting, at which a total of two proposals were considered, including the development planning report for the "Twelfth Five-Year Plan" in relation to the Company's direct industrial manufacturing and the development planning report for the "Twelfth Five-Year Plan" of the Company's international operations. In addition, a total of five reports were presented at such meeting including the report on the real property segment of the joint stock company.

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	0
BAI Zhongren	1	1	0
YAO Guiqing	1	1	0
HAN Xiuguo *(note)*	1	1	0
GONG Huazhang	1	1	0
WANG Taiwen *(note)*	1	1	0

Note: On 27 January 2011, Mr. HAN Xiuguo was appointed as a member of the Strategy Committee, and meanwhile Mr. WANG Taiwen ceased to be a member of the Strategy Committee.

Report on Corporate Governance Practices *(continued)*

(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) to coordinate the work between the internal and external auditors and to review and monitor the effectiveness of the internal audit function.

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

During the reporting period, the Audit Committee held seven meetings, at which a total of 23 proposals were considered, including the consideration of the 2010 annual report, 2011 first quarterly report, interim report and third quarterly report, internal audit, establishment of internal control system and risk management. In addition, a total of four reports were presented at these meetings including the internal control and risk management work report of the Company for the first half of 2011.

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	7	7	0
WANG Taiwen	7	7	0
SUN Patrick	7	6	1

Report on Corporate Governance Practices *(continued)*

(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) to have the delegated responsibility to determine the specific remuneration packages of all 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;

(3) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and

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

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

During the reporting period, the Remuneration Committee held three meetings, at which a total of five proposals were considered, including proposals relating to the 2011 performance evaluation contracts for senior management members of China Railway Group Limited, the 2011 performance indicators for senior management members and the adjustment proposed to the individual performance indicators of senior management members. In addition, a total of three reports were presented at these meetings including the report on the 2010 performance evaluation of the senior management members of the Company.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
HE Gong	4	4	0
WANG Taiwen	4	4	0
SUN Patrick	4	3	1

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 15 to the financial statements.

Report on Corporate Governance Practices *(continued)*

(d) Nomination Committee

The primary responsibilities of the Nomination Committee include, among other things, formulating the standards, procedures and methods for election of directors and senior management personnel of the Company and submit the same to the Board for consideration and making recommendations to the Board on the appointment and removal of senior officers of the Company. The Nomination Committee currently comprises Mr. HE Gong, Mr. GONG Huazhang and Mr. WANG Taiwen who are Independent Non-executive Directors, Mr. LI Changjin and Mr. BAI Zhongren who are Executive Directors. The Nomination Committee is chaired by Mr. LI Changjin.

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

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

(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. The Safety, Health and Environmental Protection Committee currently comprises Mr. HE Gong and Mr. SUN Patrick who are Independent Non-executive Directors, Mr. HAN Xiuguo who is a Non-executive Director, Mr. BAI Zhongren and Mr. YAO Guiqing who are Executive Directors, and is chaired by Mr. BAI Zhongren.

During the reporting period, the Safety, Health and Environmental Protection Committee held one meeting, at which the work report on the safety quality of China Railway Group Limited was presented at the meeting.

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	1	1	0
YAO Guiqing	1	1	0
HAN Xiuguo *(note)*	1	1	0
HE Gong	1	1	0
SUN Patrick	1	1	0

Note: On 27 January 2011, Mr. HAN Xiuguo was appointed as a member of the Safety, Health and Environmental Protection Committee.

Supervisory Committee

The primary responsibilities of the Supervisory Committee are:

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

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

(3) examining the Company's financial matters;

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

(5) making proposals for shareholders' general meetings; and

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

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

Mr. WANG Qiuming	Chairman of the Supervisory Committee
Mr. CHEN Wenxin *(note 1)*	Shareholder Representative Supervisor
Ms. LIU Jianyuan *(note 2)*	Employee Representative Supervisor
Mr. LIN Longbiao	Employee Representative Supervisor
Mr. ZHANG Xixue	Employee Representative Supervisor
Mr. JI Zhihua *(note 2)*	Employee Representative Supervisor
Mr. ZHOU Yuqing	Employee Representative Supervisor

Note 1: On 27 January 2011, Mr. CHEN Wenxin was appointed as the Shareholder Representative Supervisor.

Note 2: On 22 January 2011, Ms. LIU Jianyuan was appointed as the Employee Representative Supervisor, and meanwhile Mr. JI Zhihua and Mr. ZHOU Yuqing ceased to be Employee Representative Supervisors.

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

During the reporting period, the Supervisory Committee held five meetings and considered a total of 20 proposals including the 2010 report of Supervisory Committee, the 2010 annual report, the 2011 interim report of the Company, the 2011 comprehensive risk management report and the election of the chairman of the second session of the Supervisory Committee. In addition, a total of four reports were presented at such meetings including the 2010 report in relation to the acquisition and disposal of assets by the Company.

At the second meeting of the first session of the employee representatives general meeting of the Company held on 22 January 2011, Ms. LIU Jianyuan, Mr. ZHANG Xixue and Mr. LIN Longbiao were elected as Employee Representative Supervisors of the second session of the Supervisory Committee of the Company. At the 2011 first extraordinary general meeting of the Company held on 27 January 2011, Mr. WANG Qiuming was re-elected as a Shareholder Representative Supervisor and Mr. CHEN Wenxin was elected as a Shareholder Representative Supervisor. Furthermore, at the first meeting of the second session of the Supervisory Committee of the Company held on 27 January 2011, Mr. WANG Qiuming was elected as Chairman of the Supervisory Committee.

Report on Corporate Governance Practices *(continued)*

Relationship with the Controlling Shareholder

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

On 29 September 2011, China Railway Xi Nan Investment & Management Co., Ltd., a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with CRECG to purchase 100% equity interest in Henan Pingzheng Expressway Development Co., Ltd. for a consideration of approximately RMB303 million.

In addition, the Company entered into a subscription agreement with CRECG on 18 June 2010 pursuant to which, CRECG will subscribe in cash for not more than 851,580,000 A shares to be issued by the Company under the private placement of A shares, as part of the private placement of A shares with a total subscription price of not exceeding RMB3.50 billion. As at 11 August 2011, the proposal of private placement of A shares has not been implemented. The proposal of private placement of A shares has therefore lapsed automatically due to the expiration of the resolutions passed at the shareholders' general meeting, and the subscription agreement with CRECG was terminated automatically.

Auditors' Remuneration

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

Fees for the audit of the financial statements of the Group for the year ended 31 December 2011 paid to the External Auditors are approximately RMB43.97 million.

The External Auditors did not provide any material non-audit services to the Group during the reporting period.

Information Disclosure

The Secretary to the Board of Directors 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 Stocks on Shanghai Stock Exchange, as well as the requirements under the relevant PRC laws and regulations.

Internal Control

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

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 2011, 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 69.

Report on Corporate Governance Practices *(continued)*

Investor Relations

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

The Company's information exchange channels with investors include, among others, holding teleconferences, receiving visitors and analysts, attending institutional summits, organising results road shows, arranging project-related visits, establishing corporate websites, and participating in Sina's Board Secretary Online.

The Company received more than 400 visits paid by investors during the reporting period, participated in numerous international investment forums and investment strategy conferences organised by investment institutions both at home and abroad and delivered speeches at such forums and conferences, and held talks with a number of fund managers and analysts. After releasing the annual and half-yearly reports, the Company organised 31 promotional road shows in Beijing and Hong Kong to publicise the Company's strategies and results. Fully recognising the importance of the protection of interests of minority shareholders, the Company set up investor hotlines with dedicated personnel to answer investors' enquiries. More than 1,300 phone calls were answered through the hotlines. The Company was invited to become one of the first two A-Share listed companies to set up a Board Secretary Online column at Sina.com where the Company's Secretary of the Board personally answered investors' questions railed online. The Company also thought highly of information feedback from the capital market. Issues over which investors expressed concerns were regularly compiled and reported to the management of the Company for reference in order to refine the Company's governance and enhance management standard.

The Company's diligence was fully recognised in the capital market, as illustrated by various honors, including "Board Secretary Award for Excellence", "Top 100 Listed Companies in China", "2011 Best Corporate Governance", "Golden Bull Award", "Golden Tripod Award", "Corporate Governance Award of Greater China", "China Region Investor Relations Website Award", "Best Management Team" and "the Listed Company Most Welcomed by Investors in China and Hong Kong" and have been selected for the first time as one of the World 500 Green Enterprises, ranked number one among the world 200 largest construction companies in International Construction (UK) and ranked number nine on the 2011 Social Responsibility Ranking of China State-owned Listed Enterprises.

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 investing community 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 Auditor's Report

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

We have audited the consolidated financial statements of China Railway Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 180, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

30 March 2012

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2011

	NOTES	2011 RMB million	2010 RMB million (Restated)
Revenue	7 & 8	**442,216**	456,162
Cost of sales		**(409,963)**	(429,019)
Gross profit		**32,253**	27,143
Other income	9	**2,413**	1,198
Other expenses	9	**(5,345)**	(2,088)
Other gains and losses	10	**(388)**	532
Selling and marketing expenses		**(1,813)**	(1,443)
Administrative expenses		**(14,325)**	(13,568)
Interest income	11	**1,462**	1,370
Interest expenses	11	**(4,148)**	(2,596)
Share of profits of jointly controlled entities		**103**	170
Share of losses of associates		**(214)**	(170)
Profit before tax		**9,998**	10,548
Income tax expense	12	**(2,758)**	(2,337)
Profit for the year	14	**7,240**	8,211
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**(297)**	(61)
Fair value loss on available-for-sale financial assets		**(70)**	(296)
Share of other comprehensive expense of jointly controlled entities and associates		**(20)**	(3)
Income tax relating to fair value change on available-for-sale financial assets		**22**	57
Other comprehensive expense for the year, net of income tax	13	**(365)**	(303)
Total comprehensive income for the year		**6,875**	7,908
Profit for the year attributable to:			
Owners of the Company		**6,690**	7,398
Non-controlling interests		**550**	813
		7,240	8,211
Total comprehensive income for the year attributable to:			
Owners of the Company		**6,356**	7,144
Non-controlling interests		**519**	764
		6,875	7,908
		RMB	RMB
Earnings per share (Basic)	17	**0.314**	0.347

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	31/12/2011 RMB million	31/12/2010 RMB million (Restated)	1/1/2010 RMB million (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	18	37,668	34,299	28,791
Deposits for acquisition of property, plant and equipment		773	935	955
Lease prepayments	19	8,537	7,058	6,269
Deposits for land use rights		173	192	129
Deposits for investment		717	157	46
Investment properties	20	2,472	1,971	1,666
Intangible assets	21	33,354	24,784	21,384
Mining assets	22	4,327	4,287	1,283
Interests in jointly controlled entities	23	782	751	834
Interests in associates	24	2,956	4,136	3,780
Goodwill	25	865	865	836
Available-for-sale financial assets	26	4,580	4,287	4,537
Other loans and receivables	27	4,594	4,243	2,080
Deferred tax assets	42	3,284	2,736	2,819
Other prepayments		43	20	46
Trade and other receivables	30	3,336	2,146	1,313
		108,461	92,867	76,768
Current assets				
Lease prepayments	19	197	183	178
Properties held for sale	28	5,628	4,059	2,271
Properties under development for sale	28	52,995	38,411	25,204
Inventories	29	36,329	30,026	23,831
Trade and other receivables	30	143,320	121,148	101,696
Amounts due from customers for contract work	31	56,747	46,472	31,068
Current income tax recoverable		185	–	–
Other loans and receivables	27	1,055	1,062	1,928
Held-for-trading financial assets	32	60	153	81
Restricted cash	33	3,329	2,291	2,344
Cash and cash equivalents	34	60,254	54,927	49,465
		360,099	298,732	238,066
Total assets		468,560	391,599	314,834

Consolidated Statement of Financial Position *(continued)*

At 31 December 2011

	NOTES	31/12/2011 RMB million	31/12/2010 RMB million (Restated)	1/1/2010 RMB million (Restated)
EQUITY				
Share capital	35	**21,300**	21,300	21,300
Share premium and reserves		**50,549**	45,678	40,245
Equity attributable to owners of the Company		**71,849**	66,978	61,545
Non-controlling interests		**9,330**	7,140	5,420
Total equity		**81,179**	74,118	66,965
LIABILITIES				
Non-current liabilities				
Other payables	36	**632**	630	339
Borrowings	37	**73,606**	44,394	28,231
Obligations under finance lease	38	**295**	66	262
Financial guarantee contracts	39	**2**	31	33
Retirement and other supplemental benefit obligations	40	**5,522**	6,111	6,698
Provisions	41	**138**	75	53
Deferred government grant		**732**	573	333
Deferred tax liabilities	42	**882**	621	451
		81,809	52,501	36,400
Current liabilities				
Trade and other payables	36	**231,267**	209,588	161,066
Amounts due to customers for contract work	31	**14,606**	12,054	18,339
Current income tax liabilities		**2,019**	1,325	1,083
Borrowings	37	**56,490**	40,741	29,618
Obligations under finance lease	38	**185**	259	327
Financial guarantee contracts	39	**–**	2	2
Retirement and other supplemental benefit obligations	40	**863**	915	936
Provisions	41	**–**	3	–
Held-for-trading financial liabilities	32	**142**	93	98
		305,572	264,980	211,469
Total liabilities		**387,381**	317,481	247,869
Total equity and liabilities		**468,560**	391,599	314,834
Net current assets		**54,527**	33,752	26,597
Total assets less current liabilities		**162,988**	126,619	103,365

The consolidated financial statements on pages 70 to 180 were approved and authorised for issue by the board of directors on 30 March 2012 and are signed on its behalf by:

LI Changjin
DIRECTOR

BAI Zhongren
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2011

	Equity attributable to owners of the Company									
	Share capital RMB million *(Note 35)*	Share premium RMB million	Capital reserve RMB million *(note (b))*	Statutory reserve RMB million *(note (a))*	Translation reserve RMB million	Investment revaluation reserve RMB million	Retained profits RMB million	Total RMB million	Non-controlling interests RMB million	Total RMB million
At 1 January 2010 as originally stated	21,300	33,647	(2,963)	2,671	(4)	400	6,113	61,164	5,420	66,584
Effect of acquisition of a subsidiary accounted for as a combination of businesses under common control *(Note 2B)*	–	–	680	–	–	–	(299)	381	–	381
At 1 January 2010 as restated	21,300	33,647	(2,283)	2,671	(4)	400	5,814	61,545	5,420	66,965
Profit for the year as restated	–	–	–	–	–	–	7,398	7,398	813	8,211
Other comprehensive expense for the year *(Note 13)*	–	–	(3)	–	(64)	(187)	–	(254)	(49)	(303)
Total comprehensive income (expense) for the year	–	–	(3)	–	(64)	(187)	7,398	7,144	764	7,908
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(188)	(188)
Acquisition of subsidiaries *(Note 43)*	–	–	–	–	–	–	–	–	870	870
Disposal of subsidiaries *(Note 44)*									(37)	(37)
Acquisition of additional interests in subsidiaries	–	–	(54)	–	–	–	–	(54)	(135)	(189)
Capital contribution	–	–	–	–	–	–	–	–	446	446
Consideration for the acquisition of subsidiaries under common control	–	–	(315)	–	–	–	–	(315)	–	(315)
Transfer to reserves *(note (a))*	–	–	–	1,347	–	–	(1,347)	–	–	–
Dividend recognised as distribution *(Note 16)*	–	–	–	–	–	–	(1,342)	(1,342)	–	(1,342)
At 31 December 2010 as restated	21,300	33,647	(2,655)	4,018	(68)	213	10,523	66,978	7,140	74,118
Profit for the year	–	–	–	–	–	–	6,690	6,690	550	7,240
Other comprehensive income (expense) for the year *(Note 13)*	–	–	2	–	(290)	(46)	–	(334)	(31)	(365)
Total comprehensive income (expense) for the year	–	–	2	–	(290)	(46)	6,690	6,356	519	6,875
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(263)	(263)
Acquisition of subsidiaries *(Note 43)*	–	–	–	–	–	–	–	–	2,031	2,031
Acquisition of additional interests in subsidiaries	–	–	(44)	–	–	–	(5)	(49)	(254)	(303)
Capital contribution	–	–	–	–	–	–	–	–	195	195
Consideration for the acquisition of subsidiaries under common control	–	–	(303)	–	–	–	–	(303)	–	(303)
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	(38)	(38)
Dividend recognised as distribution *(Note 16)*	–	–	–	–	–	–	(1,171)	(1,171)	–	(1,171)
Transfer to reserves *(note (a))*	–	–	–	1,664	–	–	(1,664)	–	–	–
Others	–	–	38	–	–	–	–	38	–	38
At 31 December 2011	21,300	33,647	(2,962)	5,682	(358)	167	14,373	71,849	9,330	81,179

Consolidated Statement of Changes in Equity *(continued)*

For the Year Ended 31 December 2011

Notes:

(a) *The statutory reserves comprise:*

	Statutory surplus reserve RMB million	Trust compensation reserve RMB million	General risk reserve RMB million	Total RMB million
At 1 January 2010	2,586	18	67	2,671
Transfer from retained profits	1,321	13	13	1,347
At 31 December 2010	3,907	31	80	4,018
Transfer from retained profits	1,638	27	(1)	1,664
At 31 December 2011	5,545	58	79	5,682

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 2011

	NOTES	2011 RMB million	2010 RMB million (Restated)
Operating activities			
Profit for the year		7,240	8,211
Adjustments for:			
Income tax		2,758	2,337
Interest income		(1,462)	(1,370)
Dividend income from unlisted investments		(29)	(62)
(Gains) losses on disposal and/or write-off of:			
Property, plant and equipment		(7)	(2)
Lease prepayments		(7)	(54)
Intangible assets		–	(30)
Available-for-sale financial assets		(90)	(465)
Bargain purchase gain on acquisition of a subsidiary	43	(52)	(3)
Deficit (excess) of fair value of the previous held interests	43	11	(128)
Subsidiaries	44	(73)	(55)
Liquidation of subsidiaries		–	(36)
Interests in associates		–	(19)
Interests in jointly controlled entities		–	(31)
Foreign exchange (gains) losses, net		(139)	52
Fair value decrease on held-for-trading financial assets/liabilities		142	38
Waiver of trade and other payables		(70)	(82)
Impairment losses recognised on:			
Property, plant and equipment		–	9
Available-for-sale financial assets		60	2
Trade and other receivables		334	425
Other loans and receivables		111	166
Allowance for foreseeable losses on construction contracts		171	42
Goodwill		–	21
Inventories		7	–
Amortisation of financial guarantee contracts		(2)	(2)
Interest expenses		4,148	2,596
Share of profits of jointly controlled entities		(103)	(170)
Share of losses of associates		214	170
Charge to retirement benefit obligations		398	431
Government grants credited to income		(386)	(136)
Depreciation and amortisation		6,369	5,108
Operating cash flows before movements in working capital		19,543	16,963
Movements in working capital:			
(Increase) decrease in other prepayments		(20)	26
Increase in properties held for sale		(1,271)	(1,778)
Increase in properties under development for sale		(11,869)	(12,366)
Increase in inventories		(6,306)	(5,587)
Increase in trade and other receivables		(20,696)	(18,252)
Increase in amounts due from customers for contract work		(10,446)	(15,428)
Decrease in retirement and supplemental benefit obligations		(1,039)	(1,040)
Increase in trade and other payables		18,452	46,573
Increase (decrease) in amounts due to customers for contract work		2,552	(6,285)
Increase in government grants for operating expenses		329	261
Decrease (increase) in held-for-trading financial assets		39	(115)
Decrease in held-for-trading financial liabilities		(39)	–
Net cash (outflows) inflows from operations		(10,771)	2,972
Income tax paid		(2,712)	(1,960)
Net cash (used in) from operating activities		(13,483)	1,012

Consolidated Statement of Cash Flows *(continued)*

For the Year Ended 31 December 2011

	NOTES	2011 RMB million	2010 RMB million (Restated)
Investing activities			
Purchase of property, plant and equipment		**(8,186)**	(9,134)
Deposits for acquisition of property, plant and equipment		**(1,172)**	(1,383)
Government grants received for acquisition of property, plant and equipment		**247**	21
Disposal of property, plant and equipment		**932**	713
Deposits paid for land use rights		**(35)**	(144)
Addition of lease prepayments		**(116)**	(125)
Disposal of lease prepayments		**38**	229
Purchase of investment properties		**(61)**	(172)
Disposal of investment properties		**37**	22
Purchase of intangible assets		**(825)**	(3,714)
Disposal of intangible assets		**–**	110
Purchase of mining assets		**(24)**	(117)
Disposal of mining assets		**4**	–
Acquisition of subsidiaries in current year	*43*	**(192)**	(1,550)
Payment for acquisition of subsidiaries in prior years		**(458)**	–
Acquisition of a subsidiary under common control		**(303)**	(306)
Disposal of subsidiaries	*44*	**121**	312
Liquidation of subsidiaries		**(38)**	39
Investments in jointly controlled entities		**(20)**	(81)
Disposal of interests in jointly controlled entities		**–**	39
Investments in associates		**(346)**	(275)
Disposal of interests in associates		**–**	198
Deposits paid for investments		**(560)**	(157)
Purchase of available-for-sale financial assets		**(921)**	(1,123)
Disposal of available-for-sale financial assets		**588**	1,417
New other loans and receivables		**(967)**	(4,043)
Repayment of other loans and receivables		**593**	1,694
Interests received		**764**	909
Dividends received from jointly controlled entities and associates		**199**	90
Dividends received from other financial assets		**29**	62
Decrease in restricted cash		**2,819**	2,602
Increase in restricted cash		**(3,857)**	(2,549)
Net cash used in investing activities		**(11,710)**	(16,416)
Financing activities			
Share issue expenses paid		**–**	(2)
Acquisition of additional interest in subsidiaries		**(303)**	(189)
Capital contributions from owner		**–**	411
Capital contributions from non-controlling shareholders of subsidiaries		**195**	446
New borrowings		**90,778**	70,192
Repayment of borrowings		**(52,864)**	(42,811)
Interests paid		**(5,799)**	(3,154)
Dividends paid to non-controlling shareholders of subsidiaries		**(236)**	(228)
Dividends paid		**(1,171)**	(3,747)
Net cash from financing activities		**30,600**	20,918
Net increase in cash and cash equivalents		**5,407**	5,514
Effect of foreign exchange rate changes		**(80)**	(52)
Cash and cash equivalents at the beginning of the year	*34*	**54,927**	49,465
Cash and cash equivalents at the end of the year	*34*	**60,254**	54,927

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

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.

2A. Basis of Preparation of the Consolidated Financial Statements

In accordance with the Equity Transfer agreements entered into between the Company and CRECG on 29 September 2011, the Company acquired 100% equity interest of Henan Pingzheng Expressway Development Co., Ltd. ("HEDCL") from CRECG for a consideration of RMB302.93 million. The acquisition of HEDCL was completed by the end of December 2011 and has been accounted for as a combination of businesses under common control in a manner similar to pooling-of-interests since the directors of the Company (the "Directors") consider that the Company and HEDCL are under the common control of CRECG. As a result, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the prior years have been restated to include the operating results and cash flows of HEDCL. The consolidated statements of financial position as at 31 December 2010 and at 1 January 2010 have been restated to include the assets and liabilities of HEDCL. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination. The impact of the restatements is set out below.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

2B. Restatements

The effect of restatements arising from acquisition of HEDCL accounted for as a combination of businesses under common control ("Adjustment") for the year ended 31 December 2010 by line items presented according to their function is as follows:

	2010 (originally stated) RMB million	Adjustment *(Note 2A)* RMB million	2010 (restated) RMB million
Revenue	456,102	60	456,162
Cost of sales	(428,987)	(32)	(429,019)
Gross profit	27,115	28	27,143
Other income	1,197	1	1,198
Other expenses	(2,088)	–	(2,088)
Other gains and losses	534	(2)	532
Selling and marketing expenses	(1,443)	–	(1,443)
Administrative expenses	(13,560)	(8)	(13,568)
Interest income	1,370	–	1,370
Interest expenses	(2,485)	(111)	(2,596)
Share of profits of jointly controlled entities	170	–	170
Share of losses of associates	(170)	–	(170)
Profit (loss) before tax	10,640	(92)	10,548
Income tax expense	(2,337)	–	(2,337)
Profit (loss) for the year	8,303	(92)	8,211

The effect of Adjustment as at 31 December 2010 by line items is summarised below:

	As at 31/12/2010 (originally stated) RMB million	Adjustment *(Note 2A)* RMB million	As at 31/12/2010 (restated) RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	34,291	8	34,299
Intangible assets	22,407	2,377	24,784
Other non-current assets	33,784	–	33,784
	90,482	2,385	92,867
Current assets			
Trade and other receivables	121,137	11	121,148
Cash and cash equivalents	54,860	67	54,927
Other current assets	122,657	–	122,657
	298,654	78	298,732
Total assets	389,136	2,463	391,599

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

2B. Restatements (continued)

The effect of Adjustment as at 31 December 2010 by line items is summarised below: – continued

	As at 31/12/2010 (originally stated) RMB million	Adjustment *(Note 2A)* RMB million	As at 31/12/2010 (restated) RMB million
EQUITY			
Equity attributable to owners of the Company	66,581	397	66,978
Non-controlling interests	7,140	–	7,140
Total equity	73,721	397	74,118
LIABILITIES			
Non-current liabilities			
Borrowings	42,915	1,479	44,394
Provisions	68	7	75
Other non-current liabilities	8,032	–	8,032
	51,015	1,486	52,501
Current liabilities			
Trade and other payables	209,308	280	209,588
Borrowings	40,444	297	40,741
Provisions	–	3	3
Other current liabilities	14,648	–	14,648
	264,400	580	264,980
Total liabilities	315,415	2,066	317,481
Total equity and liabilities	389,136	2,463	391,599
Net current assets (liabilities)	34,254	(502)	33,752
Total assets less current liabilities	124,736	1,883	126,619

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

2B. Restatements (continued)

The effect of Adjustment as at 1 January 2010 by line items is summarised below:

	As at 1/1/2010 (originally stated) RMB million	Adjustment *(Note 2A)* RMB million	As at 1/1/2010 (restated) RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	28,789	2	28,791
Intangible assets	18,991	2,393	21,384
Other non-current assets	26,593	–	26,593
	74,373	2,395	76,768
Current assets			
Trade and other receivables	101,690	6	101,696
Cash and cash equivalents	49,432	33	49,465
Other current assets	86,905	–	86,905
	238,027	39	238,066
Total assets	312,400	2,434	314,834

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

2B. Restatements (continued)

The effect of Adjustment as at 1 January 2010 by line items is summarised below: – continued

	As at 1/1/2010 (originally stated) RMB million	Adjustment *(Note 2A)* RMB million	As at 1/1/2010 (restated) RMB million
EQUITY			
Equity attributable to owners of the Company	61,164	381	61,545
Non-controlling interests	5,420	–	5,420
Total equity	66,584	381	66,965
LIABILITIES			
Non-current liabilities			
Borrowings	27,151	1,080	28,231
Provisions	50	3	53
Other non-current liabilities	8,116	–	8,116
	35,317	1,083	36,400
Current liabilities			
Trade and other payables	161,002	64	161,066
Borrowings	28,712	906	29,618
Other current liabilities	20,785	–	20,785
	210,499	970	211,469
Total liabilities	245,816	2,053	247,869
Total equity and liabilities	312,400	2,434	314,834
Net current assets (liabilities)	27,528	(931)	26,597
Total assets less current liabilities	101,901	1,464	103,365

The effect of Adjustment on the Group's basic earnings per share for the current and prior years:

Impact on basic earnings per share

	2011 RMB	2010 RMB
Reported figures before adjustment	**0.318**	0.352
Adjustments arising from acquisition of HEDCL	**(0.004)**	(0.005)
Restated	**0.314**	0.347

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

3. 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 Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, which are effective for the Group's financial year beginning on 1 January 2011.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (Revised 2009)	Related Party Disclosures, (expect for the partial exemption in paragraphs 25–27 for government related entities which have been early adopted)
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application 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.

Amendments to IAS 1 *Presentation of Financial Statements* (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the notes to the consolidated financial statements with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

IAS 24 *Related Party Disclosures* (Revised 2009)

The Group has applied IAS 24 *Related Party Disclosures* (Revised 2009) in the current year. IAS 24 (Revised 2009) has been revised on the following two aspects: (a) IAS 24 (Revised 2009) has changed the definition of a related party and (b) IAS 24 (Revised 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are government-related entities. In its annual consolidated financial statements for the year ended 31 December 2009, the Group had early applied the partial exemption from the disclosure requirements for government-related entities. In the current year, the Group has applied for the first time the revised definition of a related party as set out in IAS 24 (Revised 2009).

IAS 24 (Revised 2009) requires retrospective application. The application of IAS 24 (Revised 2009) has had no impact on the Group's financial performance and positions for the current and prior years.

Notes to the Consolidated Financial Statements *(continued)*
For the Year Ended 31 December 2011

3. 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:

IFRS 1 (Amendments)	Government Loans at a Below-market Rate of Interest[2]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 *Effective for annual periods beginning on or after 1 July 2011*
2 *Effective for annual periods beginning on or after 1 January 2013*
3 *Effective for annual periods beginning on or after 1 January 2015*
4 *Effective for annual periods beginning on or after 1 January 2012*
5 *Effective for annual periods beginning on or after 1 July 2012*
6 *Effective for annual periods beginning on or after 1 January 2014*

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* and amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*

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

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

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

IFRS 9 *Financial Instruments*

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

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be 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.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 attributable to a financial liability's 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 at fair value through profit or loss is presented in profit or loss.

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

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

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

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

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements and result in more extensive disclosures. However, the Directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

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

IFRS 13 *Fair Value Measurement*

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

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

IAS 19 (Revised 2011) *Employee Benefits*

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The Directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 will have impact on amounts reported in respect of the Groups' defined benefit plans. However, the Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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

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

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The Directors anticipate that the Interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of the Interpretation will have no impact on amounts reported in the consolidated financial statements because the Group's accounting policy for the stripping costs in the production phase of a surface mine is consistent with the accounting policy under IFRIC 20.

4. Principal Accounting Policies

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

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

4. Principal Accounting Policies (continued)

Business combinations involving entities under common control

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

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

Business combinations other than involving entities under common control

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

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

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

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

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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

4. Principal Accounting Policies (continued)

Goodwill

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

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

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

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

Investments in associates

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

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

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

4. Principal Accounting Policies (continued)

Jointly controlled entities

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

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

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

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

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

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

4. 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.

4. 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 is carried at cost less accumulated amortisation and 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 effective 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.

4. 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.

4. 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(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 comprehensive income.

4. 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. Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset 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.

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, 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.

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.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

4. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

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

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

Held-for-trading financial liabilities

A financial liability is classified as held for trading if:

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

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

Other financial liabilities

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

Effective interest method

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

4. 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 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

4. Principal Accounting Policies (continued)

Impairment losses on tangible and intangible assets other than goodwill

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

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

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

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

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

Employee compensation and benefits

Pension obligations

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

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

4. Principal Accounting Policies (continued)

Employee compensation and benefits (continued)

Pension obligations (continued)

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

Other post-employment obligations

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

Housing funds

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

Government grants

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

4. Principal Accounting Policies (continued)

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

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

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

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

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

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

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

4. Principal Accounting Policies (continued)

Revenue recognition

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

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

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

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

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

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

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

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

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

Borrowing costs

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

4. Principal Accounting Policies (continued)

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.

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.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

4. Principal Accounting Policies (continued)

Leasing (continued)

Sale and leaseback transactions (continued)

When a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

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.

5. 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.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

5. Key Sources of Estimation Uncertainty (continued)

(b) Amortisation of service concession arrangements

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

(c) Estimated impairment of goodwill

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

As at 31 December 2011, the carrying amount of goodwill is RMB865 million (2010: RMB865 million). Details of the recoverable amount calculation are disclosed in Note 25.

(d) Deferred tax asset

As at 31 December 2011, deferred tax assets of RMB3,284 million (2010: RMB2,736 million) in relation to the unused tax losses, impairment of assets (including impairment loss on trade and other receivables, other loans and receivables, property, plant and equipment, allowance for foreseeable losses on construction contracts and inventories), excess of accounting depreciation over tax depreciation and retirement and other supplemental benefit obligations have been recognised in the consolidated statement of financial position (see Note 42). The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

(e) Construction and design contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipated losses are fully provided on contracts when identified. The Group's management estimates the contract revenue, contract costs and foreseeable losses of construction and design work based on the budgets prepared for the contracts. Because of the nature of the activities undertaken in construction and design businesses, management reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, additional losses may need to be recognised (see Note 14).

(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 30.

5. Key Sources of Estimation Uncertainty (continued)

(g) Retirement and other supplemental benefit obligations

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

6. Capital Risk Management and Financial Instruments

Capital risk management

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

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

Financial risk management objectives and policies

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

6. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Currency risk

The functional currency of the group entities is RMB in which most of the transactions are denominated. Foreign currencies are used to collect the Group's revenue from overseas operations, settle purchases of machinery and equipment suppliers and certain expenses. Certain bank balances and borrowings which are denominated in foreign currencies and foreign exchange forward contracts 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	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
USD	**4,756**	2,070	**6,108**	6,129
EURO	**488**	392	**372**	405
HKD	**–**	1	**196**	130
AUD	**–**	–	**16**	32
Others	**2,556**	2,067	**3,261**	2,712

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

The following table details the Group's sensitivity to a reasonably possible change of 6% (2010: 3%) in exchange rate of each foreign currency against RMB while all other variables are held constant. 6% (2010: 3%) 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 6% (2010: 3%) change in foreign currency rates.

The management adjusted the sensitivity rate from 3% to 6% 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:

	2011	2010
	RMB million	RMB million
Increase (decrease) in post-tax profit for the year		
if RMB weakens against foreign currencies	**113**	139
if RMB strengthens against foreign currencies	**(113)**	(139)

6. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate bank borrowings, fixed-rate bank fixed deposits, 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 75 (2010: 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 basis points to 75 basis points for assessing interest rate risk after considering the financial market conditions during the current year.

	2011	2010
Reasonably possible change in interest rate	**75 basis points**	50 basis points

	2011 **RMB million**	2010 RMB million (Restated)
Increase (decrease) in post-tax profit for the year		
as a result of increase in interest rate	**(375)**	(125)
as a result of decrease in interest rate	**375**	125
Increase (decrease) in other components of equity		
as a result of increase in interest rate	**6**	3
as a result of decrease in interest rate	**(6)**	(3)

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

6. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

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 26 and 32 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 14% (2010: 4%) 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:

	2011	2010
Reasonably possible change in equity price	**14%**	4%

	2011 RMB million	2010 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in equity price	**6**	5
as a result of decrease in equity price	**(6)**	(5)
Increase (decrease) in other components of equity		
as a result of increase in equity price	**38**	16
as a result of decrease in equity price	**(38)**	(16)

6. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 45.

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

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

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

The Group has concentration of credit risk in respect of trade receivable as the Group's largest trade receivable and the five largest trade receivables represent 45% (2010: 31%) and 49% (2010: 36%) 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 2011, the Group has available unutilised short-term bank borrowing facilities of RMB116,762 million (2010: RMB232,879 million, as restated).

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.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

6. 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.

	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 2011								
Trade and other payables *(note)*	**184,375**	**1,504**	**898**	**264**	**29**	**324**	**187,394**	**187,083**
Borrowings	**63,005**	**17,098**	**12,657**	**7,779**	**6,094**	**52,991**	**159,624**	**130,096**
Obligations under finance lease	**209**	**200**	**145**	**–**	**–**	**–**	**554**	**480**
Financial guarantee contracts	**7,220**	**–**	**–**	**–**	**–**	**–**	**7,220**	**2**
	254,809	**18,802**	**13,700**	**8,043**	**6,123**	**53,315**	**354,792**	**317,661**
At 31 December 2010 (Restated)								
Trade and other payables *(note)*	158,398	1,911	928	117	39	263	161,656	161,387
Borrowings	44,679	7,573	7,427	3,458	7,378	36,318	106,833	85,135
Obligations under finance lease	263	55	23	–	–	–	341	325
Financial guarantee contracts	11,588	–	–	–	–	–	11,588	33
	214,928	9,539	8,378	3,575	7,417	36,581	280,418	246,880

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 2011 and 31 December 2010, 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.

6. 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.

	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 2011								
Trade and other receivables *(note)*	**90,695**	**14,320**	**8,538**	**4,707**	**1,816**	**1,769**	**121,845**	**119,685**
Other loans and receivables	**1,469**	**2,692**	**544**	**80**	**360**	**1,763**	**6,908**	**5,649**
Restricted cash	**3,329**	**–**	**–**	**–**	**–**	**–**	**3,329**	**3,329**
Cash and cash equivalents	**60,254**	**–**	**–**	**–**	**–**	**–**	**60,254**	**60,254**
	155,747	**17,012**	**9,082**	**4,787**	**2,176**	**3,532**	**192,336**	**188,917**
At 31 December 2010 (Restated)								
Trade and other receivables *(note)*	73,048	11,649	8,066	4,399	1,557	1,799	100,518	98,878
Other loans and receivables	1,481	1,230	1,878	85	85	2,090	6,849	5,305
Restricted cash	2,291	–	–	–	–	–	2,291	2,291
Cash and cash equivalents	54,927	–	–	–	–	–	54,927	54,927
	131,747	12,879	9,944	4,484	1,642	3,889	164,585	161,401

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	amount RMB million
At 31 December 2011								
Net cash outflows of interest rate swaps	**(105)**	**(35)**	**18**	**18**	**15**	**(60)**	**(149)**	**(139)**
At 31 December 2010								
Net cash outflows of interest rate swaps	(17)	(16)	(15)	(15)	(15)	(21)	(99)	(89)

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

6. 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:

	31/12/2011 RMB million	31/12/2010 RMB million (Restated)	1/1/2010 RMB million (Restated)
Financial assets at fair value through profit or loss:			
Held-for-trading financial assets	**60**	153	81
Loans and receivables:			
Other loans and receivables	**5,649**	5,305	4,008
Trade and other receivables	**119,685**	98,878	82,304
Restricted cash	**3,329**	2,291	2,344
Cash and cash equivalents	**60,254**	54,927	49,465
	188,917	161,401	138,121
Available-for-sale financial assets	**4,580**	4,287	4,537
Financial liabilities at fair value through profit or loss:			
Held-for-trading financial liabilities	**142**	93	98
Other financial liabilities:			
Trade and other payables	**187,083**	161,387	118,257
Borrowings	**130,096**	85,135	57,849
Financial guarantee contracts	**2**	33	35
Obligations under finance lease	**480**	325	589
	317,661	246,880	176,730

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 at 31 December 2011 are unlisted equity investments amounting to RMB3,111 million (2010: RMB3,082 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.

Notes to the Consolidated Financial Statements *(continued)*
For the Year Ended 31 December 2011

6. 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:

	2011		2010	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Other loans and receivables	**5,649**	**5,522**	5,305	5,216
Fixed-rate bank borrowings	**1,062**	**1,077**	701	732
Fixed-rate other borrowings	**26,894**	**25,582**	11,933	11,481

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

6. Capital Risk Management and Financial Instruments (continued)

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

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

	31/12/2010 Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Financial assets at fair value through profit or loss				
Derivative financial instruments – interest rate swaps	–	4	–	4
Non-derivative financial assets held-for-trading	149	–	–	149
Available-for-sale financial assets				
Unlisted open-end equity funds, at market prices	30	–	–	30
Unlisted entrusted products, at fair value	–	712	–	712
Listed equity investments in the PRC, at market prices	424	39	–	463
Total	603	755	–	1,358
Financial liabilities at fair value through profit or loss				
Derivative financial instruments – interest rate swaps	–	(93)	–	(93)
Total	–	(93)	–	(93)

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

7. Revenue

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

	2011 RMB million	2010 RMB million (Restated)
Revenue from:		
Rendering of services		
– Construction contracts	**372,015**	398,150
– Other services	**13,817**	12,716
Sale of properties	**16,395**	11,328
Sale of goods	**39,989**	33,968
	442,216	456,162

8. Segment Information

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

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

(i) Construction of railways, highways, bridges, tunnels, metropolitan railways (including subways and light railways), buildings, irrigation works, hydroelectricity projects, ports, docks, airports and other municipal works ("Infrastructure construction");

(ii) Survey, design, consulting, research and development, feasibility study and compliance certification services with respect to infrastructure construction projects ("Survey, design and consulting services");

(iii) Design, research and development, manufacture and sale of turnouts and other railway related equipment and materials, steel structures and engineering machinery ("Engineering equipment and component manufacturing");

(iv) Development, sale and management of residential and commercial properties ("Property development"); and

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

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

The segment information regarding the Group's reportable and operating segments is presented below. Segment information of Other businesses for the year ended 31 December 2010 has been restated to include the revenue, results, assets and liabilities of HEDCL.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

8. Segment Information (continued)

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

	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 2010 (Restated)						
External revenue	411,716	8,330	10,397	11,715	28,697	470,855
Inter-segment revenue	3,379	931	1,427	–	1,496	7,233
Other operating income	1,418	18	386	230	818	2,870
Inter-segment other operating income	–	–	–	–	1,524	1,524
Segment revenue	416,513	9,279	12,210	11,945	32,535	482,482
Segment results						
Profit before tax	8,290	809	641	1,368	1,314	12,422
Segment results included:						
Share of profits (losses) of jointly controlled entities	110	(4)	64	–	–	170
Share of (losses) profits of associates	(182)	5	9	–	(2)	(170)
Interest income	1,271	13	17	120	114	1,535
Interest expenses	(1,468)	(61)	(52)	(244)	(907)	(2,732)

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

8. 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:

	2011 RMB million	2010 RMB million (Restated)
Segment revenue	**471,959**	482,482
Inter-segment elimination	**(11,239)**	(8,757)
Reconciling items:		
Reclassification of sales tax *(note (a))*	**(14,550)**	(14,693)
Reclassification of other operating income *(note (b))*	**(3,954)**	(2,870)
Total consolidated revenue, as reported	**442,216**	456,162
Segment interest income	**2,122**	1,535
Inter-segment elimination	**(684)**	(265)
Reclassification of interest income obtained from other loans and receivables	**24**	100
Total consolidated interest income, as reported	**1,462**	1,370
Segment interest expenses	**(4,522)**	(2,732)
Inter-segment elimination	**376**	138
Reclassification of amortisation of financial guarantee contracts	**(2)**	(2)
Total consolidated interest expenses, as reported	**(4,148)**	(2,596)
Segment results	**10,920**	12,422
Inter-segment elimination	**(1,319)**	(1,998)
Reconciling items:		
Land appreciation tax *(note (c))*	**397**	124
Total consolidated profit before tax, as reported	**9,998**	10,548

Notes:

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

8. 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 2011						
ASSETS						
Segment assets	**313,993**	**11,092**	**18,407**	**81,818**	**82,407**	**507,717**
Segment assets included:						
Interests in jointly controlled entities	**547**	**58**	**176**	**–**	**1**	**782**
Interests in associates	**2,466**	**26**	**50**	**24**	**390**	**2,956**
LIABILITIES						
Segment liabilities	**271,218**	**6,195**	**12,411**	**58,184**	**64,541**	**412,549**

	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 2010 (Restated)						
ASSETS						
Segment assets	277,288	7,750	16,757	55,433	60,912	418,140
Segment assets included:						
Interests in jointly controlled entities	501	52	197	–	1	751
Interests in associates	3,699	16	41	26	354	4,136
LIABILITIES						
Segment liabilities	236,077	5,163	11,596	37,116	44,208	334,160

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.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

8. 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:

	31/12/2011 RMB million	31/12/2010 RMB million (Restated)
Segment assets	**507,717**	418,140
Inter-segment elimination	**(42,438)**	(29,106)
Reconciling items:		
Deferred tax assets	**3,284**	2,736
Shares conversion scheme of subsidiaries *(note (d))*	**(171)**	(171)
Current income tax recoverable	**185**	–
Prepaid land appreciation tax included in income tax recoverable	**(17)**	–
Total consolidated assets, as reported	**468,560**	391,599
Segment liabilities	**412,549**	334,160
Inter-segment elimination	**(27,992)**	(18,630)
Reconciling items:		
Deferred tax liabilities	**882**	621
Current income tax liabilities	**2,019**	1,325
Land appreciation tax payable (prepaid land appreciation tax) included in current income tax liabilities	**(77)**	5
Total consolidated liabilities, as reported	**387,381**	317,481

Note:

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

8. 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 2010 (Restated)						
Capital expenditure:						
Property, plant and equipment	7,283	491	992	136	560	9,462
Lease prepayments	113	29	33	56	805	1,036
Investment properties	–	–	–	–	104	104
Intangible assets	1,755	7	10	1	1,960	3,733
Mining assets	–	–	–	–	117	117
Acquisition of subsidiaries	258	34	–	–	4,487	4,779
Total	9,409	561	1,035	193	8,033	19,231
Depreciation and amortisation:						
Property, plant and equipment	3,894	159	235	46	248	4,582
Lease prepayments	148	5	14	6	10	183
Investment properties	12	1	1	6	62	82
Intangible assets	52	5	8	2	187	254
Mining assets	–	–	–	–	7	7
	4,106	170	258	60	514	5,108
Gain on disposal and/or write-off of property, plant and equipment	(2)	–	–	–	–	(2)
Gain on disposal and/or write-off of lease prepayments	(54)	–	–	–	–	(54)
Gain on disposal and/or write-off of intangible assets	(30)	–	–	–	–	(30)
Impairment loss on property, plant and equipment	–	–	–	–	9	9
Allowance for foreseeable loss on construction contracts	42	–	–	–	–	42
Impairment loss on trade and other receivables	369	6	18	8	24	425
Impairment loss on other loans and receivables	166	–	–	–	–	166

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

Revenue from major customers

Revenue from a government body of the PRC arising from infrastructure construction, survey, design and consulting service and engineering equipment and component manufacturing is approximately RMB181,586 million (2010: RMB222,334 million), which contributed over 41% (2010: 49%) of the total sales of the Group.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

9. Other Income and Expenses

	2011 RMB million	2010 RMB million (Restated)
Other income from:		
Dividend income	**29**	62
Government subsidies *(note (a))*	**386**	136
Compensation income *(note (b))*	**23**	41
Relocation compensation from government	**33**	34
Amortisation of financial guarantee contracts	**2**	2
Income from sundry operations *(note (c))*	**1,700**	643
Waiver of trade and other payables	**70**	82
Bargain purchase gain on acquisition of a subsidiary *(Note 43(a))*	**52**	3
Others	**118**	195
	2,413	1,198
Other expenses on:		
Research and development expenditure	**5,345**	2,088

Notes:

(a) Government subsidies related 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.

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

10. Other Gains and Losses

	2011 RMB million	2010 RMB million (Restated)
Gain on disposal and/or write-off of:		
Property, plant and equipment	**7**	2
Lease prepayments	**7**	54
Intangible assets	**–**	30
Interests in associates	**–**	19
Interests in jointly controlled entities	**–**	31
Available-for-sale financial assets	**18**	85
Cumulative gain reclassified from equity to profit or loss on disposal of investments classified as available-for-sale	**72**	380
Impairment loss recognised on:		
Property, plant and equipment	**–**	(9)
Goodwill	**–**	(21)
Available-for-sale financial assets	**(60)**	(2)
Trade and other receivables	**(334)**	(425)
Other loans and receivables	**(111)**	(166)
Loss from changes in fair value of financial assets/liabilities classified as held-for-trading	**(142)**	(38)
Gain on disposal of subsidiaries *(Note 44)*	**73**	55
(Deficit) excess of fair value of the previously-held interests *(Note 43(a))*	**(11)**	128
Foreign exchange gains, net	**93**	373
Gain on liquidation of a subsidiary *(note)*	**–**	36
	(388)	532

Note: The amount represented the gain on liquidating 中鐵程誠源財務服務有限責任公司. At the date of liquidation, the assets of the subsidiary were transferred back to the Company, which mainly included bank balances and cash of RMB39 million and available-for-sale financial assets of RMB1 million.

Notes to the Consolidated Financial Statements *(continued)*
For the Year Ended 31 December 2011

11. Interest Income and Expenses

	2011 RMB million	2010 RMB million (Restated)
Interest income from:		
Cash and cash equivalents and restricted cash	**755**	822
Imputed interest income on retention receivables	**683**	448
Other loans and receivables	**24**	100
Total interest income	**1,462**	1,370
Interest expenses on:		
Bank borrowings:		
Wholly repayable within five years	**3,921**	1,674
Not wholly repayable within five years	**655**	713
Short-term debentures	**221**	90
Long-term debentures	**954**	324
Other long-term borrowings	**251**	233
Other short-term borrowings	**198**	148
Finance leases	**12**	29
	6,212	3,211
Imputed interest expenses on retention payables	**137**	110
Bank charges	**109**	271
Total borrowing costs	**6,458**	3,592
Less: amount capitalised	**(2,310)**	(996)
Total interest expenses	**4,148**	2,596

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

	2011	2010
Capitalisation rate	**4.78% to 14.5%**	3.89% to 9.25%

Notes to the Consolidated Financial Statements *(continued)*
For the Year Ended 31 December 2011

12. Income Tax Expense

	2011 RMB million	2010 RMB million
Current tax		
Enterprise Income Tax ("EIT") in Mainland China	2,790	2,026
Land Appreciation Tax ("LAT")	397	124
Underprovision in prior years	34	51
Deferred tax *(Note 42)*	(463)	136
	2,758	2,337

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits during both years.

Pursuant to the relevant laws and regulations in Mainland China, the statutory EIT rate of 25% (2010: 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%, 20% or 24% (2010:15% or 22%) for the year ended 31 December 2011.

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

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

	2011 RMB million	2010 RMB million (Restated)
Profit before tax	9,998	10,548
Tax at domestic income tax rate of 25% (2010: 25%)	2,499	2,637
Tax effect of:		
Non-deductible expenses	259	242
Non-taxable income	(162)	(125)
Tax losses not recognised as deferred tax assets	376	217
Utilisation of tax losses previously not recognised as deferred tax assets	(55)	(144)
Utilisation of other deductible temporary differences	(36)	(41)
Other deductible temporary differences not recognised as deferred tax assets	81	80
Preferential tax rates on income of group entities and other income tax credits	(621)	(790)
Share of profits of jointly controlled entities	(26)	(43)
Share of losses of associates	54	43
Deferred tax changes resulting from changes in applicable tax rates	(134)	107
LAT	397	124
Tax effect of LAT	(99)	(31)
Underprovision in respect of prior years	34	51
Others	191	10
	2,758	2,337

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

13. Other Comprehensive Income (Expense)

	2011 RMB million	2010 RMB million
Other comprehensive income (expense) includes:		
Exchange differences arising on translating foreign operations:		
Exchange losses arising during the year	**(297)**	(61)
	(297)	(61)
Available-for-sale financial assets:		
Losses arising during the year	**(34)**	84
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal	**(72)**	(380)
Reclassification adjustment upon impairment	**36**	–
	(70)	(296)
Share of other comprehensive expense of jointly controlled entities and associates	**(20)**	(3)
Other comprehensive income (expense)	**(387)**	(360)
Income tax relating to components of other comprehensive income (expense) (see below)	**22**	57
Other comprehensive income (expense), net of income tax	**(365)**	(303)

Tax effect relating to other comprehensive income:

	2011			2010		
	Before-tax amount RMB million	**Tax benefit RMB million**	**Net-of-income tax amount RMB million**	Before-tax amount RMB million	Tax benefit RMB million	Net-of-income tax amount RMB million
Exchange differences arising on translating foreign operations	**(297)**	**–**	**(297)**	(61)	–	(61)
Fair value loss on:						
– available-for-sale financial assets	**(70)**	**22**	**(48)**	(296)	57	(239)
Share of other comprehensive income (expense) of associates	**(20)**	**–**	**(20)**	(3)	–	(3)
	(387)	**22**	**(365)**	(360)	57	(303)

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

14. Profit for the Year

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

	2011 RMB million	2010 RMB million (Restated)
Depreciation and amortisation of:		
Property, plant and equipment	5,675	4,582
Lease prepayments	182	183
Investment properties	145	82
Intangible assets (included in administrative expenses)	27	19
Intangible assets (included in cost of sales)	336	235
Mining assets (included in cost of sales)	4	7
Total depreciation and amortisation	6,369	5,108
Auditor's remuneration	77	62
Impairment loss recognised on:		
Property, plant and equipment (included in other losses)	–	9
Goodwill (included in other losses)	–	21
Inventories (included in cost of sales)	7	–
Trade and other receivables	334	425
Other loans and receivables	111	166
Allowance for foreseeable loss on construction contracts	171	42
Operating lease rentals in respect of		
Rented premises (included in cost of sales)	383	337
Rented premises (included in administrative expenses)	116	85
Plant and machinery (included in cost of sales)	23,858	29,887
Rental income from investment properties:		
Gross rental	(256)	(219)
Direct operating expenses (including depreciation of investment properties)	170	147
Net rental	(86)	(72)
Research and development expenditure (included in other expenses)	5,345	2,088
Cost of raw materials and consumables	191,370	222,128

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

15. Emoluments of Directors, Supervisors and Employees

Directors' and Supervisors' Emoluments

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

15. Emoluments of Directors, Supervisors and Employees (continued)

Directors' and Supervisors' Emoluments (continued)

Name of director 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 2010					
Director					
Shi Dahua (Resigned on 18 June 2010)	–	252	16	649	917
Li Changjin	–	405	29	651	1,085
Bai Zhongren	–	380	29	639	1,048
Wang Qiuming (Resigned on 12 August 2010)	–	203	17	647	867
Yao Guiqing (Appointed on 12 August 2010)	–	146	12	647	805
He Gong	150	–	–	–	150
Zhang Qing Lin (Passed away in February 2010)	34	–	–	–	34
Gong Huazhang	155	–	–	–	155
Wang Taiwen	145	–	–	–	145
Sun Patrick	143	–	–	–	143
Directors' remunerations	627	1,386	103	3,233	5,349
Supervisor					
Wang Qiuming (Appointed on 12 August 2010)	–	146	12	–	158
Yao Guiqing (Resigned on 12 August 2010)	–	203	17	–	220
Ji Zhihua	–	170	29	206	405
Zhou Yuqing	–	106	16	108	230
Lin Longbiao	–	155	29	199	383
Zhang Xixue	–	171	29	201	401
Total	627	2,337	235	3,947	7,146

During both years, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

15. Emoluments of Directors, Supervisors and Employees (continued)

Five Highest Paid Individuals

None of the directors was the five highest paid individuals during both years.

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

	2011 RMB'000	2010 RMB'000
Salaries and other benefits-in-kind	3,306	2,758
Contributions to retirement benefits schemes	150	143
Discretionary bonus *(note)*	7,992	10,940
	11,448	13,841

Their emoluments were within the following bands:

	2011 No. of employees	2010 No. of employees
HK$1,500,001 to HK$2,000,000	3	1
HK$2,000,001 to HK$2,500,000	1	2
HK$3,000,001 to HK$3,500,000	–	1
HK$6,000,001 to HK$6,500,000	1	–
HK$6,500,001 to HK$7,000,000	–	1

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

Employee Compensation and Benefits

	2011 RMB million	2010 RMB million (Restated)
Salaries, wages and bonuses	18,773	17,214
Contribution to pension plans *(Note 40)*	2,827	2,538
Retirement and supplemental pension benefit obligations *(Note 40)*		
– interest cost	310	332
– actuarial losses recognised in the year	88	99
Housing benefits *(note)*	1,350	1,191
Welfare, medical and other benefits-in-kind	3,533	3,124
	26,881	24,498

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.

16. Dividend

The final dividend of RMB0.048 in respect of the year ended 31 December 2011 per share amounting to approximately RMB1,022 million in aggregate has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

On 30 March 2011, final dividend of RMB0.055 per share for 2010, amounting to RMB1,171 million (2010: RMB1,342 million) in aggregate, was declared and was subsequently paid in July and August 2011.

17. Earnings Per Share

Basic earnings per share for the year ended 31 December 2011 is calculated by dividing the profit attributable to owners of the Company of RMB6,690 million (2010: RMB7,398 million) by 21,299,900,000 shares (2010: 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.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

18. Property, Plant and Equipment

	Buildings RMB million	Infrastructure construction equipment RMB million	Trans-portation equipment RMB million	Manu-facturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
COST								
At 1 January 2011 as originally stated	10,863	24,764	7,443	3,507	1,765	3,011	3,056	54,409
Effect of acquisition of HEDCL	–	–	3	–	–	1	6	10
At 1 January 2011 as restated	10,863	24,764	7,446	3,507	1,765	3,012	3,062	54,419
Exchange adjustments	(29)	(55)	(9)	(18)	(1)	(7)	(11)	(130)
Additions	707	4,194	1,165	158	343	666	3,644	10,877
Transfer within property, plant and equipment	1,342	33	32	214	10	31	(1,662)	–
Transfer from investment properties	4	–	–	–	–	–	–	4
Transfer from properties held for sale	41	–	–	–	–	–	–	41
Acquisition of subsidiaries *(Note 43)*	51	–	6	–	–	1	13	71
Write-offs/other disposals	(189)	(1,403)	(382)	(94)	(77)	(656)	(166)	(2,967)
Transfer to investment properties	(541)	–	–	–	–	–	–	(541)
At 31 December 2011	12,249	27,533	8,258	3,767	2,040	3,047	4,880	61,774
DEPRECIATION AND IMPAIRMENT								
At 1 January 2011 as originally stated	2,501	10,434	3,475	1,491	731	1,480	6	20,118
Effect of acquisition of HECDL	–	–	2	–	–	–	–	2
At 1 January 2011 as restated	2,501	10,434	3,477	1,491	731	1,480	6	20,120
Exchange adjustments	(2)	(34)	(6)	(4)	–	(6)	–	(52)
Provided for the year	499	2,948	1,383	252	323	270	–	5,675
Transfer from investment properties	1	–	–	–	–	–	–	1
Eliminated on write-offs/other disposals	(59)	(874)	(328)	(73)	(71)	(182)	(6)	(1,593)
Transfer to investment properties	(45)	–	–	–	–	–	–	(45)
At 31 December 2011	2,895	12,474	4,526	1,666	983	1,562	–	24,106
CARRYING VALUES								
At 31 December 2011	9,354	15,059	3,732	2,101	1,057	1,485	4,880	37,668

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

18. Property, Plant and Equipment (continued)

	Buildings RMB million	Infrastructure construction equipment RMB million	Trans-portation equipment RMB million	Manu-facturing 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 2010 as originally stated	8,633	20,944	6,165	2,874	1,291	2,693	2,932	45,532
Effect of acquisition of HEDCL	–	–	4	–	–	1	–	5
At 1 January 2010 as restated	8,633	20,944	6,169	2,874	1,291	2,694	2,932	45,537
Exchange adjustments	(8)	(108)	(13)	(11)	–	(11)	–	(151)
Additions	680	4,428	1,463	359	524	565	1,443	9,462
Transfer within property, plant and equipment	1,885	174	34	388	5	114	(2,600)	–
Transfer from investment properties	6	–	–	–	–	–	–	6
Acquisition of subsidiaries *(Note 43)*	136	7	71	7	1	8	1,529	1,759
Disposal of subsidiaries *(Note 44)*	(14)	(15)	(1)	(3)	–	(9)	–	(42)
Write-offs/other disposals	(138)	(666)	(277)	(107)	(56)	(349)	(220)	(1,813)
Transfer to investment properties	(317)	–	–	–	–	–	–	(317)
Transfer to properties held for sale	–	–	–	–	–	–	(22)	(22)
At 31 December 2010	10,863	24,764	7,446	3,507	1,765	3,012	3,062	54,419
DEPRECIATION AND IMPAIRMENT								
At 1 January 2010 as originally stated	2,219	8,309	2,986	1,291	546	1,380	12	16,743
Effect of acquisition of HEDCL	–	–	3	–	–	–	–	3
At 1 January 2010 as restated	2,219	8,309	2,989	1,291	546	1,380	12	16,746
Exchange adjustments	(6)	(53)	(12)	(8)	–	(10)	–	(89)
Provided for the year	352	2,697	733	303	229	268	–	4,582
Transfer from investment properties	4	–	–	–	–	–	–	4
Impairment loss recognised in profit or loss	–	–	–	–	3	6	–	9
Disposal of subsidiaries *(Note 44)*	(5)	(12)	–	(1)	–	(4)	–	(22)
Eliminated on write-offs/other disposals	(55)	(507)	(233)	(94)	(47)	(160)	(6)	(1,102)
Transfer to investment properties	(8)	–	–	–	–	–	–	(8)
At 31 December 2010	2,501	10,434	3,477	1,491	731	1,480	6	20,120
CARRYING VALUES								
At 31 December 2010 (Restated)	8,362	14,330	3,969	2,016	1,034	1,532	3,056	34,299
At 1 January 2010 (Restated)	6,414	12,635	3,180	1,583	745	1,314	2,920	28,791

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

18. 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

During the year ended 31 December 2010, the Directors conducted a review of the Group's property, plant and equipment and determined RMB9 million (2011: nil) be recognised for items physically damaged and technical obsolescent in the profit or loss as disclosed in Note 14.

The carrying values of infrastructure construction equipment include amounts of RMB891 million (2010: RMB516 million) in respect of assets held under finance leases.

Bank borrowings amounting to RMB60 million (2010: RMB89 million) are secured by certain property, plant and equipment with an aggregate carrying value of RMB206 million (2010: RMB182 million) (see Note 37).

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

	31/12/2011 RMB million	31/12/2010 RMB million
Under long lease	**309**	379
Under medium-term lease	**9,045**	7,983
	9,354	8,362

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying value of RMB1,108 million (2010: RMB963 million) at 31 December 2011. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

Except for property, plant and equipment secured against bank borrowings, as at 31 December 2011 the Group also has property, plant and equipment with an aggregate carrying value of RMB368 million which are under restrictions imposed by courts.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

19. Lease Prepayments

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

	2011 RMB million	2010 RMB million
At beginning of the year	**7,241**	6,447
Acquisition of subsidiaries *(Note 43)*	**844**	124
Additions	**850**	1,036
Transfer from properties held for sale/properties under development for sale	**79**	–
Transfer to properties held for sale	**–**	(6)
Transfer to properties under development for sale	**(13)**	–
Disposals	**(85)**	(175)
Disposal of subsidiaries *(Note 44)*	**–**	(2)
Released to profit or loss as expenses	**(182)**	(183)
At end of the year	**8,734**	7,241
Analysed for reporting purpose as:		
– Non-current	**8,537**	7,058
– Current	**197**	183
	8,734	7,241

	31/12/2011 RMB million	31/12/2010 RMB million
Analysis of periods of land use rights in Mainland China:		
Under long lease	**105**	122
Under medium-term lease	**8,629**	7,119
	8,734	7,241

At 31 December 2010, the underlying land use rights of lease prepayments with carrying amounts of RMB8 million (2011: nil) were pledged against bank borrowings of the Group amounting to RMB5 million (2011: nil) (see Note 37).

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 RMB400 million (2010: RMB868 million) at 31 December 2011. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

Except for lease prepayments pledged against bank borrowings, as at 31 December 2011 the Group also has lease prepayments with an aggregate carrying value of RMB55 million which are under restrictions imposed by courts.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

20. Investment Properties

	2011 RMB million	2010 RMB million
COST		
At beginning of the year	**2,224**	1,835
Additions	**61**	104
Transfer from property, plant and equipment	**541**	317
Transfer from properties held for sale	**129**	2
Transfer to property, plant and equipment	**(4)**	(6)
Transfer to properties held for sale	**–**	(5)
Disposals	**(40)**	(23)
At end of the year	**2,911**	2,224
DEPRECIATION AND IMPAIRMENT		
At beginning of the year	**253**	169
Provided for the year	**145**	82
Transfer from property, plant and equipment	**45**	8
Transfer to property, plant and equipment	**(1)**	(4)
Transfer to properties held for sale	**–**	(1)
Eliminated on disposals	**(3)**	(1)
At end of the year	**439**	253
CARRYING VALUES		
At end of the year	**2,472**	1,971

The fair value of the Group's investment properties with carrying amount of RMB2,472 million (2010: RMB1,971 million) is RMB3,087 million (2010: RMB2,377 million). The fair value has been arrived at based on a valuation carried out by Jones Lang LaSalle Sallmanns Limited, independent valuers not connected with the Group, based on the depreciated replacement cost method, which the Directors are of the view that it is the best estimate of the fair value of these investment properties.

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

At 31 December 2010, bank borrowings amounting to RMB50 million (2011: nil) were secured by certain investment properties with an aggregate carrying value of RMB112 million (2011: nil) (see Note 37).

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 RMB118 million (2010: nil) at 31 December 2011. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these investment properties.

Except for investment properties secured against bank borrowings, as at 31 December 2011 the Group also has investment properties with an aggregate carrying value of RMB14 million which are under restrictions imposed by courts.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

21. 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 2011 as originally stated	22,707	75	6	119	64	22,971
Effect of acquisition of HEDCL	2,406	–	–	–	–	2,406
At 1 January 2011 as restated	25,113	75	6	119	64	25,377
Additions	867	–	1	29	4	901
Acquisition of subsidiaries *(Note 43)*	8,042	–	–	–	–	8,042
Write-offs/other disposals	–	–	–	(1)	(17)	(18)
At 31 December 2011	34,022	75	7	147	51	34,302
AMORTISATION AND IMPAIRMENT						
At 1 January 2011 as originally stated	412	57	5	45	45	564
Effect of acquisition of HEDCL	29	–	–	–	–	29
At 1 January 2011 as restated	441	57	5	45	45	593
Provided for the year	333	3	1	25	1	363
Eliminated on write-offs/other disposals	–	–	–	(1)	(7)	(8)
At 31 December 2011	774	60	6	69	39	948
CARRYING VALUES						
At 31 December 2011	33,248	15	1	78	12	33,354

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

21. 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 2010 as originally stated	19,101	66	6	92	53	19,318
Effect of acquisition of HEDCL	2,406	–	–	–	–	2,406
At 1 January 2010 as restated	21,507	66	6	92	53	21,724
Additions	3,686	9	–	28	10	3,733
Acquisition of subsidiaries *(Note 43)*	–	–	–	1	1	2
Disposal of subsidiaries *(Note 44)*	–	–	–	(1)	–	(1)
Write-offs/other disposals	(80)	–	–	(1)	–	(81)
At 31 December 2010	25,113	75	6	119	64	25,377
AMORTISATION AND IMPAIRMENT						
At 1 January 2010 as originally stated	195	55	4	29	44	327
Effect of acquisition of HEDCL	13	–	–	–	–	13
At 1 January 2010 as restated	208	55	4	29	44	340
Provided for the year	233	2	1	17	1	254
Eliminated on write-offs/other disposals	–	–	–	(1)	–	(1)
At 31 December 2010	441	57	5	45	45	593
CARRYING VALUES						
At 31 December 2010 (Restated)	24,672	18	1	74	19	24,784
At 1 January 2010 (Restated)	21,299	11	2	63	9	21,384

The Group has entered into a number of service concession arrangements with certain government authorities in PRC on a "Build-Operate-Transfer" ("BOT") basis in respect of its toll road operations. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of toll roads and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain or restore the infrastructures at a specified level of serviceability; and (iii) is entitled to operate the toll roads upon completion for a specified concession period from 25 to 30 years (2010: from 25 to 30 years) by charging users of the public service, which amounts are contingent on the extent that the public uses the service. The Group will not hold any residual interest in the toll roads upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

21. Intangible Assets (continued)

The rights in respect of toll road income under seven (2010: five) concession agreements with an aggregate carrying amount of RMB26,677 million (2010: RMB14,126 million) are pledged to obtain bank borrowings amounting to RMB17,186 million (2010: RMB9,035 million) (see Note 37).

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

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

22. Mining Assets

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

22. Mining Assets (continued)

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
COST			
At 1 January 2010	77	1,218	1,295
Additions	23	94	117
Acquisition of subsidiaries *(Note 43)*	2,741	153	2,894
At 31 December 2010	2,841	1,465	4,306
AMORTISATION			
At 1 January 2010	12	–	12
Provided for the year	7	–	7
At 31 December 2010	19	–	19
CARRYING VALUES			
At 31 December 2010	2,822	1,465	4,287

Note: The Group and the Qinghai Provincial Government signed a series of cooperative development agreements for projects in the Qinghai Province. Pursuant to the agreements, the Qinghai Provincial Government granted a mining right of coal to the Group. The Group recognised it as a non-monetary government grant related to assets at a nominal amount. During the year the Group has been coordinating the cooperative development arrangements. The Group is in the process of applying the title certificate for mining right at 31 December 2011.

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

	2011 RMB million	2010 RMB million
Investing cash outflows	**(24)**	(117)

The Group is in the process of applying for the title certificate for one of its mining right with a carrying value of RMB67 million (2010: nil) at 31 December 2011. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use this mining right.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

23. Interests in Jointly Controlled Entities

	31/12/2011 RMB million	31/12/2010 RMB million
Cost of unlisted investments	685	686
Share of post-acquisition profits (losses) and other comprehensive expenses, net of dividends received	102	73
Accumulated impairment loss recognised	(5)	(8)
	782	751

Details of Group's principal jointly controlled entities at 31 December 2011 and 2010 are set out in Note 49.

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

	31/12/2011 RMB million	31/12/2010 RMB million
Assets and liabilities		
Total assets	3,580	3,472
Total liabilities	2,014	1,946
Net assets	1,566	1,526
Group's share of net assets of jointly controlled entities	787	759

	2011 RMB million	2010 RMB million
Results		
Revenue	1,993	1,866
Profit before tax	216	392
Income tax expense	(14)	(66)
Profit for the year	202	326
Other comprehensive expense	(30)	–
Group's share:		
Profit before tax	110	203
Income tax expense	(7)	(33)
Profit for the year	103	170
Other comprehensive expense	(11)	–

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

24. Interests in Associates

	31/12/2011 RMB million	31/12/2010 RMB million
Cost of unlisted investments	3,157	4,656
Share of post-acquisition (losses) profits and other comprehensive expense, net of dividends received	(200)	(517)
Accumulated impairment loss recognised	(1)	(3)
	2,956	4,136

Details of Group's principal associates at 31 December 2011 and 2010 are set out in Note 50.

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

	31/12/2011 RMB million	31/12/2010 RMB million
Assets and liabilities		
Total assets	30,159	34,020
Total liabilities	23,365	24,817
Net assets	6,794	9,203
Group's share of net assets of associates	2,957	4,139

	2011 RMB million	2010 RMB million
Results		
Revenue	9,445	10,593
Loss before tax	(147)	(113)
Income tax expense	(108)	(93)
Loss for the year	(255)	(206)
Other comprehensive expense	(28)	(5)
Group's share:		
Loss before tax	(184)	(136)
Income tax expense	(30)	(34)
Loss for the year	(214)	(170)
Other comprehensive expense	(9)	(3)

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

25. Goodwill

	2011 RMB million	2010 RMB million
At beginning of the year	865	836
Acquisition of subsidiaries *(Note 43)*	–	50
Impairment loss recognised in the year	–	(21)
At end of the year	865	865

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

	2011 RMB million	2010 RMB million
China Railway NO.1 Engineering Group Co., Ltd.	64	64
China Railway NO.3 Engineering Group Co., Ltd.	51	51
China Railway NO.4 Engineering Group Co., Ltd.	95	95
China Railway NO.5 Engineering (Group) Co., Ltd.	82	82
China Railway NO.8 Engineering Group Co., Ltd.	48	48
China Railway NO.9 Engineering Group Co., Ltd.	61	61
China Railway NO.10 Engineering Group Co., Ltd.	26	26
China Railway Major Bridge Engineering Group Co., Ltd.	28	28
China Railway Electrification Engineering Group Co., Ltd.	41	41
China Railway Construction Group (CRCG) Co., Ltd.	88	88
China Railway Tunnel Group Co., Ltd.	48	48
China Railway Trust Co., Ltd.	206	206
Other subsidiaries	27	27
	865	865

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

China Railway Trust Co., Ltd., which is included in other businesses of the Group, is principally engaged in financial trust management. The recoverable amount in respect of this subsidiary has been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 15% (2010: 15%). A decreasing growth rate has been applied over the most recent financial budgets period and a nil growth rate for the extrapolation period. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this subsidiary to exceed its recoverable amount.

The recoverable amounts in respect of subsidiaries, which are principally engaged in infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, other than China Railway Trust Co., Ltd., have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 11% (2010: 11%). One major assumption is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period and a nil growth rate for the extrapolation period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of each subsidiary to exceed its recoverable amount.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

26. Available-For-Sale Financial Assets

	31/12/2011 RMB million	31/12/2010 RMB million
Unlisted open-end equity funds, at market prices	**36**	30
Unlisted entrusted products	**1,109**	712
Listed equity investments in the PRC, at market prices	**324**	463
Unlisted equity investments, at cost less impairment	**3,111**	3,082
	4,580	4,287

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

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

In the current year, the Group disposed of certain unlisted entrusted products, listed equity investments and unlisted equity investments with a carrying amount of RMB570 million (2010: RMB1,332 million). A gain on disposal of RMB90 million (2010: RMB465 million) has been recognised in profit or loss for the current year.

27. Other Loans and Receivables

	31/12/2011 RMB million	31/12/2010 RMB million
Short-term loans and receivables	**1,351**	1,237
Long-term loans and receivables	**4,594**	4,253
	5,945	5,490
Less: Impairment on receivables	**(296)**	(185)
Total other loans and receivables	**5,649**	5,305
Less: Amount due within one year included in current assets	**(1,055)**	(1,062)
Amount due after one year	**4,594**	4,243

At 31 December 2011, other loans and receivables amounting to RMB243 million (2010: RMB263 million) do not carry interest. The remaining other loans and receivables carry fixed-rate interests within a range of 1.52% to 36% (2010: 4.86% to 39%) per annum.

At 31 December 2011, other loans and receivables amounting to RMB815 million (2010: RMB189 million) are secured by equity investments, RMB684 million (2010: RMB163 million) are secured by property, plant and equipment, nil (2010: RMB47 million) are secured by lease prepayments and RMB5 million (2010: RMB52 million) are guaranteed by a third party. The remaining balances are unsecured.

Notes to the Consolidated Financial Statements *(continued)*
For the Year Ended 31 December 2011

27. Other Loans and Receivables (continued)

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

	2011 RMB million	2010 RMB million
USD	**1,682**	1,703
	1,682	1,703

Movements in impairment on receivables are as follows:

	2011 RMB million	2010 RMB million
At beginning of the year	**185**	27
Impairment losses recognised during the year	**111**	166
Written-off	**–**	(8)
At end of the year	**296**	185

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

Properties under development for sale amounting to RMB17,929 million (2010: RMB9,556 million) have been pledged to secure bank borrowings amounting to RMB10,610 million (2010: RMB6,150 million) granted to the Group (see Note 37).

Properties under development for sale amounting to RMB14,826 million (2010: RMB6,480 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.

29. Inventories

	2011 RMB million	2010 RMB million
Raw materials and consumables	**31,900**	25,660
Work in progress	**1,783**	1,664
Finished goods	**2,646**	2,702
	36,329	30,026

At 31 December 2010, finished goods amounting to RMB24 million (2011: nil) have been pledged to secure banking borrowings amounting to RMB17 million (2011: nil) granted to the Group (see Note 37).

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

30. 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.

	31/12/2011 RMB million	31/12/2010 RMB million (Restated)	1/1/2010 RMB million (Restated)
Trade and bills receivables	**100,651**	84,526	69,521
Less: impairment	**(1,557)**	(1,332)	(1,124)
	99,094	83,194	68,397
Other receivables (net of impairment)	**22,816**	19,331	16,895
Advance to suppliers	**24,746**	20,769	17,717
	146,656	123,294	103,009
Less: Amount due after one year included in non-current assets	**(3,336)**	(2,146)	(1,313)
Amount due within one year included in current assets	**143,320**	121,148	101,696

The Group's major customers are PRC government agencies and other government-related enterprises, which have good credit standing and strong economic background. More than 90% of the trade receivables that are neither past due nor impaired are from customers with good payment history. Trade receivables due from PRC government-related enterprises are disclosed in Note 47.

Included in trade and bills receivables are retention receivables of RMB42,433 million (2010: RMB34,917 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:

	31/12/2011 RMB million	31/12/2010 RMB million (Restated)
Less than six months	**41,248**	43,455
Six months to one year	**28,943**	18,386
One year to two years	**18,766**	13,415
Two years to three years	**5,835**	5,823
More than three years	**4,302**	2,115
	99,094	83,194

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

30. Trade and Other Receivables (continued)

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

	31/12/2011 RMB million	31/12/2010 RMB million
Less than six months	**3**	–
Six months to one year	**9**	12
One year to two years	**–**	20
	12	32

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

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

	2011 RMB million	2010 RMB million (Restated)
At beginning of the year	**2,016**	1,646
Impairment loss recognised during the year	**334**	425
Written-off	**(29)**	(53)
Decrease through disposal of subsidiaries	**–**	(2)
At end of the year	**2,321**	2,016
Attributable to:		
Trade and bills receivables	**1,557**	1,332
Other receivables	**764**	684
	2,321	2,016

Included in trade and bills receivables are bills discounted with recourse amounting to RMB495 million (2010: RMB396 million) to secure bank borrowings amounting to RMB495 million (2010: RMB396 million) (see Note 37). The Group continues to recognise the full carrying amount of the bills receivables and has recognised the cash received as secured bank borrowings. In addition, bills receivable issued among subsidiaries of the Group for intra-group transactions amounting to RMB603 million have been discounted with recourse to secure short-term bank borrowings amounting to RMB600 million (2010: nil) and these bills receivable have been eliminated in the consolidated financial statements of the Group (see Note 37).

Trade receivables of RMB2,032 million (2010: RMB676 million) and RMB1,457 million (2010: nil) were discounted to the bank for collateral bank borrowings amounting to RMB1,402 million (2010: RMB500 million) and other long-term borrowings amounting to RMB1,457 million (2010: nil) (see Note 37).

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

31. Amounts Due from (to) Customers for Contract Work

	31/12/2011 RMB million	31/12/2010 RMB million
Contract costs incurred plus recognised profits less recognised losses	**1,559,140**	1,352,743
Less: progress billings	**(1,516,999)**	(1,318,325)
	42,141	34,418
Analysed for reporting purpose as:		
Amounts due from contract customers	**56,747**	46,472
Amounts due to contract customers	**(14,606)**	(12,054)
	42,141	34,418

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

Held-for-trading financial assets

	31/12/2011 RMB million	31/12/2010 RMB million
Equity securities listed in Mainland China, at quoted prices	**35**	113
Equity securities listed in Hong Kong, at quoted prices	**22**	36
Derivative financial instruments – interest rate swaps *(note)*	**3**	4
	60	153

Held-for-trading financial liabilities

	31/12/2011 RMB million	31/12/2010 RMB million
Derivative financial instruments – interest rate swaps *(note)*	**142**	93
	142	93

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

At 31 December 2010, the Group had five interest rate swap contracts. One Euro interest rate swap shall mature in 2011, another Euro interest rate swap shall mature in 2021 and three RMB interest rate swaps shall mature in 2017. Under the Euro contracts, the Group shall receive interest at fixed rates and pay interest at floating rates. Under the RMB contracts, the Group shall receive interest at fixed rates up to certain dates between June 2007 to December 2009 and then at floating rates thereafter, and pay interest at fixed rates.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

33. Restricted Cash

	2011 RMB million	2010 RMB million
Restricted cash denominated in:		
RMB	**3,235**	2,142
USD	**64**	124
Other currencies	**30**	25
At end of the year	**3,329**	2,291

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.

34. Cash and Cash Equivalents

	31/12/2011 RMB million	31/12/2010 RMB million (Restated)	1/1/2010 RMB million (Restated)
Bank balances and cash denominated in:			
RMB	**56,156**	52,302	41,754
USD	**2,283**	1,251	3,946
Other currencies	**1,815**	1,374	3,765
	60,254	54,927	49,465

Bank balances carry interest at market rates which range from 0.5% to 6.7% (2010: 0.36% to 4.1%) 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.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

35. Share Capital of the Company

	At 1 January 2010, 31 December 2010 and 31 December 2011 Number of shares '000	At 1 January 2010, 31 December 2010 and 31 December 2011 Nominal value RMB million
Registered capital		
A Shares of RMB1.00 each	17,092,510	17,093
H Shares of RMB1.00 each	4,207,390	4,207
	21,299,900	21,300
Issued and fully paid		
A Shares of RMB1.00 each	17,092,510	17,093
H Shares of RMB1.00 each	4,207,390	4,207
	21,299,900	21,300

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

36. Trade and Other Payables

	31/12/2011 RMB million	31/12/2010 RMB million (Restated)	1/1/2010 RMB million (Restated)
Trade and bills payables	159,090	136,737	94,848
Advance from customers	35,282	41,100	38,487
Accrued payroll and welfare	2,438	1,896	1,739
Other taxes	7,888	6,622	4,421
Deposit received in advance	164	110	115
Dividend payables	144	117	2,562
Other payables	26,893	23,636	19,233
	231,899	210,218	161,405
Analysed for reporting purposes as:			
Non-current	632	630	339
Current	231,267	209,588	161,066
	231,899	210,218	161,405

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB4,911 million (2010: RMB4,356 million). Retention payables are interest-free and payable at the end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

The balances of other payables mainly include payments made by the third parties on behalf of the Group, guarantee money payables and others.

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

	31/12/2011 RMB million	31/12/2010 RMB million (Restated)
Less than one year	140,005	122,632
One year to two years	13,222	10,144
Two years to three years	3,877	2,494
More than three years	1,986	1,467
	159,090	136,737

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

37. Borrowings

	31/12/2011 RMB million	31/12/2010 RMB million (Restated)	1/1/2010 RMB million (Restated)
Bank borrowings:			
Secured	**31,235**	16,242	13,063
Unsecured	**67,736**	42,314	27,364
	98,971	58,556	40,427
Short-term debentures, unsecured	**908**	6,702	3,800
Long-term debentures, unsecured	**24,221**	11,933	–
Other short-term borrowings, unsecured	**2,567**	6,136	6,150
Other long-term borrowings, secured	**1,457**	–	–
Other long-term borrowings, unsecured	**1,972**	1,808	7,472
	130,096	85,135	57,849
Analysed for reporting purposes:			
Non-current	**73,606**	44,394	28,231
Current	**56,490**	40,741	29,618
	130,096	85,135	57,849

On 23 March 2011, the Company issued the first tranche of the medium-term note of a principal amount of RMB8,000 million with a maturity date of 23 March 2021. The note bears fixed interest at 5.23% per annum for the first five years, up to 23 March 2016. Interest is payable annually in arrears. At the end of the fifth year, on 23 March 2016, the Company has a right to adjust the interest rate of the note and the note holders have a right to redeem all or part of the note at its face value.

On 17 October 2011, the Company issued the second tranche of the medium-term note of a principal amount of RMB4,000 million with a maturity date of 17 October 2018. The note bears fixed interest at 6.08% per annum for the first five years, up to 17 October 2016. Interest is payable annually in arrears. At the end of the fifth year, on 17 October 2016, the Company has a right to adjust the interest rate of the note and the note holders have a right to redeem all or part of the note at its face value.

On 23 November 2011, a wholly owned subsidiary of the Company, China Railway NO.2 Engineering Group Co., Ltd., issued the first tranche of the medium-term note of a principal amount of RMB400 million with a maturity date of 23 November 2014. The note bears fixed interest at 6.65% per annum. Interest is payable annually in arrears.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

37. Borrowings (continued)

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

	31/12/2011 RMB million	31/12/2010 RMB million
Fixed-rate bank borrowings repayable		
Within one year	**112**	139
More than one year but within two years	**548**	116
More than two years but within three years	**186**	113
More than three years but within four years	**101**	128
More than four years but within five years	**50**	90
More than five years	**65**	115
	1,062	701

	31/12/2011 RMB million	31/12/2010 RMB million (Restated)
Floating-rate bank borrowings repayable		
Within one year	**52,903**	27,764
More than one year but within two years	**9,177**	3,413
More than two years but within three years	**8,747**	5,356
More than three years but within four years	**4,665**	1,576
More than four years but within five years	**3,523**	4,474
More than five years	**18,894**	15,272
	97,909	57,855

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

	31/12/2011 RMB million	31/12/2010 RMB million
Fixed-rate long-term debentures repayable		
More than two years but within three years	**400**	–
More than three years but within four years	**995**	–
More than four years but within five years	**–**	995
More than five years	**22,826**	10,938
	24,221	11,933

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

37. Borrowings (continued)

	31/12/2011 RMB million	31/12/2010 RMB million
Fixed-rate other long-term borrowings repayable		
More than one year but within two years	2,673	–
	2,673	–

	31/12/2011 RMB million	31/12/2010 RMB million
Floating-rate other long-term borrowings repayable		
More than one year but within two years	650	1,723
More than two years but within three years	59	23
More than three years but within four years	47	–
More than four years but within five years	–	62
	756	1,808

Bank borrowings carry interest at rates which range from 3.86% to 14.5% (2010: 3.86% to 10.0%) per annum during the year.

Short-term debentures were issued at fixed rates ranging from 5.92% to 7.11% (2010: 1.65% to 4.06%) per annum.

Other short-term borrowings carry interest at rates which range from 5.13% to 9.51% (2010: 3.82% to 6.98%) per annum.

Long-term debentures were issued at fixed rates ranging from 4.34% to 6.65% (2010: 4.34% to 4.88%) per annum.

Other long-term borrowings carry interest at rates which range from 4.39% to 13.6% (2010: 3.89% to 13.0%) per annum.

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

	31/12/2011 RMB million	31/12/2010 RMB million
USD	2,874	740
EURO	389	349
Others	20	42
	3,283	1,131

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

38. Obligations Under Finance Lease

It is the Group's policy to lease certain of its equipment under finance leases. The average lease term is 3 years (2010: 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	
	31/12/2011 RMB million	31/12/2010 RMB million	**31/12/2011 RMB million**	31/12/2010 RMB million
Amounts payable under finance lease				
Within one year	**209**	263	**185**	259
In more than one year but not more than two years	**175**	55	**160**	49
In more than two years but not more than five years	**145**	23	**135**	17
	529	341	**480**	325
Less: future finance charges	**(49)**	(16)	**–**	–
Present value of lease obligations	**480**	325	**480**	325
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(185)**	(259)
Amount due for settlement after twelve months			**295**	66

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

39. Financial Guarantee Contracts

	2011 RMB million	2010 RMB million
At beginning of the year	**33**	35
Amortisation for the year	**(2)**	(2)
Eliminated due to acquisition of a subsidiary *(Note 43(a))*	**(29)**	–
At end of the year	**2**	33
Analysed for reporting purpose as:		
Non-current	**2**	31
Current	**–**	2
	2	33

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

40. Retirement and Other Supplemental Benefit Obligations

State-managed retirement plans

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

The total cost charged to profit or loss during the year is RMB2,827 million (2010: RMB2,538 million, as restated).

As at 31 December 2011, 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 RMB311 million (2010: RMB200 million, as restated).

Retirement and supplemental benefit obligations

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

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

	31/12/2011 RMB million	31/12/2010 RMB million
Present value of unfunded defined benefit obligations	**7,174**	8,718
Net actuarial losses not recognised	**(789)**	(1,692)
Net liability arising from defined benefit obligations	**6,385**	7,026
Less: Amount due within one year	**(863)**	(915)
Amount due after one year	**5,522**	6,111

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

	2011 RMB million	2010 RMB million
At beginning of the year	**8,718**	9,322
Interest cost	**310**	332
Actuarial losses recognised in the year	**88**	99
Benefits paid	**(1,039)**	(1,039)
Actuarial (gains) losses not recognised	**(903)**	4
At end of the year	**7,174**	8,718

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

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

40. Retirement and Other Supplemental Benefit Obligations (continued)

Retirement and supplemental benefit obligations (continued)

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

	2011	2010
Discount rate	**3.50%**	3.75%
Early-retiree's salary and supplemental benefit inflation rate	**4.50%**	4.50%
Medical cost trend rates	**8.00%**	8.00%

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

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

(i) the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs amounted to RMB1 million (2010: RMB1 million).

(ii) the accumulated post-employment benefit obligation for medical costs amounted to RMB26 million (2010: RMB27 million).

41. Provisions

	2011 RMB million	2010 RMB million (Restated)
At beginning of the year	**78**	53
Provided for the year	**63**	32
Utilisation for the year	**(3)**	(7)
At end of the year	**138**	78
Analysed for reporting purpose as:		
Non-current	**138**	75
Current	**–**	3
	138	78

The balance mainly represents the provision recognised for the toll roads' repair and maintenance obligation.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

42. Deferred Taxation

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

	Tax losses RMB million	Impairment of assets RMB million	Excess of accounting depreciation over tax depreciation RMB million	Retirement and other supplemental benefit obligations RMB million	Fair value changes of available-for-sale financial assets RMB million	Mining assets RMB million	Others RMB million	Total RMB million
At 1 January 2010	449	346	19	1,513	(127)	(253)	421	2,368
Credit (charge) to profit or loss	(88)	77	(3)	(130)	–	–	115	(29)
Charge to other comprehensive income	–	–	–	–	57	–	–	57
Acquisition of subsidiaries	–	–	–	–	–	(170)	(5)	(175)
Disposal of subsidiaries	–	(1)	–	(12)	–	–	14	1
Effect of change in tax rate charged (credited) to profit or loss	(152)	7	2	26	–	–	10	(107)
At 31 December 2010	209	429	18	1,397	(70)	(423)	555	2,115
Credit (charge) to profit or loss	(25)	124	(18)	(146)	–	–	394	329
Charge to other comprehensive income	–	–	–	–	19	–	–	19
Acquisition of subsidiaries *(Note 43(a))*	26	–	–	–	–	–	(232)	(206)
Effect of change in currency exchange rate charged to other comprehensive income	–	–	–	–	–	8	–	8
Effect of change in tax rate charged (credited) to profit or loss	75	20	(1)	11	–	–	29	134
Effect of change in tax rate charged to other comprehensive income	–	–	–	–	3	–	–	3
At 31 December 2011	285	573	(1)	1,262	(48)	(415)	746	2,402

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:

	31/12/2011 RMB million	31/12/2010 RMB million
Deferred tax assets	**3,284**	2,736
Deferred tax liabilities	**(882)**	(621)
	2,402	2,115

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

42. Deferred Taxation (continued)

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

	31/12/2011 RMB million	31/12/2010 RMB million (Restated)
Tax losses recognised as deferred tax assets	**1,191**	1,145
Tax losses not recognised as deferred tax assets	**3,937**	1,996
Total tax losses	**5,128**	3,141
Other deductible temporary differences not recognised as deferred tax assets	**939**	823
Tax losses unrecognised as deferred tax assets that will expire in		
2011	**–**	30
2012	**52**	76
2013	**155**	218
2014	**973**	758
2015	**1,005**	914
2016	**1,752**	–
Total	**3,937**	1,996

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

43. Acquisition of Subsidiaries

(a) Acquisition of businesses

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

- The Group acquired a 70% interest in 海南美傑投資有限公司 for a consideration of RMB7 million;

- The Group obtained control of 天津海濱旅遊度假建設開發有限公司 ("Tianjin Haibin") by signing the supplemental agreement with other shareholders to hold majority voting rights. Tianjin Haibin was previously an associate of the Group and was held as to 51% by the Group.

- The Group acquired a 97.44% interest in 南京中關村置業發展有限公司 for a consideration of RMB98 million;

During the year the Group obtained control of 雲南富硯高速公路有限公司 ("Yunnan Fuyan") by modifying the contractual agreement with another shareholder to hold majority voting rights. Yunnan Fuyan was previously an associate of the Group and was held as to 90% by the Group.

The Group also acquired the remaining 52.67% interest in 北京燈塔電氣有限責任公司 ("Beijing Dengta") for a consideration of RMB1 million. Beijing Dengta was formerly held as to 47.33% by the Group in 2010. Beijing Dengta is principally engaged in the manufacturing of lighting equipment.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

43. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Consideration transferred

	海南美傑投資有限公司 RMB million	北京燈塔電氣有限責任公司 RMB million	天津海濱旅遊度假建設開發有限公司 RMB million	南京中關村置業發展有限公司 RMB million	雲南富硯高速公路有限公司 RMB million	**Total** RMB million
Cash	7	1	–	–	–	8
Carrying amounts of previously-held investment in associates	–	1	110	–	1,066	1,177
Financial guarantee to previously-held investment in an associate	–	–	–	–	(29)	(29)
Payment made in prior year	–	–	–	98	–	98
Excess (deficit) of fair value of the previously-held interests *(note)*	–	–	201	–	(212)	(11)
Total	7	2	311	98	825	1,243

Note: *According to IFRS 3 (as revised in 2008), an equity interest previously held in the acquiree which qualified as an associate under IAS 28 or a jointly controlled entity under IAS 31 is similarly treated as if it were disposed of and reacquired at fair value on the acquisition date. Accordingly, it is remeasured to its acquisition date fair value, and any resulting gain or loss compared to its carrying amount under IAS 28 or IAS 31 is recognised in profit or loss.*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	海南美傑投資有限公司 RMB million	北京燈塔電氣有限責任公司 RMB million	天津海濱旅遊度假建設開發有限公司 RMB million	南京中關村置業發展有限公司 RMB million	雲南富硯高速公路有限公司 RMB million	**Total** RMB million
Properties under development for sale	–	–	–	88	–	88
Properties held for sale	–	–	–	468	–	468
Inventories	–	4	–	–	–	4
Trade and other receivables	5	28	34	36	108	211
Cash and cash equivalents	5	–	184	16	53	258
Property, plant and equipment	–	1	21	2	37	61
Lease prepayments	–	–	820	2	22	844
Intangible assets	–	–	–	–	8,042	8,042
Interests in associates	–	–	2	–	–	2
Deferred tax assets	–	–	–	26	–	26
Other prepayment	–	–	–	–	3	3
Trade and other payables	–	(32)	(24)	(227)	(158)	(441)
Borrowings – current	–	–	(280)	(230)	(101)	(611)
Borrowings – non-current	–	–	–	–	(5,612)	(5,612)
Other payables	–	–	(21)	–	(59)	(80)
Provisions	–	–	–	–	(21)	(21)
Deferred tax liabilities	–	–	(126)	(27)	(79)	(232)
Net assets acquired	10	1	610	154	2,235	3,010

The trade and other receivables acquired with a fair value of RMB211 million had gross contractual amounts of RMB211 million.

43. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Non-controlling interests

The non-controlling interests including 30% in 海南美傑投資有限公司, 49% in 天津海濱旅遊度假建設開發有限公司, 2.56% in 南京中關村置業發展有限公司 and 10% in 雲南富硯高速公路有限公司 recognised at the acquisition date were measured at the non-controlling interests' share of the fair value of the identifiable net assets of the acquired companies plus their exclusive interests, amounting to RMB3 million, RMB299 million, RMB4 million and RMB1,409 million respectively.

During 2010, with the objective of the expansion of the Group's design activities, the Group acquired a 100% interest in 合肥市建築設計研究院有限公司 for a consideration of RMB51 million, a 70% interest in 中鐵蕪湖規劃設計研究院有限公司 for a consideration of RMB22 million and a 70% interest in 中鐵蕪湖建築設計研究院有限公司 for a consideration of RMB21 million.

During 2010, in order to continue the expansion of the mining activities, the Group performed the following acquisitions:

- The Group acquired a 53% interest in RMA Energy Ltd, a listed company on the Australian Securities Exchange, which is principally engaged in mining exploration.
- 內蒙古郭白鐵路有限責任公司 ("Inner Mongolia Guobai") was an associate, which was held as to 35% by the Group in 2009. In 2010, one of the three shareholders of Inner Mongolia Guobai entrusted the Group its 30% interest in Inner Mongolia Guobai, which made the Group to obtain the control of Inner Mongolia Guobai.
- The Group obtained control of 綠紗礦業有限責任公司 (Luisha Ming Co., Ltd.), MKM 礦業有限責任公司 (MKM Ming Co., Ltd.) and 剛果(金)國際礦業公司 (Congo International Mining Corporation) by modifying the contractual agreements with other shareholders to hold majority voting rights. The above three companies were previously jointly controlled entities of the Group and were held as to 71%, 72% and 51%, respectively, by the Group.
- The Group acquired a 94% interest in 巴彥淖爾市鑫峰煤炭有限公司 for a consideration of RMB5 million.
- The Group acquired a 100% interest in 北京翼諾捷投資管理有限公司 for a consideration of RMB1 million.

During 2010, in order to expand the real estate business, the Group acquired an additional 50% interest in 葫蘆島濱海新區投資有限公司 for a consideration of RMB36 million, which was previously an associate of the Group and was held as to 38% by the Group, a 70% interest in 成都華信天宇實業有限公司 for a consideration of RMB140 million and a 100% interest in 貴州長源房地產開發有限責任公司 for a consideration of RMB3 million.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

43. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Consideration transferred

	合肥市建築設計研究院有限公司 RMB million	中鐵蕪湖規劃設計研究院有限公司 RMB million	中鐵蕪湖建築設計研究院有限公司 RMB million	**RMA Energy Ltd** RMB million	內蒙古郭白鐵路有限責任公司 RMB million	**MKM** 礦業有限責任公司 RMB million	剛果(金)國際礦業公司 RMB million	綠紗礦業有限責任公司 RMB million	葫蘆島濱海新區投資有限公司 RMB million	成都華信天宇實業有限公司 RMB million	北京翼諾捷投資管理有限公司 RMB million	巴彥淖爾市鑫峰煤炭有限公司 RMB million	貴州長源房地產開發有限責任公司 RMB million	**Total** RMB million
Cash	51	–	–	–	–	–	–	–	30	140	1	5	3	230
Carrying amounts of														
– previously-held investment in jointly controlled entities	–	–	–	–	–	59	3	87	–	–	–	–	–	149
– previously-held investment in associates	–	–	–	–	118	–	–	–	11	–	–	–	–	129
Payment made in prior year	–	22	21	67	–	–	–	–	–	–	–	–	–	110
Excess of fair value of the previously-held interests *(note)*	–	–	–	–	16	103	7	7	(5)	–	–	–	–	128
Total	51	22	21	67	134	162	10	94	36	140	1	5	3	746

Note: According to IFRS 3 (as revised in 2008), an equity interest previously held in the acquiree which qualified as an associate under IAS 28 or a jointly controlled entity under IAS 31 is similarly treated as if it were disposed of and reacquired at fair value on the acquisition date. Accordingly, it is remeasured to its acquisition date fair value, and any resulting gain or loss compared to its carrying amount under IAS 28 or IAS 31 is recognised in profit or loss.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	合肥市建築設計研究院有限公司 RMB million	中鐵蕪湖規劃設計研究院有限公司 RMB million	中鐵蕪湖建築設計研究院有限公司 RMB million	**RMA Energy Ltd** RMB million	內蒙古郭白鐵路有限責任公司 RMB million	**MKM** 礦業有限責任公司 RMB million	剛果(金)國際礦業公司 RMB million	綠紗礦業有限責任公司 RMB million	葫蘆島濱海新區投資有限公司 RMB million	成都華信天宇實業有限公司 RMB million	北京翼諾捷投資管理有限公司 RMB million	巴彥淖爾市鑫峰煤炭有限公司 RMB million	貴州長源房地產開發有限責任公司 RMB million	**Total** RMB million
Property, plant and equipment	22	7	6	–	977	8	522	68	92	–	–	–	–	1,702
Lease prepayments	–	13	6	–	–	–	–	–	24	–	–	–	–	43
Mining assets	–	–	–	140	–	364	–	229	–	–	–	–	–	733
Inventories	–	–	–	–	–	–	30	–	–	–	–	–	–	30
Properties under development for sale	–	–	–	–	–	–	–	–	47	460	–	–	13	520
Trade and other receivables	4	8	26	–	22	2	4	11	8	32	–	5	12	134
Cash and cash equivalents	5	10	1	8	23	–	7	5	4	–	1	–	1	65
Trade and other payables	(6)	(6)	(9)	–	(107)	(51)	(543)	(128)	(164)	(288)	–	–	(23)	(1,325)
Deferred tax liabilities	(3)	–	–	(22)	–	(95)	–	(55)	–	–	–	–	–	(175)
Borrowing – non-current	–	–	–	–	(533)	–	–	–	–	–	–	–	–	(533)
Net assets acquired	22	32	30	126	382	228	20	130	11	204	1	5	3	1,194

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

43. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Goodwill/bargain purchase gain arising on acquisition:

	2011 RMB million	2010 RMB million
Consideration transferred	1,243	746
Plus: non-controlling interests	1,715	495
Less: net assets acquired	(3,010)	(1,194)
	(52)	47
Comprising:		
Bargain purchase gain arising on acquisition	(52)	(3)
Goodwill arising on acquisition	–	50
	(52)	47

The bargain purchase gain arose in 2011 on the acquisition of 南京中關村置業發展有限公司 and in 2010 on the acquisition of 成都華信天宇實業有限公司, which amounted to RMB52 million and RMB3 million respectively.

The goodwill arose in 2010 on the acquisitions of 葫蘆島濱海新區投資有限公司 and 合肥市建築設計研究院有限公司, which amounted to RMB21 million and RMB29 million, respectively. Goodwill amounting to RMB21 million was fully impaired according to the estimated recoverable amount.

Net cash inflow (outflow) arising on acquisition:

	2011 RMB million	2010 RMB million
Cash consideration paid	(8)	(230)
Less: cash and cash equivalents acquired	258	65
	250	(165)

Impact of acquisition on the results of the Group

The contribution to the Group's revenue and profit by the above subsidiaries in the year of acquisition is as follows:

	2011 RMB million	2010 RMB million
Revenue	20	204
Loss for the year	(29)	(48)

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

43. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Impact of acquisition on the results of the Group (continued)

Had the acquisitions been completed at the beginning of the respective years of the acquisitions, total group revenue and profit for the year would have been as follows:

	2011 RMB million	2010 RMB million (Restated)
Revenue	**442,637**	456,172
Profit for the year	**6,977**	8,191

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year of acquisition, nor is intended to be a projection of future results.

(b) Acquisition of assets through acquisition of subsidiaries

During the year, the Group acquired certain assets through acquisition of a 100% interest in 包頭市時代金科房地產開發有限責任公司 for a consideration of RMB20 million, a 51% interest in 成都宏錦置業有限公司 for a consideration of RMB23 million, a 67% interest in 大連梓金發展有限公司 for a consideration of RMB555 million, a 67% interest in 大連梓元開發有限公司 for a consideration of RMB164 million and a 51% interest in 貴州睿邦建材有限公司 for a consideration of RMB5 million.

During the year, the Group also acquired certain assets through acquisition of a 75% interest in 鐵力市盛京礦業有限公司, a 75% interest in 慶安徐老九溝礦業有限公司 and a 65% interest in 呼倫貝爾傑盛商貿有限公司 for a total consideration of RMB1 million.

The acquisitions were accounted for as acquisition of assets and liabilities as the subsidiaries are not business.

During 2010, the Group acquired certain assets through acquisition of a 83% interest in 伊春鹿鳴礦業有限公司 for a consideration of RMB1.8 billion, a 60% interest in 青島京西置業有限公司 for a consideration of RMB6 million, a 75% interest in 成都華豐應用地質開發有限公司 for a consideration of RMB1 million, a 100% interest in 四川新鋭實業投資有限公司 for a consideration of RMB30 million, a 70% interest in 湖南百鑫達投資置業有限公司 for a consideration of RMB6 million, a 100% interest in 武漢萬佳房地產開發有限公司 for a consideration of RMB10 million, and a 100% interest in 宜昌鴻銘置業有限公司 for a consideration of RMB10 million. The acquisitions were accounted for as acquisition of assets and liabilities as the subsidiaries are not business.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

43. Acquisition of Subsidiaries (continued)

(b) Acquisition of assets through acquisition of subsidiaries (continued)

The carrying amounts of net assets acquired are as follows:

	2011 RMB million	2010 RMB million
Fair value of net assets acquired:		
Properties under development for sale	**1,762**	651
Other receivables	**1,074**	70
Cash and cash equivalents	**56**	22
Property, plant and equipment	**10**	18
Intangible assets	**–**	2
Mining assets	**1**	2,161
Other payables	**(519)**	(686)
Borrowings – non-current	**(1,300)**	–
Net assets acquired	**1,084**	2,238
Non-controlling interests	**(316)**	(375)
Total consideration	**768**	1,863
Satisfied by:		
Cash	**498**	1,407
Consideration payables (included in other payables) *(note)*	**270**	456
Total consideration	**768**	1,863
Net cash outflows arising from acquisition:		
Cash consideration paid	**(498)**	(1,407)
Cash and cash equivalents acquired	**56**	22
	(442)	(1,385)

Note: The consideration payables were fully settled as of the date of the issue of these consolidated financial statements.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

44. Disposal of Subsidiaries

During the year, the Group disposed of a 100% interest in 大邑中鐵金山房地產開發有限責任公司 for a consideration of RMB50 million and a 100% interest in 陝西千層浪房地產開發有限公司 for a consideration of RMB98 million.

In 2010, the Group disposed of a 100% interest in 中鐵二局集團房地產開發自貢有限公司 for a consideration of RMB44 million, a 50% interest in 廣廈重慶一建房地產開發有限公司 for a consideration of RMB11 million, a 100% interest in 青島建青混凝土工程有限公司 for a consideration of RMB10 million, a 100% interest in 北京虎躍混凝土有限公司 for a consideration of RMB8 million, a 100% interest in 天津金馭立交建設投資有限公司 for a consideration of RMB189 million, a 100% interest in 貴陽明珠飯店有限公司 for a consideration of RMB35 million and a 51.07% interest in 四川星慧投資有限公司 for a consideration of RMB120 million.

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

	2011 RMB million	2010 RMB million
Consideration:		
Cash received	**148**	415
Consideration receivable	**–**	2
Total consideration	**148**	417
Analysis of assets and liabilities over which control was lost:		
Property, plant and equipment	**–**	20
Lease prepayments	**–**	2
Intangible assets	**–**	1
Deferred tax assets	**–**	1
Properties under development for sale	**554**	–
Inventories	**–**	701
Trade and other receivables	**31**	268
Cash and cash equivalents	**27**	103
Trade and other payables	**(392)**	(236)
Borrowings	**(145)**	(461)
Net assets disposed of	**75**	399
Gain on disposal of subsidiaries:		
Consideration received and receivable	**148**	417
Net assets disposed of	**(75)**	(399)
Non-controlling interests	**–**	37
Gain on disposal	**73**	55
Net cash inflows arising on disposals:		
Cash consideration	**148**	415
Less: bank balances and cash disposed of	**(27)**	(103)
	121	312

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

45. Contingent Liabilities

	2011 RMB million	2010 RMB million
Pending lawsuits		
– arising in the ordinary course of business *(note (a))*	**275**	237
– oversea lawsuit *(note (b))*	**238**	–
	513	237

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. No provision has been made for these pending lawsuits where the management considered that the claims will not be successful. The aggregate sum of these unprovided claims is disclosed in the table above.

(b) Two subsidiaries of the Company, 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 PLN 116 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. Up to 31 December 2011, the accumulated losses identified by the Group in respect of this project is about RMB632 million, resulting in the Group's profit before tax for the year ended 31 December 2011 being decreased by RMB632 million.

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 PLN 129 million (approximately USD38 million or RMB238 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 commensed 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 procedure and the Count proposed this lawsuit to be heard in April 2012 to certificate the testimony of the supervision engineers. The Consortium is preparing for the court proceedings. At this stage, the Directors consider it 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. These financial guarantees have been stated at the higher of (i) the amount determined in accordance with IAS 37 "Provision, Contingent Liabilities and Contingent Assets" and (ii) the unamortised fair value of these financial guarantees. The financial impact of the financial guarantees is disclosed in Note 39. The maximum exposure of these financial guarantees to the Group is as follows.

	31/12/2011 RMB million	**2011 Expiry period**	31/12/2010 RMB million	2010 Expiry period
Guarantees given to banks in respect of banking facilities to:				
Jointly controlled entity and associate	**983**	**2012–2025**	5,283	2011–2027
Other government-related enterprises	**55**	**2014**	659	2011–2012
Property purchasers	**5,831**	**2012–2015**	5,250	2011–2012
Investees of the Group	**170**	**2012–2016**	43	2011–2016
Other independent parties	**–**		50	2011–2011
	7,039		11,285	

In addition to the above, as at 31 December 2011, 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 RMB181 million (2010: RMB303 million) (being the amount of liabilities of Yichang Sanxia on the date it was spun off from 宜昌鴻銘置業有限公司) if Yichang Sanxia failed to repay those liabilities in future.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

46. Commitments

Capital expenditure

	31/12/2011 RMB million	31/12/2010 RMB million
Acquisition of property, plant and equipment contracted but not provided for	4,599	2,585

Investment commitment

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

	31/12/2011 RMB million	31/12/2010 RMB million
Loan commitment to an associate	17,899	19,397
Capital contributions to		
associates	–	24
available-for-sale financial assets	–	4
	17,899	19,425

Operating lease commitments

The Group as lessor

Rental income earned in respect of investment properties was set out in Note 14. The investment properties held for rental purposes are expected to generate rental yields of 5.24% to 9.51% (2010: 8.56% to 9.34%) 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:

	31/12/2011 RMB million	31/12/2010 RMB million
Within one year	237	119
In the second to fifth year inclusive	446	345
After five years	324	287
	1,007	751

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

46. Commitments (continued)

Operating lease commitments (continued)

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:

	31/12/2011 RMB million	31/12/2010 RMB million
Within one year	**90**	850
In the second to fifth year inclusive	**75**	75
Over five years	**29**	42
	194	967

47. Related Party Transactions

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under CRECG (CRECG and its subsidiaries are referred to as the "CRECG Group") which is controlled by the PRC government.

During the year, the Group conducts business with government-related entities, including the provision of infrastructure construction services to and purchases from government-related entities, deposits with and borrowings from banks which are government-related entities. The Directors consider that transactions with these government-related entities are within normal business operations and are carried out on market terms. The Group has also developed service and product pricing policies and these policies do not depend on whether or not the customers are government-related entities.

The following is a summary of significant related party transactions between the Group and its related parties (other than transactions with government-related entities which are not individually or collectively significant) during the year and balances arising from related party transactions at the end of the reporting period.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

47. Related Party Transactions (continued)

Significant related party transactions

The Group had the following significant transactions with related parties:

	2011 RMB million	2010 RMB million (Restated)
Transactions with the CRECG Group		
Revenue from construction contracts	–	13
Revenue from sales of goods	–	36
Service expenses paid	51	83
Rental expense	29	28
Purchases	178	14
Interest expense	–	3
Transactions with jointly controlled entities		
Revenue from construction contracts	17	46
Revenue from sale of goods	4	10
Interest income	4	6
Purchases	3	2
Transactions with associates		
Revenue from construction contracts	171	355
Revenue from sales of goods	11	7
Interest income	32	16
Rental income	4	–
Purchases	48	6
Transactions with other government-related enterprises		
Revenue from construction contracts	282,708	297,345
Revenue from design, other services and sales of goods	26,325	23,891
Purchases	88,578	97,938
Interest income on bank balances	572	510
Interest expenses on bank borrowings	2,737	2,028

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

47. Related Party Transactions (continued)

Balances with related parties

	31/12/2011 RMB million	31/12/2010 RMB million (Restated)	1/1/2010 RMB million (Restated)
Balances with the CRECG Group			
Trade receivables	**6**	15	26
Trade payables	**8**	7	4
Other payables	**52**	61	38
Advance from customers	**–**	–	63
Other borrowings	**–**	255	–
Dividends payable	**–**	–	2,405
Advance to suppliers	**8**	8	–
Balances with jointly controlled entities			
Trade receivables	**72**	64	175
Trade payables	**1**	–	–
Other receivables	**35**	42	464
Advance from customers	**36**	–	–
Loans receivables	**–**	89	102
Dividend receivables	**39**	29	16
Balances with associates			
Trade receivables	**255**	278	490
Other receivables	**492**	582	265
Advance to suppliers	**17**	17	134
Trade payables	**3**	–	6
Other payables	**83**	72	69
Advance from customers	**79**	43	11
Loans receivable	**1,209**	1,372	828
Dividends receivable	**1**	4	–
Balances with other government-related enterprises			
Trade receivables	**66,356**	59,656	27,883
Other receivables	**21,026**	19,024	13,617
Bank balances	**35,398**	30,187	22,557
Trade payables	**31,964**	32,143	13,793
Other payables	**34,915**	41,920	19,290
Bank borrowings	**63,490**	43,616	23,702
Other borrowings	**31,110**	26,580	15,636

In addition, the Group provided guarantees to banks in respect of banking facilities utilised by two associates, an investee of the Group and a government-related enterprise, the maximum exposure of which are disclosed in Note 45.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

47. Related Party Transactions (continued)

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2011 RMB'000	2010 RMB'000
Basic salaries, allowances and other benefits-in-kind	**5,028**	4,425
Contributions to pension plans	**359**	355
Discretionary bonus	**3,665**	7,370
	9,052	12,150

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

Guarantees and security

At the end of the reporting period, details of amount of borrowings of the Group guaranteed by a related party were as follows:

	31/12/2011 RMB million	31/12/2010 RMB million
CRECG	**12,000**	12,421

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

48. Particulars of Principal Subsidiaries

As at 31 December 2011 and 2010, the Company had the following principal subsidiaries:

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2011 %	2010 %	Principal activities
中國海外工程有限責任公司 China Overseas Engineering Group Co., Ltd.	PRC	RMB978,537	Registered	**100**	100	Infrastructure construction
中鐵一局集團有限公司 China Railway NO.1 Engineering Group Co., Ltd.	PRC	RMB2,463,223	Registered	**100**	100	Infrastructure construction
中鐵二局集團有限公司 China Railway NO.2 Engineering Group Co., Ltd.	PRC	RMB1,643,820	Registered	**100**	100	Infrastructure construction
中鐵三局集團有限公司 China Railway NO.3 Engineering Group Co., Ltd.	PRC	RMB2,210,690	Registered	**100**	100	Infrastructure construction
中鐵四局集團有限公司 China Railway NO.4 Engineering Group Co., Ltd.	PRC	RMB1,727,586	Registered	**100**	100	Infrastructure construction
中鐵五局(集團)有限公司 China Railway NO.5 Engineering (Group) Co., Ltd.	PRC	RMB1,731,587	Registered	**100**	100	Infrastructure construction
中鐵六局集團有限公司 China Railway NO.6 Engineering Group Co., Ltd.	PRC	RMB1,387,500	Registered	**100**	100	Infrastructure construction
中鐵七局集團有限公司 China Railway NO.7 Engineering Group Co., Ltd.	PRC	RMB1,442,542	Registered	**100**	100	Infrastructure construction
中鐵八局集團有限公司 China Railway NO.8 Engineering Group Co., Ltd.	PRC	RMB1,564,285	Registered	**100**	100	Infrastructure construction
中鐵九局集團有限公司 China Railway NO.9 Engineering Group Co., Ltd.	PRC	RMB1,582,797	Registered	**100**	100	Infrastructure construction

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

48. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2011 %	2010 %	Principal activities
中鐵十局集團有限公司 China Railway NO.10 Engineering Group Co., Ltd.	PRC	RMB1,333,943	Registered	100	100	Infrastructure construction
中鐵大橋局集團有限公司 China Railway Major Bridge Engineering Group Co., Ltd.	PRC	RMB1,668,906	Registered	100	100	Infrastructure construction
中鐵電氣化局集團有限公司 China Railway Electrification Engineering Group Co., Ltd.	PRC	RMB1,584,932	Registered	100	100	Infrastructure construction
中鐵建工集團有限公司 China Railway Construction Group Co., Ltd.	PRC	RMB1,753,613	Registered	100	100	Infrastructure construction
中鐵隧道集團有限公司 China Railway Tunnel Group Co., Ltd.	PRC	RMB1,648,347	Registered	100	100	Infrastructure construction
中鐵國際經濟合作有限公司 China Railway International Economic Cooperation Co., Ltd.	PRC	RMB900,000	Registered	100	100	Infrastructure construction
中鐵港航局集團有限公司 China Railway Port Channel Engineering Group Co., Ltd.	PRC	RMB800,000	Registered	100	100	Port construction
中鐵上海工程局有限公司 Shanghai Civil Engineering Co., Ltd. of China Railway Engineering Corporation	PRC	RMB500,000	Registered	100	100	Infrastructure construction
中國中鐵航空港建設集團有限公司 China Railway Airport Construction Group Co., Ltd.	PRC	RMB500,000	Registered	100	100	Infrastructure construction
中鐵二院工程集團有限責任公司 China Railway Eryuan Engineering Group Co. Ltd.	PRC	RMB554,208	Registered	100	100	Survey and design

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

48. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2011 %	2010 %	Principal activities
中鐵工程設計諮詢集團有限公司 China Railway Engineering Consulting Group Co., Ltd.	PRC	RMB329,860	Registered	**100**	100	Engineering consulting
中鐵大橋勘察設計院有限公司 China Railway Major Bridge Reconnaissance & Design Institute Co., Ltd.	PRC	RMB112,138	Registered	**100**	100	Survey and design
中鐵西北科學研究院有限公司 China Railway Northwest Research Institute Co., Ltd.	PRC	RMB130,790	Registered	**100**	100	Construction and survey supervision
中鐵西南科學研究院有限公司 China Railway Southwest Research Institute Co., Ltd.	PRC	RMB144,318	Registered	**100**	100	Construction and survey supervision
華鐵工程諮詢有限責任公司 Huatie Engineering Consulting Co., Ltd.	PRC	RMB197,700	Registered	**100**	100	Construction management
中鐵山橋集團有限公司 China Railway Shanhaiguan Bridge Group Co., Ltd.	PRC	RMB612,103	Registered	**100**	100	Bridge steel structure manufacturing
中鐵寶橋集團有限公司 China Railway Turnout & Bridge Group Co., Ltd.	PRC	RMB853,000	Registered	**100**	100	Railway specialised equipment manufacturing
中鐵科工集團有限公司 China Railway Science and Technology Engineering Group Co., Ltd.	PRC	RMB550,000	Registered	**100**	100	Railway specialised equipment manufacturing
中鐵隧道裝備製造有限公司 China Railway Tunnel Equipment Manufacturing Co., Ltd.	PRC	RMB200,000	Registered	**100**	100	Tunnel equipment manufacturing
中鐵置業集團有限公司 China Railway Real Estate Group Co., Ltd.	PRC	RMB2,100,000	Registered	**100**	100	Property development

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

48. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2011 %	2010 %	Principal activities
中鐵資源集團有限公司 China Railway Resources Group Co., Ltd.	PRC	RMB3,000,000	Registered	**100**	100	Mining
廣西岑興高速公路發展有限公司 Guangxi Cenxing Expressway Development Co., Ltd.	PRC	RMB100,000	Registered	**100**	100	Investment and management
廣西全興高速公路發展有限公司 Guangxi Quanxing Expressway Development Co., Ltd.	PRC	RMB100,000	Registered	**100**	100	Investment and management
中鐵西南投資管理有限公司 China Railway Xi Nan Investment & Management Co., Ltd.	PRC	RMB1,200,000	Registered	**100**	100	Investment and management
中鐵佛山投資發展有限公司 China Railway Foshan Investment Development Co., Ltd.	PRC	RMB150,000	Registered	**100**	100	Investment and management
中鐵南方投資發展有限公司 China Railway South Investment Development Co., Ltd.	PRC	RMB400,000	Registered	**100**	100	Investment and management
中鐵信託有限責任公司 China Railway Trust Co., Ltd.	PRC	RMB1,200,000	Registered	**93**	93	Financial trust management
中鐵海西投資發展有限公司 China Railway Haixi Investment Development Co., Ltd.	PRC	RMB200,000	Registered	**100**	100	Investment and management
中鐵中原投資發展有限公司 China Railway Zhongyuan Investment and Development Co., Ltd	PRC	RMB100,000	Registered	**100**	100	Investment and management
中鐵物貿有限責任公司 China Railway Materials Trading Co., Ltd	PRC	RMB180,000	Registered	**100**	100	Material trading

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

48. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2011 %	2010 %	Principal activities
中鐵東北投資發展有限公司 China Railway Dong Bei Investment Development Co., Ltd.	PRC	RMB300,000	Registered	**100** *(note (a))*	–	Investment and management
中鐵貴州旅遊文化發展有限公司 China Railway Guizhou Tourism Culture Development Co., Ltd.	PRC	RMB300,000	Registered	**80** *(note (a))*	–	Investment and management
中鐵中南投資發展有限公司 China Railway Zhong Nan Investment Development Co., Ltd.	PRC	RMB150,000	Registered	**100** *(note (a))*	–	Investment and management
中鐵(平潭)投資發展有限公司 China Railway Ping Tan Investment Development Co., Ltd.	PRC	RMB300,000	Registered	**100** *(note (a))*	–	Investment and management
雲南富硯高速公路有限公司 Yunnan Fuyan Expressway Co., Ltd. ("Yunnan Fuyan")	PRC	RMB400,000	Registered	**90** *(note (b))*	–	Investment and management

Notes:

(a) *These subsidiaries were newly set up by the Company during the year ended 31 December 2011.*

(b) *Yunnan Fuyan, previously an associate of the Group, became a subsidiary of the Group during the year.*

All the above subsidiaries were incorporated as limited liability companies in the PRC which have similar characteristics of limited liability company incorporated under the Hong Kong Companies Ordinance.

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.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

48. Particulars of Principal Subsidiaries (continued)

At 31 December 2011, the Group had outstanding issued debt securities:

Name	Face value of debt securities RMB million	Maturity date
China Railway Group Limited	1,000	27/01/2015
	5,000	27/01/2020
	2,500	19/10/2020
	3,500	19/10/2025
	8,000	23/03/2021
	4,000	17/10/2018
China Railway NO.2 Engineering Group Co., Ltd.	500	23/11/2012
	400	23/11/2014
China Railway NO.8 Engineering Group Co., Ltd.	200	19/07/2012
	200	16/09/2012

At 31 December 2010, the Group had outstanding issued debt securities:

Name	Face value of debt securities RMB million	Maturity date
China Railway Group Limited	1,700	16/07/2011
	3,000	04/11/2011
	2,000	21/12/2011
	1,000	27/01/2015
	5,000	27/01/2020
	2,500	19/10/2020
	3,500	19/10/2025

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

49. Particulars of Principal Jointly Controlled Entities

At 31 December 2011 and 2010, particulars of the Group's principal jointly controlled entities, incorporated with limited liability, are as follows:

Name of company	Place/country of incorporation/ operations	Proportion of nominal value of issued capital/ registered capital held by the Group 2011 %	2010 %	Principal activities
重慶渝鄰高速公路有限公司 Chongqing Yuling Expressway Co., Ltd.	PRC	**50**	50	Build-operate-transfer service concession arrangement
新鐵德奧道岔有限公司 Chinese New Turnout Technologies Co., Ltd.	PRC	**50**	50	High-speed turnout manufacturing

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

50. Particulars of Principal Associates

At 31 December 2011 and 2010, particulars of the Group's principal associates, incorporated with limited liability, are as follows:

Name of company	Place/country of incorporation/ operations	Proportion of nominal value of issued capital/ registered capital held by the Group 2011 %	2010 %	Principal activities
臨策鐵路有限責任公司 Lince Railway. Co., Ltd.	PRC	**29**	29	Railway construction, operations and maintenance
鐵道第三勘察設計院集團有限公司 The Third Railway Survey And Design Institute Group Corporation	PRC	**30**	30	Engineering survey and design
重慶墊忠高速公路有限公司 Chongqing Dianzhong Expressway Co., Ltd.	PRC	**80** *(note)*	80 *(note)*	Build-operate-transfer service concession arrangement

Note: Pursuant to contractual agreements between the shareholders, the Group does not have control of 重慶墊忠高速公路有限公司 but still retain significant influences in this entity.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements *(continued)*

For the Year Ended 31 December 2011

51. Events After the Reporting Period

Subsequent to 31 December 2011, the following significant event took place:

The final dividend of RMB0.048 in respect of the year ended 31 December 2011 per share amounting to approximately RMB1,022 million in aggregate has been approved at the meeting of board of directors held on 30 March 2012, which is subject to approval by the shareholders in general meeting.

52. Information About 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:

	2011 **RMB'000**	2010 RMB'000
Bank balances and cash	**9,702**	6,669
Amount due from subsidiaries – current	**13,889**	14,999
Other current assets	**3,982**	6,746
Unlisted investments in subsidiaries	**63,456**	56,459
Amount due from subsidiaries – non-current	**20,392**	13,637
Other non-current assets	**5,804**	7,022
Total assets	**117,225**	105,532
Total liabilities	**46,428**	37,235
Share capital *(see note 35)*	**21,300**	21,300
Share premium and reserves	**49,497**	46,997
Total equity	**70,797**	68,297

Significant Events

1. Material litigation and arbitration

Claimant	Respondent	Parties bearing joint liability	Type of litigation and arbitration	Basic status of litigation (arbitration)	Amounts involved in litigation (arbitration)	Progress on litigation (arbitration)	Trial results of litigation (arbitration) and impact	Implementation of the judgment of litigation (arbitration)
Qingdao Zhongjin Industrial Co., Ltd	China Railway Real Estate Group Co., Ltd., Qingdao Zhongjin Yuneng Property Co., Ltd., Qingdao Rong Real Estate Co., Ltd.		Contract dispute on equity transfer	In May 2008, China Railway Real Estate Group Co., Ltd. acquired 92% equity interest in Qingdao Zhongjin Yuneng Property Co., Ltd. for the purpose of investing and developing the Qingdao centre project, and stipulated in the Investment and Cooperation Agreement with the plaintiff that the plaintiff may repurchase such equity interest upon the fulfillment of the condition that China Railway Real Estate Group Co., Ltd. recovers all investment and obtains reasonable return on investment. On 26 January 2011, with the condition for "equity repurchase" being unfulfilled, the plaintiff initiated a legal proceeding to the High People's Court of Shandong Province, demanding China Railway Real Estate Group Co., Ltd. to transfer the 92% equity interest in Qingdao Zhongjin Yuneng Property Co., Ltd. in its holding to the plaintiff, and Qingdao Zhongjin Yuneng Property Co., Ltd. to immediately stop the sales of "Qingdao International Trade Centre" and to bear the economic loss caused by malicious behavior of such disposal.	RMB572,000,000	On 13 September 2011, the High People's Court of Shandong Province made the Civil Judgment numbered (2011) Lu Shang Chu Zi No.2, rejecting all the claims of the plaintiff. Dissatisfied with the first instance judgment, the plaintiff filed an appeal to the Supreme People's Court. On 15 March 2012, the Supreme Court made the Civil Judgment numbered (2011) Ming Er Zhong Zi No.108 dismissing the appeal and reverse the first instance decision.	Second instance decision: dismissing the appeal and reverse the first instance decision	/
GDDKiA(Highway Authority of Poland)	China Overseas Engineering Group Co., Ltd. (COVEC), Poland Branch of COVEC, Poland DECOMA, an independent third party of the consortium		Dispute on Poland A2 Highway construction project	The consortium comprising COVEC, China Railway Tunnel Group Co., Ltd., two independent third party companies won the bid for sections of A and C of Poland A2 Highway on 28 September 2009, the Group's share of the total contract amount is approximately US$402 million. During implementation of the contract, due to material differences in opinion between the consortium and GDDKiA, the property owner, the consortium served a notice of termination of the contract for sections A and C of Poland A2 Highway project to the property owner on 3 June 2011. On 17 June, i.e. 14 days afterwards, the notice of termination from the consortium became effective. On 13 June, the property owner also issued a notice of contract termination to the consortium. Upon termination of Poland A2 Project contract, the project owner submitted the application for "payment order" to Warsaw District Court on 29 September 2011; demanding the defendants, China Overseas Engineering Group Co., Ltd. and an independent third party company of the consortium to collectively and individually pay damages for breach of contract in the amount of Zloty128,913,670.98 including related statutory interest.	Zloty128,913,670.98 (equivalent to RMB238,000,000 using the exchange rate as at the 2011 balance sheet date) and related statutory interest	On 4 October 2011, Warsaw District Court issued a payment order in accordance with the summary procedure. We raised objection and filed a response to Warsaw District Court for the payment order on 20 October 2011. Warsaw District Court accepted our objection, the payment order became null and void, the case now continue as normal civil litigation. The case was heard at the Warsaw District Court on 8 February 2012. The judge decided to adjourn the case to April 2012 in four separate hearings upon hearing the statements of both the plaintiff and the defendant. The case is still pending.	/	/

2. Events regarding bankruptcy and restructuring and suspension of listing or delisting

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

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

(1) Securities investments

Unit: RMB

No.	Types of securities	Stock code	Simplified stock name	Amount of initial investment (RMB)	Number of securities held at the end of the period (share)	Carrying value at the end of the period (RMB)	Percentage of securities investment at the end of the period (%)	Gain/loss in the reporting period (RMB)
1	Stock	HK 00368	Sinotrans Ship	111,334,495.32	14,535,000	22,270,861.31	54.3	–13,125,668.59
2	Stock	600739	LiaoNing ChengDa	12,453,853.20	297,228	5,479,398.18	13.4	–3,443,386.38
3	Stock	600171	Shanghai Belling	3,472,562.73	499,900	2,269,546.00	5.5	–1,203,016.73
4	Stock	600536	CHINASOFT	2,978,897.92	145,454	2,210,900.80	5.4	–767,997.12
5	Stock	600250	NANTEX	2,810,070.18	299,262	1,562,147.64	3.8	–1,247,922.54
6	Stock	600756	ISS	2,245,188.12	151,293	1,659,684.21	4.0	–585,503.91
7	Stock	600526	FEIDA	1,704,949.57	104,791	1,294,168.85	3.2	–410,780.72
8	Stock	000959	Beijing Shougang Company Ltd.	1,245,000.00	300,000	804,000.00	2.0	–522,000.00
9	Stock	600062	DCPC	1,060,260.76	46,852	730,891.20	1.8	–593,146.32
10	Stock	600721	BHC	855,586.56	55,128	638,382.24	1.6	–217,204.32
Other securities investments held at the end of the period				2,963,823.45	/	2,097,142.10	5.0	–932,459.70
Gains/losses on disposal of securities investments in the reporting period				/	/	/	/	71,351,725.82
Total				143,124,687.81	/	41,017,122.53	100	48,302,639.49

Significant Events *(continued)*

3. Shares issued by other listed companies and financial institutions held by the Company (continued)

(2) Shares issued by other listed companies held by the Company

Unit: RMB

Stock Code	Simplified stock name	Cost of initial investment (RMB)	Percentage of interests in the investee company (%)	Carrying value at the end of the period (RMB)	Gain/loss in the reporting period (RMB)	Changes in equity of owners in the reporting period (RMB)	Accounting item	Source of shares
601328	Bank of Communications	87,039,950.40	0.072	199,882,363.52	826,532.66	–26,587,585.32	Available-for-sale financial assets	Purchase from market
HK00061	North Asia Resources	67,826,518.36	4.450	9,122,992.28	–58,703,526.08	35,838,147.76	Available-for-sale financial assets	Share exchange
601601	CPIC	7,481,091.07	0.068	112,803,578.88	2,055,244.80	–21,668,152.32	Available-for-sale financial assets	Purchase from market
600999	China Merchants Securities	4,233,267.00	0.004	1,807,194.32	–740,959.30	–	Available-for-sale financial assets	Purchase from market
601169	Bank of Beijing	2,000.00	0.00085	2,000.00	10,649.78	–	Long-term equity investment	Original issue stock
Total		166,582,826.83	/	323,618,129.00	–56,552,058.14	–12,417,589.88	/	/

(3) Shares issued by non-listed financial institutions held by the Company

Name of investee	Cost of initial Investment (RMB)	Number of shares held (share)	Percentage of interests in the investee company (%)	Carrying value at the end of the period (RMB)	Gain/loss in the reporting period (RMB)	Changes in equity of owners in the reporting period (RMB)	Accounting item	Source of shares
Greatwall Securities Co., Ltd.	102,000,000.00	17,000,000	0.820	96,457,687.47	2,401,548.14	–	Long-term equity investment	Purchase
China Golden Valley International Trust & Investment Co., Ltd.	17,500,000.00	–	1.460	16,850,500.00	–	–	Long-term equity investment	Establishment
Western Securities Co., Ltd.	10,000,000.00	10,000,000	1.000	10,000,000.00	–	–	Long-term equity investment	Purchase
Western Trust Co., Ltd.	9,094,630.00	9,094,630	1.390	9,094,630.00	604,447.74	–	Long-term equity investment	Purchase
Sichuan Trust Investment Co. Ltd.	5,452,204.94	–	0.420	5,452,204.94	–	–	Long-term equity investment	Transfer debt to equity
Bank of Chengdu Company Limited	3,002,000.00	3,731,600	0.125	3,002,000.00	559,740.00	–	Long-term equity investment	Purchase
Hubei Pengcheng Insurance Brokers Co., Ltd.	200,000.00	–	4.000	200,000.00	–	–	Long-term equity investment	Purchase
Total	147,248,834.94	39,826,230	/	141,057,022.41	3,565,735.88	/	/	/

Significant Events *(continued)*

3. Shares issued by other listed companies and financial institutions held by the Company (continued)

(4) Details of dealings in shares of other listed companies

Stock name	Number of shares held at the beginning of the period (share)	Number of shares purchased in the reporting period (share)	Total amount of funds utilized (RMB)	Number of shares sold in the reporting period (share)	Amount received for shares sold (RMB)	Number of shares held at the end of the period (share)	Gain on investment (RMB)
Sihuan Bioengineering	8,574,375	–	5,000,000.00	8,574,375	76,162,223.11	–	71,162,223.11
Orient Enterprise	–	60,000	619,200.00	60,000	647,155.49	–	27,955.49
Tianjin Printronics	–	121,400	1,006,463.15	121,400	1,153,339.59	–	146,876.44
ANJUBAO	500	–	24,500.00	500	23,861.76	–	–638.24
TANLI GROUP	500	–	29,000.00	500	32,952.19	–	3,952.19
Zhendong Pharmaceutical	500	–	19,400.00	500	19,548.67	–	148.67
HSF	5,000	–	29,950.00	5,000	47,918.20	–	17,968.20
Xixia Automobile Water Pump	–	500	18,000.00	500	19,373.95	–	1,373.95
Haili Metal One	–	500	20,000.00	500	20,040.37	–	40.37
Sinovel	–	3,000	270,000.00	3,000	255,540.48	–	–14,459.52
Shindoo Chemi-industry	–	500	16,940.00	500	14,976.00	–	–1,964.00
Soochow Securities	–	500	13,000.00	500	16,092.21	–	3,092.21
New China Life	–	500	69,750.00	500	74,906.95	–	5,156.95

Notes:

1. *The total investment gain from disposal of the newly subscribed shares during the reporting period amounted to RMB14,670.78.*

2. *Implementation of purchase/disposal of new shares by the Company during the reporting period was carried out by China Railway Trust Co., Ltd.*

Significant Events *(continued)*

4. Asset transactions

(1) Acquisition of assets

Unit: Thousand Currency: RMB

Counterparty or ultimate controlling party	Assets acquired	Date of acquisition	Price of assets acquired	Contribution to the net profit of the listed company from the date of acquisition to the end of the year	Contribution to the net profit of the listed company from the beginning of the year to the end of the year (appropriate for the merge of enterprises under common control)	Related party transaction?	Pricing principle of assets acquired	Are all the property rights of concerning assets transferred to the other party?	Are all the claims and liabilities of concerning assets transferred to the other party?	Contribution to the net profit as a percentage of total net profit of the listed company (%)	Related party relationship
CRECG	Henan Pingzheng Expressway Development Co., Ltd	11 November 2011	302,935	–12,073	–88,976	Yes	Asset valuation	Yes	Yes	N/A	Parent company
Hainan Lihu Holiday Tourism Investment Co., Ltd.	Hainan Meijie Investment Co., Ltd.	25 May 2011	7,000	0	N/A	No	Asset valuation	Yes	Yes	0	N/A
Baotou Longpeng Real Estate Development Co., Ltd.	Baotou Times Jinke Real Estate Development Co., Ltd.	3 January 2011	20,000	8	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A
Beijing China Railway Xinda Trade Co., Ltd.	Beijing Electric Lighthouse Ltd., Co	31 December 2011	1,500	92	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A
Beijing Yuanyi Zefeng, Beijing Jinli Hefeng Company	Tianjin Seaside Tourist Resort Construction and Development Co., Ltd.	1 September 2011	311,031	–15,262	N/A	No	Asset valuation	Yes	Yes	N/A	N/A
Beijing Zhongguancun Science and Technology Investment Co., Ltd.	Nanjing Zhongguancun Real Estate Development Co., Ltd.	23 November 2011	97,500	–13,566	N/A	No	Asset valuation	Yes	Yes	N/A	N/A
Chengdu Jinruifu Properties Limited, Mou Xin	Chengdu Hongjin Properties Limited	30 September 2011	22,950	–1,114	N/A	No	Asset valuation	Yes	Yes	N/A	N/A
Dalian Huatong Kailu Industrial Co., Ltd.	Dalian Zijin Development Co., Ltd.	14 July 2011	555,396	3	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A
Dalian Huatong Kailu Industrial Co., Ltd.	Dalian Ziyuan Development Co., Ltd.	14 July 2011	164,184	3	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A

(2) Disposal of assets

Unit: Thousand Currency: RMB

Counterparty	Asset sold	Date of sale	Selling Price	Contribution to the net profit of the listed company from the beginning of the year to the date of sale	Gains and losses arising from the sales	Related party transaction? (if yes, specify pricing method)	Pricing principle of assets sold	Are all the property rights of concerning assets transferred to the other party?	Are all the claims and liabilities of concerning assets transferred to the other party?	Contribution of the net profit arising from sale of concerning assets as a percentage of the net profit of the listed company (%)	Related party relationship
Chengdu Jinshan Real Estate Development Co., Ltd.	Dayi China Railway Jinshan Real Estate Development Co., Ltd.	27 October 2011	50,090	–4,686	35,004	No	Asset valuation	Yes	Yes	Less than 1	N/A
Weiji Construction Group Co., Ltd.	Shaanxi Qiancenglang Real Estate Development Co., Ltd.	29 July 2011	97,455	–	37,455	No	Asset valuation	Yes	Yes	Less than 1	N/A

4. Asset transactions (continued)

(3) Asset swap

During the reporting period, there was no swap of assets by the Company.

(4) Merger and acquisition

During the reporting period, there was no merger and acquisition by the Company.

5. Implementation of share incentive scheme of the Company and its effects

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

6. Significant related party transactions of the Company during the reporting period

According to regulations from the Issue No. 2 of "The Content and Format of Disclosure of Information by Listed Companies – The Content and Format of Annual Report" issued by the China Securities Regulatory Commission (CSRC), "The Rules Governing the Listing of Stocks on Shanghai Stock Exchange" and "Implementation Guidance of Related Party Transactions for Listed Company of Shanghai Stock Exchange", CRECG, the controlling shareholder, and its controlled entity China Railway Hongda Asset Management Center are the major related parties involved in the related party transactions of the Company, which is slightly different from the definition of related party and related party transaction in the financial report.

(1) Related party transaction in ordinary course of business

Unit: Thousand Currency: RMB

Related parties	Related party relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transaction (%)
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease office premises	Contract price	28,530	28,530	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	50,733	50,733	Less than 1%

Note: The implementation of the comprehensive services agreement and premises leasing agreement entered into by the Company and CRECG on 26 April 2010 were set out above. The terms of both agreements are three years. The total transaction amount involved was within the decision-making limit of the Board and was approved in the 29th meeting of the first session of the Board, which complied with the relevant requirements of "Shanghai Stock Exchange Share Listing Rules". Meanwhile, these two transactions were exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval as the annual caps of these two transactions are within the de minimis exemption under the Listing Rules.

Significant Events *(continued)*

6. Significant related party transactions of the Company during the reporting period (continued)

(2) Related party transaction related to acquisition and disposal of assets

Unit: Thousand Currency: RMB

Related parties	Related party relationship	Nature of related party transaction	Particulars of related party transaction	Pricing method of related party transaction	Assessed value of assets transferred	Transfer price
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	Purchase of assets except for goods	Buildings and lands	Valuation pricing, transfer by agreements	177,700	177,700

(3) Amounts due from/to related parties

Unit: Thousand Currency: RMB

Related parties	Related party relationship	Balance of funds provided to related party	Balance of funds provided to listed company by related company
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	13,639	56,708
CRECG	Controlling shareholder		4,067
Reason for amounts due from/to related parties		Amounts due from/to related parties between the Company and related parties are operational in nature.	

There is no occupied fund and pay-off debt in the Company during the reporting period.

(4) Other significant related party transactions

Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled?
CRECG *(note 1)*	China Railway Group Limited	1,000,000	January 2010	January 2015	No
CRECG *(note 1)*	China Railway Group Limited	5,000,000	January 2010	January 2020	No
CRECG *(note 1)*	China Railway Group Limited	2,500,000	October 2010	October 2020	No
CRECG *(note 1)*	China Railway Group Limited	3,500,000	October 2010	October 2025	No

Note 1: 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.

7. Material contracts and their performance

(1) Trusteeship, contracting and leasing

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

Significant Events *(continued)*

7. Material contracts and their performance (continued)

(2) Guarantee

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	01/08/2008	30/06/2008	20/06/2025	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No.2 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Sinorail Bohai Train Ferry Co., Ltd.	12,683,100.00	24/12/2004	24/12/2004	23/12/2016	Suretyship of joint and several liability	No	No	–	No	No	
Daxian Cuipingshan Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruicheng Longjun Project	106,065,911.00	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	12,370,000.00	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	
New Sichuan – Tibet Road & Bridge Company	Wholly-owned subsidiary	Property owners of China Railway Xinjie Project	526,740,000.00	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	
Hongyuan Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Shujun Project	16,720,000.00	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	177,463,200.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu China Railway Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruicheng Xijun Yinghua Hongyuan Project	121,139,000.00	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	172,794,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu Huaxintianyu Industrial Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongshan International New City District H Project	80,532,000.00	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	
Dujiang Yan City Qingcheng Tourism Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Qingcheng 365 Zhaiyuan Project	6,010,000.00	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	
Huinan Yangguangcheng Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Huainan Yangguangcheng Project	11,560,362.69	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	17,519,367.07	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	
Guizhou Tianwei Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Fengdan Bailu	38,740,000.00	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 Tiewujian Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Xinlong Phase II	15,388,300.00	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	
Guizhou Tianwei Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhujiang Wan Pan	16,795,700.00	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 Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Bolin Community Project	4,505,000.00	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 Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Xizi Xianghe Project	622,243,700.00	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 Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Longcheng Project	107,693,800.00	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	

7. Material contracts and their performance (continued)

(2) Guarantee (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 Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Longjun Project	97,869,000.00	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 Guochuang Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway • Tamiya Project	172,456,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd	Wholly-owned subsidiary	Property owners of China Railway • Ruijing Mingcheng Phase I Project	207,229,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd	Wholly-owned subsidiary	Property owners of China Railway • Ruijing Mingcheng Phase II Project	217,135,000.00	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.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway • Ruijing Lanting Project	193,816,000.00	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 Orvilla Project	5,930,000.00	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	
Cheungdu Tongxin Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Lijing Shuxiang Project	21,355,000.00	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 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Yanlanshan Project	36,686,000.00	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 Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Jinan "Hua Yang Nian Hua" Project	6,926,650.00	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 Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongying "Sheng Shi Long Cheng" Project	45,065,000.00	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 Group Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Hui Zhan Project	136,239,800.00	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	
China Railway No.10 Engineering Group 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 Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yingwuzhou Bridge Co., Ltd.	60,000,000.00	09/08/2011	09/08/2011	08/08/2012	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China SFECO Group	55,447,920.00	30/06/2006	30/06/2006	28/12/2014	Suretyship of joint and several liability	No	No	–	No	No	
Lanzhou Huasheng Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Lanzhou North Shore Mansion	5,463,000.00	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	48,670,000.00	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 Jianggong Group Shenzhen Investment Co., Ltd.	Wholly-owned subsidiary	Property owners of Guangzhou Nobel Mingdu Project	94,117,000.00	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 Jiangong Group Shenzhen Investment Co., Ltd.	Wholly-owned subsidiary	Property owners of Nobel Plaza Project	340,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Dailian Famade Project Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Nobel Seashore Garden Project	6,956,000.00	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	

Significant Events *(continued)*

7. Material contracts and their performance (continued)

(2) Guarantee (continued)

Unit: Yuan Currency: RMB

Guarantee granted by the Company (excluding those to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed Amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue?	Overdue amount?	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zongjing Shengshi Changan Project	284,932,086.40	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	
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongjing Jiangshanbin Project	192,815,775.22	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 Weishanbin Project	70,669,477.72	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	25,029,718.00	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 Hengfeng Real Estate Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of southern square of the Beijing West Railway Station	15,669,096.16	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 Beijing Hanlanting Project	268,383,800.00	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	
Xi'an China Railway Changfeng Real Estate Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of Xi'an South County Project	614,888,000.00	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	
Hunan Qingzhuhu Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Changsha Lakeshore Project	89,329,000.00	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 controlling subsidiary	Property owners of China Railway Guiyang Yidu	239,868,835.15	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 Shenyang Renjie Lake Project	164,520,000.00	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 controlling subsidiary	Property owners of China Railway Xicheng Project	207,698,000.00	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 Town Project	39,323,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Shanghai China Railway City North Investment Development Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of Central Times Square Project	16,010,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No.2 (Chengdu) Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Isabella Project	82,978,500.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	

7. Material contracts and their performance (continued)

(2) Guarantee (continued)

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	1,781,249,150.91
Total balance of guarantee as at the end of the reporting period (excluding those provided to subsidiaries)	6,582,150,099.41
Guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	2,474,000,000.00
Total balance of guarantee to subsidiaries as at the end of the reporting period	5,512,482,077.80
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee	12,094,632,177.21
Percentage of aggregate guarantee to net assets of the Company (%)	14.90%
Representing:	
Amount of guarantee provided for shareholders, ultimate controller and their related parties	
Amount of guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70%	3,771,124,284.25
Excess amount of aggregate guarantee over 50% of net assets	
Aggregate amount of the above three categories	3,771,124,284.25
Statement on the contingent joint and several liability in connection with unexpired guarantee	

Significant Events *(continued)*

7. Material contracts and their performance (continued)

(3) Other material contracts

1. Material contracts executed before the reporting period but remained effective during the reporting period:

(1) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway	Harbin-Dalian Passenger Railway Line Co., Ltd.	Master Construction Contract of Civil Works of Section TJ-1 of the New Harbin-Dalian Passenger Railway Line	2007–09–03	2,187,104	66 months
2	China Railway NO.3 Engineering	Beijing-Shanghai High Speed Railway Line Co., Ltd.	Civil Works of Phase TJ5 of the New Beijing-Shanghai Express Railway	2008–01–31	1,131,577	60 months
3	China Railway NO.1 Engineering	Beijing-Shanghai High Speed Railway Line Co., Ltd.	Civil Works of Phase TJ2 of the New Beijing-Shanghai Express Railway	2008–01–31	1,064,927	60 months
Highway						
1	China Railway NO.5 Engineering	Hunan Li Lian An Shao Expressway Development Co., Ltd.	Section TJ1 of Anhua (Mei Cheng) – Shaoyang highway	2010–4–15	194,906	30 months
2	China Railway Major Bridge Engineering	Shenzhen Expressway Company Limited	Guangshen Coastal Expressway (Shenzhen Section) Project 2nd	2009–03–20	185,165	28 months
3	China Railway Tunnel	Guangdong Guang Le Expressway Co., Ltd.	Civil construction works contract of Section T10 of Lechang-Guangzhou Expressway	2010–05	116,625	24 months
Municipal Works						
1	China Railway	Shenzhen Metro Co., Ltd.	BT Project and related engineering Contract A of Shenzhen Metro Line 5	2008–09	950,000	43 months
2	China Railway	Zhengzhou Rail Transit Co., Ltd.	Zhengzhou City Rail Line 2 Phase I Construction Contract Project	2010–07	342,000	37 months
3	China Railway Southern Company	Shenzhen City Metro Co., Ltd.	Master Construction Contract of Hub Engineering Projects of Shenzhen North Station (Phase B1)	2009–09–26	258,200	40 months

Significant Events *(continued)*

7. Material contracts and their performance (continued)

(3) Other material contracts (continued)

1. Material contracts executed before the reporting period but remained effective during the reporting period: (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	Gui-Guang Railway Co., Ltd.	Testing and preliminary design of Guiyang-Hezhou section of the new Guiyang-Guangzhou railway	2009–01	67,980	40 months
2	China Railway Eryuan Engineering	The Construction Headquarter of Nanning Railway Bureau for reconstruction works of Hunan-Guangxi Line for speeding up and capacity improvement	Alterations to the Liuzhou Railway Section Yongzhou Capacity Expansion Project	2010–02	50,746	43 months
3	China Railway Eryuan Engineering	Lanyu Railway Co., Ltd.	New Lanzhou-Chongqing Railway, Guangyuan to Chongqing survey and design	2010–03	49,800	31 month
4	China Railway Eryuan Engineering	Yuli Railway Co., Ltd.	Survey and Design of the New Chongqing-Lichuan Railway	2008–12–28	49,032	96 months
5	China Railway Eryuan Engineering	Ethiopian Railway Corporation	Ethiopia, Addis Ababa – Djibouti Railway Survey and Design Project	2010–08	42,465	19 months

7. Material contracts and their performance (continued)

(3) Other material contracts (continued)

1. Material contracts executed before the reporting period but remained effective during the reporting period: (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 Structures						
1	China Railway Shanhaiguan Bridge	Fujian Xiazhang Bridge Co., Ltd.	Fujian Province Xiazhang Bridge Steel manufacturing contract	2010–08	44,855	22 months
2	China Railway Shanhaiguan Bridge	Zhejiang Jiashao Bridge Investment and Development Co., Ltd.	Contract of section VIII-2 of manufacturing steel box girders and steel anchor boxes for Jiashao Bridge	2010–06	44,468	18 months
3	China Railway Turnout & Bridge	Anhui Province Expressway Holdings Group Limited	Maanshan Yangtze River Highway Bridge Suspension Bridge in the left tower steel tower production (Contract section of MQ-C02 and MQ-C03	2010–08–01	43,272	14 months
Turnout						
1	China Railway Shanhaiguan Bridge	Xia Shen Railway (Guangdong) Company	Purchasing contract of turnouts for the Xiamen-Shenzhen Railway Line project	2010–04	32,842	13 months
2	China Railway Turnout & Bridge	Nanjing-Hangzhou Railway Co., Ltd.	High speed turnouts for the new Nanjing-Hangzhou Passenger Railway Line	2010–06	18,627	6 months
3	China Railway Turnout & Bridge	Nanjing-Qidong Line of Shanghai Railway Administration Electrification Engineering Headquarters	Electrification engineering work of Nanjing-Qidong Line	2010–06	12,648	24 months
Construction (Track) Machinery						
1	China Railway Turnout & Bridge	Chongqing Monorail Transit Engineering Co., Ltd.	Chongqing Monorail Transit No. 2 Extension Long Line turnout facilities	2010–12	4,136	24 months
2	China Railway Turnout & Bridge	Chongqing Monorail Transit Engineering Co., Ltd.	Purchasing Contract of integrated equipment for domestic turnout system	2010–12	2,882	24 months
3	China Railway Shanhaiguan Bridge	Manzhouli international railway freight yard of Harbin Railway Administration Project command	Manufacturing and Installing Contract of 40T Gantry crane for Harbin Railway Bureau	2010–06	1,999	14 months

7. Material contracts and their performance (continued)

(3) Other material contracts (continued)

1. Material contracts executed before the reporting period but remained effective during the reporting period: (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	Hubei, Wuhan	Residential	105.54
3	Nobel Mingdu	Shandong, Jinan	Residential	89.34
4	Binfen South County	Xi'an, Shaanxi	Residential	62.7
5	China Railway • Huaxu Town	Qingdao, Shandong	Residential	53.45

(5) Other businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period	Operation (Repurchase) term
BOT							
1	China Railway NO.2 Engineering	Yulin Bureau of communications	BOT Project of Yulin (Shaanxi)-Shenmu Expressway	2007–10–29	517,000	36 months	30 years
2	China Railway	Guangxi Department of communications	BOT Project of the Guangxi Cenxi-Xingye Expressway Project	2005–8–26	516,361	36 months	28 years

Significant Events *(continued)*

7. Material contracts and their performance (continued)

(3) Other material contracts (continued)

2. Material contracts signed during the reporting period:

(1) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway Tunnel, China Railway NO. 4 Engineering	Preparation Division of Ji Tu Hui Railway Co., Ltd.	Master Construction Contract for I Section of New Jilin-Chunhui Railway Project Construction under Key Control	2011–01–09	731,114	12 months
2	China Railway NO.9 Engineering	Preparation Division of Ji Tu Hui Railway Co., Ltd.	New Jilin-Huichun Railway Station Other Projects 4 Section	2011–01–09	273,780	12 months
3	China Railway Electrification Engineering	Beijing Railways Bureau	New Railway Container Terminal Project in the north of Xingang Port, Tianjin	2011–01	132,550	24 months
Highway						
1	China Railway NO. 3 Engineering	Shanxi Xiyan Highway Investment Co., Ltd.	Phase 1 construction of Huozho-Yonghe Guan Highway western section	2011–10	250,000	26 months
2	China Railway NO. 1 Engineering	Xinjiang Transport Bureau	Xinjiang S215 Line Sanchakou-Shache Highway Phase SS-4	2011–06–30	208,669	24 months
3	China Railway Major Bridge Engineering	Hubei Express Exi Expressway Co., Ltd.	Phase I Section TJ-6 of Construction Project for Hubei Shien – Laifeng Highway and Xuanen-Xianfeng (E Yu Boarder) Section of Hubei Enshi– Chongqing Qinjiang Highway	2011–06–30	190,775	33 months
Municipal Works						
1	China Railway NO. 4 Engineering	The Republic of Angola Oil and Real Estate Company	Municipal ancilliary work of Phase I Social Housing and 5000 projects of Phase II Social Housing	2011–12	723,956	2012–11
2	China Railway	Shenyang Transport Bureau	Shenyang Fourth Ring Expressway Construction – Transferring (BT) Project	2011–05	650,000	23 months
3	China Railway Major Bridge Engineering	Wuhan Construction Investment & Development Group Co., Ltd.	Wuhan Yingwuzhou Yangtze River Bridge Improvement Project Construction – Transferring (BT) Project	2011–04	247,500	44 months

7. Material contracts and their performance (continued)

(3) Other material contracts (continued)

2. Material contracts signed during the reporting period: (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	Yuangui Railway Guangxi Co., Ltd.	The new Yuangaui Railway (Guangxi section) Project Survey and Design	2011–01	45,369	Completion of Performance of Contract
2	China Railway Eryuan Engineering	Shanghai-Kunming Passenger Railway Line Co., Ltd.	The new Changsha to Kunming Designated Passenger Railway Line Yunnan Section Project Survey and Design	2011–12	37,438	Completion of Performance of Contract
3	China Railway Eryuan Engineering	China National Machinery and Equipment Import & Export Corporation	Argentina Belgrano Cargo Railway Reconstruction Project Survey and Design	2011–03	26,501	Completion of Performance of Contract
4	China Railway Eryuan Engineering	Shenzhen Metro Co., Ltd.	Master Construction and Design Project of Shenzhen Urban Rail Transit line 11	2011–04	21,000	59 months
5	China Railway Eryuan Engineering	Guiyang City Rail Transit Co., Ltd.	Master Construction and Design Project of Guiyang City Rail Transit 1 (Guiyang North Station Yangba Village)	2011–01	18,000	Completion of Performance of Contract

Significant Events *(continued)*

7. Material contracts and their performance (continued)

(3) Other material contracts (continued)

2. Material contracts signed during the reporting period: (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 Structures						
1	China Railway Shanhaiguan Bridge	Liaoning Province Communication Highway Administration Office	China-Korea Yalu River Border Highway Bridge	2011–12	36,340	31 months
2	China Railway Turnout & Bridge	Chongqing Quantung Engineering Management Co. Ltd.	Chongqing Dongshuimen Yangtze River Bridge Steal Box Girders	2011–09–15	24,449	27.5 months
3	China Railway Shanhaiguan Bridge	Tianjin Urban Construction Group Co., Ltd.	Purchase Contract of steel box grider and steel tower for No.4 Bridge of Wulanmulun River, Kangbashi District, Erdos	2011–04	23,583	15 months
Turnout						
1	China Railway Turnout & Bridge	Lanyu Railway Co., Ltd.	New Lanyu Railway Lanzhou East-Xiaguanying Section and Guangyuan-Chongqing Section	2011–03	28,056	9 months
2	China Railway Shanhaiguan Bridge	Foreign Capital Utilization and Technology Introduction Center, Ministry of Railway	Purchase Contract of Nanguan Railway turnouts	2011–02	27,790	16 months
Construction (Track) Machinery						
1	China Railway Turnout & Bridge	Xian Qujiang Shengtang Material Supply Co. Ltd.	Manufacturing of Qujiang New Area Track Travel Project steel track, pillars, support and base precasts	2011–10–28	7,699	3.5 months
2	China Railway Shanhaiguan Bridge	Thorn Engineering & Energy Limited	Nigeri Railway oil tank truck	2011–01	1,250	11 months

Significant Events *(continued)*

7. Material contracts and their performance (continued)

(3) Other material contracts (continued)

2. Material contracts signed during the reporting period: (continued)

(4) Property development business

No.	Project name	Project location	Project type	Planning area ('0,000 sq. m.)
1	Lushunkou Hupo Bay Project	Dalian, Liaoning	Residential	59
2	Xixian Xinqu	Xian, Shaanxi	Residential	53
3	Dingxiang Lake Chizu Road Project	Shenyang, Liaoning	Residential	37.52
4	China Railway • Lakeside Mansion	Hefei, Anhui	Residential	37.09
5	Beijing Nobel Center	Beijing	Office	24.82

(4) Material Property Information

1. Property held for investment

Building name	Location	Use	Tenure	Interest of the Company and subsidiaries (%)
Mingren Industrial Building	South Renmin Road, Section 1, Chengdu, Sichuang	Commercial	Medium term lease	60
China Railway Ruicheng Building	Mid Renming Road, Section 2, No. 68, 88, Chengdu, Sichuang	Commercial	Medium term lease	60
Tanmulin Hotel	Ziliujing District, Dongxing Temple Road, Xinhua Neighbourhood No. 2	Hotel	Medium term lease	100
Changchun Huaqiao Hotel	Jiling Province Changchun City Chaoyang District No. 1 Binhu Road	Hotel	Medium term lease	60
Huaxi Changan Center Building A1, Floor 1–2	Beijing Haidian District No. 69 Fuxing Road	Commercial	Medium term lease	100
Office Building	Beijing Gongti Building 3/F Section 2 – Restaurant No. 3	Commercial	Medium term lease	100
Huilong Bay Yichulianghua Mall	Chengdu Jinniu District No. 1 Shawan Road	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

Significant Events *(continued)*

7. Material contracts and their performance (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 (%)
Bridge Living Capital	No. 586 Wuluo Road, Zhongnanlu Street, Wuchang District, Wuhan City, Hubei Province	Residential	527,721.35	1,055,439.42	Under construction (already pre-sold)	2015	66.67
Xian South County	Xian High-tech zone, south of Jiba Road, west of Zhangba Road	Residential	141,507.37	627,000	Under construction (already pre-sold)	2012	100
China Railway Nobel Seashore Garden	Gaoxin District, Dalian	Residential	231,900	520,900	Under construction (already pre-sold)	2014	100
China Railway • Yidu International	Guiyang 1 Jinyang District Jinyang Avenue North Section	Residential	1,060,000	2,306,000	Under construction (already pre-sold)	2018	80
Rainbow New City	Hefei Yangtze River East Road	Residential	262,000	416,000	Under construction (already pre-sold)	2013	100

8. Performance status of undertakings

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

Undertaking	Details of undertaking	Performance status
Undertaking made by CRECG upon the issuance of shares	Upon the establishment of China Railway in accordance with the law, CRECG and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or procure the engagement or participation in any businesses that compete, or are likely to compete with the core businesses of China Railway and its subsidiaries. If CRECG or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the principal businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and warrants that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CRECG or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CRECG warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	CRECG has strictly complied with the above undertaking

9. Appointment and removal of auditors

Unit: Ten Thousand

	Former appointment	Recent appointment
Name of domestic auditors	Deloitte Touche Tohmatsu CPA Ltd.	Deloitte Touche Tohmatsu CPA Ltd.
Pay for domestic auditors	4,050	4,050
Term of domestic auditors	5 years	5 years
Name of international auditors	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
Pay for international auditors	347	347
Term of international auditors	5 years	5 years

During the reporting period, the Company did not change the auditors for the auditing period.

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

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

11. Whether the company is included in the list of polluting enterprises released by environmental protection department

During the reporting period, the Company is not included in the list of polluting enterprises released by environmental protection department.

12. Statement to other significant events

During the reporting period, the Company has no statement to other significant events.

13. Major changes in profitability, asset condition and credit status of the underwriter for convertible bonds of the Company

Not applicable

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.	Main lane:	track connecting and passing through the stations
5.	Dual-track:	railway with two main lanes, namely upper lane and lower lane
6.	BT:	"Build-Transfer" mode
7.	BOT:	"Build-Operate-Transfer" mode
8.	Turnout:	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks.
9.	Upstream, Middle-stream and Downstream:	the three business segments in the industry value chain of construction industry as divided by business process. The upstream business primary consists of project consulting and design business, project development business and project construction management business; the middle-stream business mainly refers to the construction work of projects; the downstream business primarily includes the operation, management and maintenance of various infrastructure facilities.
10.	Engineering method:	an integrated construction method with application of systematic construction principles to combine advanced technology and scientific management, under which certain engineering practices will be applied to the construction in line with technology.
11.	Four Initiatives:	the focus in the management of four areas, including funding, materials, equipment procurement and labour by the Company
12.	TBM:	Tunnel Boring Machine

Company Information

Directors

Executive directors
LI Changjin *(Chairman)*
BAI Zhongren
YAO Guiqing

Non-executive director
HAN Xiuguo

Independent non-executive directors
HE Gong
GONG Huazhang
WANG Taiwen
SUN Patrick

Supervisors

WANG Qiuming *(Chairman)*
LIU Jiangyuan
ZHANG Xixue
LIN Longbiao
CHEN Wenxin

Joint company secretaries

YU Tengquen
TAM Chun Chung *CPA, FCCA*

Authorised representatives

BAI Zhongren
TAM Chun Chung *CPA, FCCA*

Audit committee

GONG Huazhang *(Chairman)*
WANG Taiwen
SUN Patrick

Remuneration committee

HE Gong *(Chairman)*
WANG Taiwen
SUN Patrick

Strategy committee

LI Changjin *(Chairman)*
BAI Zhongren
YAO Guiqing
HAN Xiuguo
GONG Huazhang

Nomination committee

LI Changjin *(Chairman)*
BAI Zhongren
HE Gong
GONG Huazhang
WANG Taiwen

Safety, health and environmental protection committee

BAI Zhongren *(Chairman)*
YAO Guiqing
HAN Xiuguo
HE Gong
SUN Patrick

Company Information *(continued)*

Registered office

No. 1, Xinghuo Road
Fengtai District
Beijing 100070
PRC

Principal place of business in Hong Kong

Unit 1201–1203
12/F, APEC Plaza
49 Hoi Yuen Road, Kwun Tong
Kowloon, Hong Kong

Auditors

Domestic
Deloitte Touche Tohmastu Certified Public Accountants Limited
8/F, Deloitte Tower
The Towers, Oriental Plaza
1 East Chang An Avenue
Beijing, PRC

International
Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Legal advisors

For PRC Law
Jia Yuan Law Firm
F407, Ocean Plaza
158, Fuxing Men Nei Street
Beijing 100031
PRC

For Hong Kong Law
Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

Share 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
17M Floor, 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

中國中鐵
CHINA RAILWAY

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