



**中国铁建**

中國鐵建股份有限公司

**China Railway Construction Corporation Limited**

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

Stock Code: 1186



**Interim Report 2011**





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# Definitions

“Articles of Association”	means the Articles of Association of China Railway Construction Corporation Limited
“Board”	means the board of directors of the Company
“Company”	means China Railway Construction Corporation Limited (中國鐵建股份有限公司)
“Companies Ordinance”	means the Companies Ordinance (Chapter 32 of Laws of Hong Kong)
“Controlling Shareholder” or “CRCCG”	means China Railway Construction Corporation (中國鐵道建築總公司)
“corresponding period last year”	means the period from January to June 2010
“CSRC”	means China Securities Regulatory Commission
“end of last year”	means 31 December 2010
“end of the Reporting Period”	means 30 June 2011
“Group”	means China Railway Construction Corporation Limited and its wholly-owned and non-wholly-owned subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“PRC”	means the People’s Republic of China which, for the purposes of this report, excludes Hong Kong and the Macau Special Administrative Region and Taiwan
“Reporting Period”	means the period from January to June 2011
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Shanghai Listing Rules”	means the Rules Governing the Listing of Stocks on Shanghai Stock Exchange

1. The Board and the supervisory committee of the Company and the directors, supervisors and members of the senior management confirm that there are no misrepresentation or misleading statements contained in, or material omissions from, this report, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents herein.
2. Eight directors out of the nine directors who were eligible to attend the Board meeting attended the meeting. Mr. HU Zhenyi, an Executive Director and Vice President, appointed Mr. PENG Shugui, Vice Chairman of the Board to vote on his behalf due to other work engagement.
3. According to the resolutions relating to the change of auditors and amendments to the Articles of Association passed at the 2010 annual general meeting of the Company, the 2011 interim results of the Company will be prepared under the *Accounting Standards for Business Enterprises* Issued by the Ministry of Finance of the PRC and relevant regulations ("PRC GAAP") only. Accordingly, the Company will provide the same version of 2011 interim report prepared under the PRC GAAP to all its shareholders, instead of separately providing a report prepared under the PRC GAAP to holders of the A Shares and a report prepared under the International Financial Reporting Standards ("IFRSs") to holders of the H shares.
4. The contents of this interim report are in compliance with all the requirements in relation to information to be disclosed in interim reports under the Shanghai Listing Rules and the Hong Kong Listing Rules. In addition, this interim report will be simultaneously published in the PRC and Hong Kong. Should there be any discrepancies between the Chinese and English versions, the Chinese version shall prevail.
5. The unaudited 2011 interim financial report of the Company is prepared under the PRC GAAP. Ernst & Young Hua Ming Certified Public Accountants has reviewed the report and issued the relevant review report. Unless specifically indicated, Renminbi is the reporting currency in this interim report.
6. There was no appropriation of funds of the Company by the Controlling Shareholder and its related parties for purposes other than business.
7. There were no guarantees granted to external parties by the Company which are against the prescribed decision-making procedures.
8. MENG Fengchao, Chairman of the Board, ZHUANG Shangbiao, Chief Financial Officer, and CAO Xirui, Head of the Finance Department, confirm that the financial report in this interim report are true and complete.

# Basic Corporate Information

## (I) BASIC CORPORATE INFORMATION

1. Legal name of the Company in Chinese: 中國鐵建股份有限公司  
Chinese abbreviation: 中國鐵建  
English name of the Company: China Railway Construction Corporation Limited  
English abbreviation: CRCC
2. Legal representative of the Company: MENG Fengchao
3. Secretary to the Board: YU Xingxi; Joint Company Secretaries: YU Xingxi, LAW Chun Biu  
Telephone: 010-52688600  
Fax: 010-52688302  
E-mail: ir@crcc.cn  
Correspondence address: East, No. 40 Fuxing Road, Haidian District, Beijing
4. Registered office of the Company: East, No. 40 Fuxing Road, Haidian District, Beijing  
Principal place of business in the PRC: East, No. 40 Fuxing Road, Haidian District, Beijing (Postal Code: 100855)  
Principal place of business in Hong Kong: 23/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong  
Website address of the Company: www.crcc.cn  
E-mail address: ir@crcc.cn
5. Newspapers selected by the Company for information disclosure: China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times  
Website designated by CSRC for publishing the interim report of the Company: www.sse.com.cn  
Website designated by the Hong Kong Stock Exchange for the publication of the interim report of the Company: www.hkex.com.hk  
Place of inspection of the interim report of the Company: Secretariat of the Board of CRCC, East, No. 40 Fuxing Road, Haidian District, Beijing

## Basic Corporate Information (continued)

6. Place of listing of A shares of the Company: Shanghai Stock Exchange  
Stock name of A shares of the Company: China Rail Cons  
Stock code of A shares of the Company: 601186  
Place of listing of H shares of the Company: Hong Kong Stock Exchange  
Stock name of H shares of the Company: China Rail Cons  
Stock code of H shares of the Company: 1186
7. Other relevant information  
First registration date of the Company: 5 November 2007  
First registration place of the Company: East, No. 40 Fuxing Road, Haidian District, Beijing  
Business license registration number of corporate legal person: 100000000041302  
Corporate tax registration number: 110108710935150  
Corporate business number: 71093515-0
8. Name of the auditors appointed by the Company: Ernst & Young Hua Ming Certified Public Accountants  
Office address of auditors appointed by the Company: Level 16, Ernst & Young Tower, Oriental Plaza, No.1, East Chang An Ave., Dong Cheng District, Beijing
9. Legal advisers:  

As to Hong Kong law:	Baker & McKenzie 23/F, One Pacific Place, 88 Queensway, Hong Kong
As to the PRC law:	Beijing Deheng Law Office 12/F, Tower B, Focus Place, No. 19 Finance Street, Beijing, China
10. Share registrar of H shares: Computershare Hong Kong Investor Services Limited  
Rooms 1712–1716, 17th Floor, Hopewell Centre,  
183 Queen's Road East,  
Wanchai, Hong Kong

## Basic Corporate Information (continued)

### (II) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (CALCULATED IN ACCORDANCE WITH THE PRC GAAP)

	As at the end of the Reporting Period	As at the end of last year	Change as compared with the end of last year (%)
Total assets ( <i>million</i> )	395,613.11	350,194.02	12.97
Equity attributable to shareholders of the Company ( <i>million</i> )	60,488.02	57,403.31	5.37
Net assets per share attributable to shareholders of the Company	4.90	4.65	5.37

  

	Reporting Period	Corresponding period last year	Change as compared to the corresponding period last year (%)
Revenue ( <i>million</i> )	211,406.10	179,320.35	17.89
Total profit ( <i>million</i> )	4,511.87	4,251.53	6.12
Net profit attributable to shareholders of the Company ( <i>million</i> )	3,639.15	3,378.10	7.73
Net profit excluding non-recurring profit or loss attributable to shareholders of the Company ( <i>million</i> )	3,572.71	3,276.30	9.05
Basic earnings per share	0.29	0.27	7.41
Diluted earnings per share	N/A	N/A	N/A
Basic earnings per share after deduction of non-recurring profit or loss	0.29	0.27	7.41
Weighted average return on net assets (%)	6.17	6.25	Decreased by 0.08 percentage point
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	6.06	6.06	—
Net cash flows (used in)/from operating activities ( <i>million</i> )	-12,570.02	1,420.53	-984.88
Net cash flows per share (used in)/from operating activities	-1.02	0.12	-950.00



## Basic Corporate Information (continued)

### (III) NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: million

Item	For the six months period ended 30 June 2011	For the six months period ended 30 June 2010
Net profit attributable to ordinary shareholders/owners of the Company	3,639.15	3,378.10
Add/(less): non-recurring profit or loss items		
Losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	69.51	-17.88
Gains from disposal of long-term equity investment	-16.60	-3.27
Government grants recognized through profit or loss (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or quantity)	-42.05	-29.26
Gains or losses from debt restructuring	-14.63	-6.35
Losses from changes in fair value of financial assets held for trading	9.09	29.29
Investment gains from disposal of held for trading financial assets and available-for-sale financial assets	—	-25.38
Reversal of impairment for accounts receivable for which impairment was tested individually	-42.34	-37.56
Other non-operating income and expenses other than the above items	-51.23	-47.21
Sub-total	-88.25	-137.62
Impact on income tax of non-recurring profit or loss, net	22.06	34.40
Impact of non-recurring profit or loss attributable to minority interests	-0.25	1.42
Net effect of non-recurring profit or loss	-66.44	-101.80
Net profit excluding non-recurring profit or loss items attributable to ordinary shareholders/owners of the Company	3,572.71	3,276.30

### (IV) DIFFERENCES BETWEEN THE PRC GAAP AND IFRSs

The Company used to prepare the A share financial report under the PRC GAAP, and prepared the H share financial report in accordance with requirements relating to disclosure under the IFRSs and the Companies Ordinance. Pursuant to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong issued by the Hong Kong Stock Exchange in December 2010 and related amendments to the Hong Kong Listing Rules, as well as relevant documents issued by the Ministry of Finance of the PRC and CSRC, the Company will no longer provide the interim reports prepared under the PRC GAAP and the IFRSs to holders of A shares and holders of H shares respectively starting from this financial year, as considered and approved at the general meeting of the Company. Instead, the Company will only provide the same version of interim report prepared under the PRC GAAP to all shareholders. All the financial information for the six months period ended 30 June 2010 and the year ended 31 December 2010, for the purpose of comparison, is based on the information prepared under the PRC GAAP.

# Changes in Share Capital and Shareholders

## 1. SHARE CAPITAL STRUCTURE AND CHANGES IN SHAREHOLDING

During the Reporting Period, there were no changes in the total number of shares and shareholding structure of the Company by reason of the issue of bonus shares and rights issue. As at 30 June 2011, the share capital structure of the Company was as follows:

Shareholder	Class of shares	Number of shares	Approximate percentage in issued share capital (%)
CRCCG	A shares	7,566,245,500	61.33
National Council for Social Security Fund	A shares <sup>Note 1</sup>	245,000,000	1.98
Public holders of A shares	A shares	2,450,000,000	19.86
Public holders of H shares	H shares <sup>Note 2</sup>	2,076,296,000	16.83
Total		12,337,541,500	100.00

Notes:

1. Lock-up period will end on 10 March 2014;
2. Including the H shares held by the National Council for Social Security Fund.

## 2. REPURCHASE, SALES AND REDEMPTION OF SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any securities of the Company.

## Changes in Share Capital and Shareholders (continued)

### 3. PARTICULARS OF SHAREHOLDINGS

As at 30 June 2011, the total number of shareholders of the Company was 315,712, of which 290,787 were holders of A shares and 24,925 were holders of H shares.

**(1) Particulars of shareholdings of the top ten shareholders (shareholders holding over 5% of the equity interest) were as follows:**

Unit: share

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Increase/decrease during the Reporting Period	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
CRCCG	State-owned shares	61.33%	7,566,245,500	—	—	—
HKSCC NOMINEES LIMITED	Overseas legal person	16.65%	2,054,009,882	-693,500	—	Unknown
Account No.3 of National Council for Social Security Fund (全國社會保障基金理事會轉持三戶)	State-owned legal person shares	1.98%	245,000,000	—	245,000,000	Unknown
Changjiang Securities Company Limited (長江證券股份有限公司)	Others	0.60%	73,847,037	43,573,852	—	Unknown
National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)	Others	0.49%	60,999,870	15,499,969	—	Unknown
China Construction Bank Corporation — Huashang Golden Age Growth Securities Investment Fund (中國建設銀行股份有限公司 — 華商盛世成長股票型證券投資基金)	Others	0.17%	21,521,357	—	—	Unknown
China Minsheng Banking Co., Ltd. — Huashang Strategically Selected Flexible Allocation Mixed Securities Investment Fund (中國民生銀行股份有限公司 — 華商策略精選靈活配置混合型證券投資基金)	Others	0.17%	20,999,904	—	—	Unknown
Industrial and Commercial Bank of China — Boseru Selective Stock Securities Investment Fund (中國工商銀行 — 博時精選股票證券投資基金)	Others	0.16 %	20,000,000	—	—	Unknown
International Capital Corporation — Citigroup — MARTIN CURRIE INVESTMENT MANAGEMENT LIMITED (國際金融 — 花旗 — MARTIN CURRIE INVESTMENT MANAGEMENT LIMITED)	Others	0.15 %	18,398,788	3,768,100	—	Unknown
Bank of China — Harvest CSI 300 Index Securities Investment Fund (中國銀行 — 嘉實滬深300指數證券投資基金)	Others	0.13 %	16,217,069	-1,429,300	—	Unknown

## Changes in Share Capital and Shareholders (continued)

**(2) Particulars of shareholdings of the top ten shareholders not subject to trading moratorium were as follows:**

Name of shareholder	Number of shares held not subject to trading moratorium	Class of shares
CRCCG	7,566,245,500	A
HKSCC NOMINEES LIMITED	2,054,009,882	H
Changjiang Securities Company Limited (長江證券股份有限公司)	73,847,037	A
National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)	60,999,870	A
China Construction Bank Corporation — Huashang Golden Age Growth Securities Investment Fund (中國建設銀行股份有限公司 — 華商盛世成長股票型證券投資基金)	21,521,357	A
China Minsheng Banking Co., Ltd. — Huashang Strategically Selected Flexible Allocation Mixed Securities Investment Fund (中國民生銀行股份有限公司 — 華商策略精選靈活配置混合型證券投資基金)	20,999,904	A
Industrial and Commercial Bank of China — Bosera Selective Stock Securities Investment Fund (中國工商銀行 — 博時精選股票證券投資基金)	20,000,000	A
International Capital Corporation — Citigroup — MARTIN CURRIE INVESTMENT MANAGEMENT LIMITED (國際金融 — 花旗 — MARTIN CURRIE INVESTMENT MANAGEMENT LIMITED)	18,398,788	A
Bank of China — Harvest CSI 300 Index Securities Investment Fund (中國銀行 — 嘉實滬深300指數證券投資基金)	16,217,069	A
Guotai Ju'an- CCB- The Hong Kong and Shanghai Banking Corporation Limited (國泰君安—建行—香港上海匯豐銀行有限公司)	13,758,541	A
Explanations of the connected relationship or concerted action among the above shareholders	The Company has no information on whether there is any connected relationship among the above shareholders or whether such shareholders are parties acting in concert.	

## Changes in Share Capital and Shareholders (continued)

**(3) Number of shares held by the top ten shareholders subject to trading moratorium and particulars of such trading moratorium were as follows:**

Unit: share

Name of shareholder subject No. to trading moratorium	Number of shares held subject to trading moratorium	Particulars of tradable shares subject to trading moratorium		Trading moratorium
		Time for listing and trading	Number of additional shares available for listing and trading	
1 National Council for Social Security Fund	245,000,000	10 March 2014	—	Lock-up period extended by another three years following the expiry of the original statutory and voluntary lock-up periods undertaken by the state-owned shareholder (CRCCG)

**(4) Particulars of substantial shareholders subject to disclosure in accordance with the SFO were as follows:**

So far as the directors of the Company are aware, as at 30 June 2011, the persons other than directors, supervisors or chief executive of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of substantial shareholder	Class of shares	Capacity	Percentage in issued share capital of the relevant class of shares		Percentage in total issued share capital
			Number of shares held (Note 1)		
China Railway Construction Corporation	A shares	Beneficial owner	7,566,245,500	73.74%	61.33%
National Council for Social Security Fund	H shares	Beneficial owner	188,754,500(L)	9.09%	1.53%
JPMorgan Chase & Co. (Note 2)	A shares	Beneficial owner	245,000,000	2.39%	1.98%
	H shares	Beneficial owner, investment manager and custodian — corporation/ approved lending agent	122,964,402(L) 10,225,501(S) 100,256,901(P)	5.92% 0.49% 4.83%	1.00% 0.08% 0.81%
BlackRock, Inc. (Note 3)	H shares	Equity interests of corporation controlled by the substantial shareholder	104,870,128(L) 21,948,307(S)	5.05% 1.06%	0.85% 0.18%

Notes:

1. L — long position; S — short position; P — lending pool.
2. As at 30 June 2011, JPMorgan Chase & Co. held long positions in 122,964,402 H shares and short positions in 10,225,501 H shares of the Company through certain corporations under its control.
3. As at 30 June 2011, BlackRock, Inc. held long positions in 104,870,128 H shares and short positions in 21,948,307 H shares of the Company through certain corporations under its control.

#### 4. CHANGES IN CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

During the Reporting Period, there was no change in the Company's controlling shareholder or actual controller.



# Directors, Supervisors and Senior Management

## (I) CHANGES TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. On 31 May 2011, the Proposal in Relation to the Election of Directors of the Second Session of the Board and Shareholder Representative Supervisors of the Second Session of the Supervisory Committee was considered and approved at the 2010 annual general meeting of the Company, at which MENG Fengchao, PENG Shugui, ZHAO Guangfa and HU Zhenyi were elected as executive directors of the second session of the Board, ZHU Mingxian was elected as non-executive director of the second session of the Board and LI Kecheng, ZHAO Guangjie, WU Taishi and NGAI Wai Fung were elected as independent non-executive directors of the second session of the Board. The term of the above directors' appointment as directors will commence on the date of election and end on 4 November 2013. QI Xiaofei and HUANG Shaojun were elected as shareholder representative supervisors of the second session of the supervisory committee with a term commencing on the date of election and ending on 4 November 2013. On 30 May 2011, ZHANG Liangcai was elected as the employee representative supervisor at the first joint meeting of the second meeting of the first session of the employee representatives' general meeting of the Company, with the same term as that of the second session of the supervisory committee, i.e. from 31 May 2011 to 4 November 2013, and formed the second session of the supervisory committee together with QI Xiaofei and HUANG Shaojun.

**Mr. PENG Shugui**, a Chinese with no right of abode overseas, is the Vice Chairman of the Board, deputy party secretary and the chairman of the labor union of the Company and concurrently the vice chairman, deputy party secretary of and chairman of the labour union CRCCG. Mr. PENG has profound knowledge and understanding of the construction industry in the PRC and has abundant operation and management experience, as well as a relatively high level of understanding of theories, policies and legal knowledge. Mr. PENG joined CRCCG Group in 1972. From December 1995 to December 1999, Mr. PENG was the deputy secretary and secretary to the communist party committee of the 14th Bureau of the Ministry of Railways (the predecessor of China Railway 14<sup>th</sup> Bureau Group Co., Ltd.). From December 1999 to March 2001, Mr. PENG served as the party secretary of China Railway 14th Engineering Bureau. From April 2001 to February 2006, Mr. PENG was the deputy party secretary and the secretary to the disciplinary committee of CRCCG. From February 2006, Mr. PENG served as the deputy party secretary, secretary to the disciplinary committee and the chairman of the labour union of CRCCG. From July 2006 to November 2007, Mr. PENG served as a director representing the employees of CRCCG, as well as the deputy party secretary, secretary to the disciplinary committee and the chairman of the labour union of CRCCG. Mr. PENG has been the chairman of the first session of the supervisory committee of the Company since November 2007. Since May 2011, Mr. PENG served as the Vice Chairman of the Board, the deputy party secretary and chairman of the labour union of the Company and concurrently the vice chairman, the deputy party secretary and the chairman of the labour union of CRCCG. Mr. PENG graduated from La Trobe University in Australia with a master's degree in business administration. He is a senior engineer, a state-recognized first grade project manager and a state-recognized first grade construction engineer.

**Mr. HU Zhenyi**, a Chinese with no right of abode overseas, an executive director, a vice president and chief economist of the Company. Mr. HU currently serves as the chairman of Chongqing Tiefa Suiyu Highway Company Limited, the chairman of Beijing Tongda Jingcheng Highway Co., Ltd., the chairman of Xi'an Tianchuang Real Estate Company Limited and the chairman of China Railway Construction (United States) Company Limited. Mr. HU joined CRCCG Group in 1972. Mr. HU served as the deputy head and then head of the operation department of CRCCG from December 1990 to May 1996, the deputy chief economist of CRCCG from May 1996 to December 1997, the chief economist of CRCCG from December 1997 to April 2001, the deputy general manager and chief economist of CRCCG from April 2001 to November 2007. Mr. HU had been the vice president and chief economist of the Company from November 2007 to May 2011. Mr. HU has served as an executive director, a vice president and chief economist of the Company since May 2011. Mr. HU has significant knowledge and understanding of the PRC construction industry and substantial operational and management experience. Mr. HU is also an expert of China International Engineering Consulting Corporation and Beijing Urban Engineering Design & Research Institute Co., Ltd., the deputy chief of the expert committee of the economics division of the construction and commanding unit of Beijing Rail Transit, and part-time professors of colleges and universities such as Shijiazhuang Tiedao University. Mr. HU graduated from Shijiazhuang Tiedao University and then obtained his master degree in business administration from Xiamen University. Mr. HU is a professor-level senior engineer, a member of China Calligraphers Association and enjoys special government allowance of the State Council.

**Mr. QI Xiaofei**, a Chinese with no right of abode overseas, is currently the chairman of the supervisory committee, the deputy party secretary and secretary of the disciplinary committee of the Company, as well as the deputy party secretary and secretary of the disciplinary committee of CRCCG. Mr. QI has a long career in economic research and management, and thus has considerable expertise in theory and policy and abundant management experience. From March 1977 to October 1978, Mr. QI worked at the 5708 Factory of the People's Liberation Army. From August 1982 to May 1989, Mr. QI served successively as an officer of the publicity department of the Guizhou provincial committee of the communist youth league, editor of "Guizhou Youth League Lecture", deputy director of the general office, deputy director of the publicity department (presiding), deputy director of the research office (presiding) and concurrently chief editor of "Modern Youth Daily" and a member of the eighth provincial standing committee of the youth league. From May 1989 to November 1991, Mr. QI served as deputy director of the institute of economic system reform of Guizhou provincial committee of economic system reform. From November 1991 to June 1993, Mr. QI served as deputy director of the secretariat of the general office and secretary of the standing committee of the Hainan provincial party committee. From June 1993 to September 1994, Mr. QI served as the standing committee secretary (department level) of the general office of the Hainan provincial party committee. From September 1994 to July 1997, Mr. QI served as secretary of the general secretary of the Hainan provincial party committee, concurrently secretary of the governor of Hainan province and assistant inspector (provincial department level) of the general office of the Hainan provincial party committee. From April 1998 to June 1998, Mr. QI served as deputy director and a member of the party group of the economic cooperation department of Hainan province. From June 1998 to December 1999, Mr. QI served as deputy director and a member of the party group of the trade and economic cooperation department of Hainan province. From December 1999 to April 2001, Mr. QI served as director of the general office of State Bureau of Religious Affairs. From April 2001 to May 2011, Mr. QI served as deputy director and a member of the party group, and concurrently party secretary of the sub-organizations, director of the general office, director of the training centre of State Bureau of Religious Affairs, and vice chairman and secretary-general of Chinese

Religious Cultural Exchange Association. From April to May 2011, Mr. QI served as the deputy party secretary and secretary of the disciplinary committee of CRCCG. Since May 2011, Mr. QI has served as deputy party secretary, secretary of the disciplinary committee and chairman of the supervisory committee of the Company and concurrently the deputy party secretary and secretary of the disciplinary committee of CRCCG. Mr. QI graduated from Guizhou University majoring in philosophy (from October 1978 to August 1982) and Cheung Kong Graduate School of Business majoring in business administration (from September 2007 to July 2010 while on his job), and respectively obtained a bachelor degree of philosophy and a master degree of business administration.

**Mr. ZHANG Liangcai**, a Chinese with no right of abode overseas, is currently the employee representative supervisor of the Company. Mr. ZHANG is a senior engineer, successively graduated from the former Institute of Engineering of Railway Corps (鐵道兵工程學院), majoring in engineering machinery (Bachelor) in 1983 and Southwest Jiaotong University majoring in management science and engineering (Master) in 2004. Mr. ZHANG is a senior engineer. Mr. ZHANG began work in 1978, and served as the manager of the Bridge Engineering Branch of China Railway Construction (中鐵建造橋工程分公司), secretary of the Party Committee of Research & Design Institute of Railway Construction (鐵道建築研究設計院) and head of the Organization Department of the Party Committee of CRCCG. He has been serving as the head of the Organization Department of the Party Committee of the Company since July 2008.

Save as disclosed above, the directors of the second session of the Board and supervisors of the second session of the supervisory committee of the Company confirm that there have been no other changes in their biographies since the disclosure of the 2010 annual report of the Company.

2. On 31 May 2011, the first meeting of the second session of the Board was convened.

The Proposal in Relation to the Election of Chairman and Vice Chairman of the Company was considered and approved at the meeting, pursuant to which, Mr. MENG Fengchao was elected as Chairman of the Company, and Mr. PENG Shugui was elected as Vice Chairman of the Company, for the same term as that of the directors of the second session of the Board.

The Proposal in Relation to the Composition of the Respective Special Committee under the Second Session of the Board was considered and approved at the meeting, pursuant to which: the Nomination Committee consists of 5 directors, being MENG Fengchao, PENG Shugui, ZHU Mingxian, LI Kecheng and ZHAO Guangjie, and MENG Fengchao is the chairman of the committee; the Strategy and Investment Committee consists of 5 directors, being ZHAO Guangfa, HU Zhenyi, ZHU Mingxian, LI Kecheng and WU Taishi, and ZHAO Guangfa is the chairman of the committee; the Remuneration and Assessment Committee consists of 3 directors, being ZHAO Guangjie, LI Kecheng and WU Taishi, and ZHAO Guangjie is the chairman of the committee; the Audit and Risk Management Committee consists of 3 directors, being WU Taishi, ZHAO Guangjie and NGAI Wai Fung, and WU Taishi is the chairman of the committee.

The Proposal in Relation to the Appointment of President of the Company was considered and approved at the meeting, pursuant to which, Mr. ZHAO Guangfa was appointed as President of the Company for a term of three years commencing from the date of approval by the Board.

The Proposal in Relation to the Appointments of Vice President and Other Senior Management of the Company was considered and approved at the meeting, pursuant to which, Mr. HU Zhenyi, Mr. XIA Guobin, Mr. FAN De, Mr. ZHOU Zhiliang, Mr. ZHUANG Shangbiao, Mr. ZHANG Zongyan and Mr. LIU Ruchen were all appointed as Vice Presidents of the Company, and Mr. HU Zhenyi and Mr. ZHUANG Shangbiao were also appointed as Chief Economist and Chief Financial Officer of the Company, respectively. The term of office for the aforesaid persons is three years, commencing from the date of approval by the Board.

The Proposal in Relation to the Appointment of Secretary to the Board was considered and approved at the meeting, pursuant to which, Mr. YU Xingxi was appointed as Secretary to the Board for a term of three years commencing from the date of approval by the Board.

3. On 31 May 2011, the Proposal in Relation to the Election of the Chairman of the Second Session of the Supervisory Committee of China Railway Construction Corporation Limited was considered and approved at the first meeting of the second session of the supervisory committee of the Company, pursuant to which, Mr. QI Xiaofei was elected as the chairman of the second session of the supervisory committee of the Company, for a term from 31 May 2011 until the expiration of the second session of the supervisory committee of the Company.

### **(II) DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS IN THE SECURITIES OF THE COMPANY**

As at the end of the Reporting Period, none of the directors, supervisors or members of senior management held any shares of the Company, nor were they granted any share options or restricted shares of the Company.

As at the end of the Reporting Period, none of the directors, supervisors and chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are (a) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (c) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### **(III) CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company has adopted a code of conduct regarding securities transactions by the directors and relevant employees (the "Required Standard") on terms no less exacting than the required standard of dealings set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" in Appendix 10 to the Hong Kong Listing Rules. After specific enquiries with all directors and supervisors of the Company, the Company confirmed that they had complied with the Required Standard during the Reporting Period.

## (I) DISCUSSION AND ANALYSIS OF THE OVERALL OPERATIONS DURING THE REPORTING PERIOD

### 1. *New contract value*

Since the beginning of the year, confronted with China's austerity measures, constrained infrastructural investment (especially reflecting on the substantial reduction of newly commissioned railway projects and the continuous strengthening and deepening of macro control over the real estate sector) as well as the political turbulence in the Middle East and North Africa, the Group actively adjusted its business direction by swiftly shifting its business focus to the off-road markets to ensure safe and sound operation. As a result, its major business indicators were satisfactory and its overall operation was kept organized and under control.

During the Reporting Period, the value of new contracts signed by the Group amounted to RMB205,109.0 million, representing a decrease of 34.56% as compared to the corresponding period last year, of which the value of new domestic contracts amounted to RMB200,060.7 million, representing a decrease of 33.03% as compared to the corresponding period last year, while the value of overseas new contracts amounted to RMB5,048.3 million, representing a decrease of 65.62% as compared to the corresponding period last year. The decrease in the value of new domestic contracts was mainly attributable to an approximately 90% fall in the total amount of bidding in the railway construction market during the Reporting Period as compared to the corresponding period last year. The decrease in the value of overseas new contracts was mainly attributable to continued turmoil in major overseas markets of the Company including the Middle East and North Africa since the beginning of this year. As at the end of the Reporting Period, the value of outstanding contracts of the Company totaled RMB971,199.0 million, representing a decrease of 0.12% from the end of last year.

During the Reporting Period, the construction operations segment achieved new contract value of RMB157,302.3 million, accounting for 76.69% of the total new contract value and representing a decrease of 45.21% as compared to the corresponding period last year. Of this amount, new contract value of domestic railway projects amounted to RMB20,309.7 million, representing a decrease of 90.12% as compared to the corresponding period last year, new contract value of domestic road projects amounted to RMB53,769.8 million, representing an increase of 109.64% as compared to the corresponding period of last year. New contract value of domestic urban railway transit projects amounted to RMB11,791.6 million, representing a decrease of 17.92% as compared to the corresponding period last year; new contract value of domestic real estate constructions amounted to RMB32,251.8 million, representing an increase of 263.26% as compared to the corresponding period last year; and new contract value of domestic water and power generation engineering amounted to RMB4,457.9 million, representing an increase of 1.92% as compared to the corresponding period last year.

During the Reporting Period, the new contract value of survey, design and consultancy services segment amounted to RMB3,190.6 million, representing a decrease of 22.45% as compared to the corresponding period last year, such decrease was mainly attributable to a sharp fall of the total amount of bidding in the market of survey and design of railway construction projects as compared to the corresponding period last year. New contract value of the manufacturing operations segment amounted to RMB4,250.3 million, representing an increase of 62.19% as compared to the corresponding period last year. New contract value of logistics and materials trading business amounted to RMB33,515.9 million, representing an increase of 135.58% as compared to the corresponding period last year. Investment in real estate operations amounted to RMB1,528 million. The Group obtained 4 additional real estate development projects in 4 cities including Guiyang, with additional land area for construction of 504,300 m<sup>2</sup> and additional gross floor area of 1,254,000 m<sup>2</sup>. As at the end of the Reporting Period, the Group obtained 52 real estate development projects in 28 cities including Beijing, with a gross land area of 6,964,000 m<sup>2</sup> and a planned gross floor area of 21,140,000 m<sup>2</sup>.



**Table of the value of new and outstanding contracts**

Unit: '00 million

	Value of new contracts			Value of outstanding contracts		
	The Reporting Period	The corresponding period last year	Growth (%)	The Reporting Period	The corresponding period last year	Growth (%)
Construction operations	1,573.023	2,871.076	-45.21%	9,094.137	9,337.856	-2.61%
Survey, design and consultancy operations	31.906	41.143	-22.45%	17.675	17.282	2.27%
Manufacturing operations	42.503	26.205	62.19%	14.083	1.419	892.46%
Other businesses	403.658	195.831	106.13%	586.095	367.529	59.47%
Total	2,051.090	3,134.255	-34.56%	9,711.990	9,724.086	-0.12%

## 2. Major financial indicators and year-on-year changes

During the Reporting Period, the Group achieved a revenue of RMB211,406 million, representing an increase of 17.89% as compared to the corresponding period last year, and a net profit of RMB3,626 million, representing an increase of 5.85% as compared to the corresponding period last year. The increase in revenue and net profit was mainly attributable to the expansion of the Group's business operations.

Unit: million

	During the Reporting Period	The corresponding period last year	Changes during the Reporting Period as compared with the corresponding period last year (%)
Revenue	<b>211,406.10</b>	179,320.35	17.89
Cost of sales	<b>190,752.89</b>	162,246.88	17.57
Operating profit	<b>4,463.31</b>	4,150.82	7.53
Operating margin	<b>2.11%</b>	2.31%	Decreased by 0.2 percentage point
Net profit	<b>3,625.68</b>	3,425.17	5.85

## 3. Analysis on industry trends

In general, the Company still faces valuable opportunities as well as stiff challenges in the second half of 2011. Looking on the bright side, the effect of China's macro economic control policies is gradually emerging and the economy and the society as a whole have maintained a sound development trend. While the overall scale of infrastructure construction will still see a certain degree of growth, China's policy of "promoting some loans while curtailing others" and more heavy-handed investment in urban rail transit, social welfare housing, water conservancy and hydroelectricity, grid overhaul, new energy and other constructions will still provide the construction market with ample room for development. Given a higher rate of economic development and urbanization in the emerging countries worldwide, infrastructure investment has become an effective means for countries to revive and maintain economic recovery and growth. A series of large-scale infrastructure investment plans have been introduced continuously, especially in developing countries in South America, Asia and Africa. With these in perspective, the Company still faces valuable opportunities ahead for development. From an unfavourable factor perspective, China's economy is still subject to enormous uncertainties, in particular, with price stabilization being put at the top of the State's agenda for the second half of the year, the macro austerity policy will continue to take hold, which will inevitably lead to slowing down in the growth of fixed asset investment. Given a yet more complicated and ever-changing international environment, overseas operations are exposed to greater difficulties and risks.

## 4. Problems and difficulties ahead of operations and countermeasures for the second half of the year

Facing the complicated and ever-changing international and domestic scenarios and analyzing the Company's overall production and operation, the Group is confronted with certain problems and difficulties: 1) the austerity measures, as part of the macro-control, will sustain and have a substantial impact on the construction industry, which will especially be reflected on the significant decrease in newly commissioned railway construction projects this year; 2) its business structure needs further restructuring; 3) its profitability to be strengthened; 4) its management to be improved; and 5) the low level of its overseas operations.

To address these problems and difficulties, the Group will adopt the following key countermeasures in the second half of the year: 1) to focus primarily on market development in a bid to achieving business indicators set for the year; 2) to safeguard production safety so as to ensure smooth progress of projects under construction; 3) to attach great importance to fund and financial management to ensure stable operations; 4) to expedite restructuring so as to ensure a synergic and sustainable development of the Company; and 5) to uplift the level of globalization of the Company in order to establish an international top-grade enterprise.

## (II) PRINCIPAL OPERATIONS OF THE COMPANY AND THEIR PERFORMANCE

### 1. Principal operations by industry

#### Operation of each business segment (before elimination of inter-segment transaction)

Unit: million

Item	Revenue		Cost of sales		Gross profit		Gross profit margin	
	Reporting Period	Corresponding period last year	Reporting Period	Corresponding period last year	Reporting Period	Corresponding period last year	Reporting Period	Corresponding period last year
Construction operations	191,220.42	161,219.82	173,755.52	147,170.61	17,464.90	14,049.21	9.13%	8.71%
Survey, design and consultancy operations	3,267.37	3,595.83	2,171.30	2,614.03	1,096.07	981.80	33.55%	27.30%
Manufacturing operations	4,393.39	4,292.44	3,603.42	3,597.42	789.97	695.02	17.98%	16.19%
Other businesses	17,363.18	13,098.21	16,060.91	11,750.77	1,302.27	1,347.44	7.50%	10.29%
Including:								
real estate development	1,214.30	1,270.53	792.33	833.53	421.97	437.00	34.75%	34.40%
logistics and materials trading	15,200.73	10,895.60	14,515.91	10,233.07	684.82	662.53	4.51%	6.08%
Inter-segment elimination	-4,838.26	-2,885.95	-4,838.26	-2,885.95	—	—	—	—
Total	211,406.10	179,320.35	190,752.89	162,246.88	20,653.21	17,073.47	9.77%	9.52%

## (1) Construction operations

As the core and traditional business segment of the Group, construction operations covered various fields, such as railways, highways, buildings, urban utilities, urban rail transit, water conservancy and hydroelectricity, bridges, tunnels and airports. The Group provided services to 31 provinces, cities and autonomous regions in the PRC as well as Hong Kong and Macau and took part in infrastructure construction projects in foreign countries and regions such as Africa, Asia, the Middle East and Europe.

During the Reporting Period, both the revenue and gross profit from construction operations increased by 18.61% and 24.31% as compared with the corresponding period last year, respectively. Such increase was mainly due to the rapid development of China's economy and hefty investment in infrastructure in the PRC which resulted in a build-up of outstanding contracts of the Company.

### Construction operations (before elimination of inter-segment transaction)

Unit: million

Item	Reporting Period	Corresponding period last year	Growth rate
Revenue	191,220.42	161,219.82	18.61%
Cost of sales	173,755.52	147,170.61	18.06%
Gross profit	17,464.90	14,049.21	24.31%
Gross profit margin	9.13%	8.71%	Increased by 0.42 percentage point
Selling and distribution expenses	185.55	154.91	19.78%
General and administrative expenses	7,481.76	5,867.34	27.52%
Total profit	3,293.29	2,817.11	16.90%

## (2) Survey, design and consultancy operations

Survey, design and consultancy operations are another major contributor to the revenue of the Group, the scope of which covers the provision of survey, design and consultancy services relating to civil engineering and transportation infrastructure including railways, highways, urban rail transit, water conservancy and hydroelectricity facilities, airports, docks, industrial and civil buildings and urban utilities.

During the Reporting Period, revenue of the Group's survey, design and consultancy operations reached RMB3,267 million, representing a decrease of 9.13% as compared with the corresponding period last year, while gross profit increased by 11.64% as compared with the corresponding period last year. The decrease in revenue was due to downsized survey and design operations of the Group during the Reporting Period.

## Survey, design and consultancy operations (before elimination of inter-segment transaction)

Unit: million

Item	Reporting Period	Corresponding period last year	Growth rate
Revenue	3,267.37	3,595.83	-9.13%
Cost of sales	2,171.30	2,614.03	-16.94%
Gross profit	1,096.07	981.80	11.64%
Gross profit margin	33.55%	27.30%	Increased by 6.25 percentage points
Selling and distribution expenses	218.10	167.14	30.49%
General and administrative expenses	375.52	295.51	27.08%
Total profit	410.81	432.34	-4.98%

### (3) Manufacturing operations

The manufacturing operation segment of the Group mainly covers design, research and development, manufacturing and maintenance of construction machinery equipment such as large-size road maintenance machinery and shield as well as parts and components for railways, bridges, track cross-tie and track system.

During the Reporting Period, revenue of the Group's manufacturing operations amounted to RMB4,393 million, representing an increase of 2.35% as compared to the corresponding period last year, while gross profit increased by 13.66% as compared to the corresponding period last year, which was mainly due to the business growth of the Group.

## Manufacturing operations (before elimination of inter-segment transaction)

Unit: million

Item	Reporting Period	Corresponding period last year	Growth rate
Revenue	4,393.39	4,292.44	2.35%
Cost of sales	3,603.42	3,597.42	0.17%
Gross profit	789.97	695.02	13.66%
Gross profit margin	17.98%	16.19%	Increased by 1.79 percentage points
Selling and distribution expenses	91.44	50.53	80.96%
General and administrative expenses	293.38	254.17	15.43%
Total profit	324.49	303.68	6.85%

## (4) Other businesses

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

### Other businesses (before elimination of inter-segment transaction)

Unit: million

Item	Reporting Period	Corresponding period last year	Growth rate
Revenue	17,363.18	13,098.21	32.56%
Including:			
real estate development	1,214.30	1,270.53	-4.43%
logistics and materials trading	15,200.73	10,895.60	39.51%
Cost of sales	16,060.91	11,750.77	36.68%
Gross profit	1,302.27	1,347.44	-3.35%
Gross profit margin	7.50%	10.29%	Decreased by 2.79 percentage points
Selling and distribution expenses	281.04	177.56	58.28%
General and			
administrative expenses	451.58	342.84	31.72%
Total profit	483.28	698.40	-30.80%

During the Reporting Period, the real estate development business realized a sold area of 972,200 m<sup>2</sup>, an amount of pre-sales of RMB7,621 million and a revenue of RMB1,214 million, representing an increase of 18.13% and 41.55% as well as a decrease of 4.43%, respectively as compared to the corresponding period last year. Before elimination of inter-segment transaction, the gross profit margin of the real estate development business was 34.75%, representing an increase of 0.35 percentage point as compared to the corresponding period last year. The increase in the area and amount of sales was mainly attributable to the Company's deepened efforts in launching property projects. The decrease in revenue was mainly attributable to the fact that some of its property projects have not yet reached the criteria for revenue recognition.

During the Reporting Period, the Group's revenue from the logistics and materials trading business increased by 39.51% as compared to the corresponding period last year. Before elimination of inter-segment transaction, the gross profit margin of logistics and materials trading business was 4.51%, representing a decrease of 1.57 percentage points as compared to the corresponding period last year. The decrease in gross profit margin was mainly attributable to more intense competitions in the domestic logistics and materials trading market.



## 2. Principal operations by geographical areas

Unit: million

	Reporting Period	Corresponding period last year	Growth rate
Domestic	204,896.09	171,643.73	19.37%
Overseas	6,510.01	7,676.62	-15.20%
Total	211,406.10	179,320.35	17.89%

During the Reporting Period, the revenue from overseas operations of the Company amounted to RMB6,510 million, representing a decrease of 15.20% as compared to the corresponding period last year. As at 30 June 2011, the Group had a total of 271 overseas projects under construction, with an aggregate contract value of US\$25,659 million, of which the value of outstanding contracts amounted to US\$19,907 million.

## (III) WORKING CAPITAL AND CAPITAL RESOURCES

### 1. Cash flow of the Group

Unit: million

Item	Reporting Period	Corresponding period last year	Amount of changes during the Reporting Period as compared to the corresponding period last year
Net cash (outflow)/inflow from operating activities	-12,570.02	1,420.53	-13,990.55
Net cash outflow from investing activities	-3,328.66	-4,959.69	1,631.03
Net cash inflow from financing activities	23,073.07	4,079.93	18,993.14

During the Reporting Period, the net cash outflow from operating activities of the Group was RMB12,570.0 million, representing a decrease of RMB13,990.6 million as compared to the net inflow of RMB1,420.5 million for the corresponding period last year. Such decrease was mainly for reasons including the increase in inventories.

During the Reporting Period, the net cash outflow from investing activities of the Group amounted to RMB3,328.7 million, representing a decrease of RMB1,631.0 million as compared to the net outflow of RMB4,959.7 million for the corresponding period last year. Such decrease was mainly due to the net decrease in time deposits made for a period of more than three months and other currency funding restricted for use.

During the Reporting Period, the Group's net cash inflow from financing activities was RMB23,073.1 million, representing an increase of RMB18,993.2 million as compared to the net inflow of RMB4,079.9 million for the corresponding period last year. Such increase was mainly attributable to the increase in cash received from borrowings obtained.

## 2. Capital expenditures

The Group incurred capital expenditures mainly for the construction, expansion and technology upgrade of facilities and purchase of equipment used for construction projects. Besides, the Group incurred additional capital expenditures for the expansion of production capacity of large track maintenance machinery and railway track components. The Group's capital expenditures were RMB5,789.1 million and RMB6,951.4 million for the six months period ended 30 June 2010 and 2011, respectively.

The following table sets forth the capital expenditures (namely, additional amount of other non-current assets, except for long-term equity investment) for the Group's business operations for the six months period ended 30 June 2010 and 2011 :

Unit: million

	For the six months period ended 30 June	
	2011	2010
Construction operations	6,166.5	5,067.9
Survey, design and consultancy operations	129.1	173.5
Manufacturing operations	342.7	427.9
Other businesses	313.1	119.8
Total	6,951.4	5,789.1

## 3. Working capital

### (1) Construction contracts in progress

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

Unit: million

	30 June 2011	31 December 2010
Contract costs incurred to date	1,360,463.48	1,191,285.69
Recognized gross profit less recognized losses	92,752.21	81,186.17
Less: progress billings	1,404,359.76	1,229,814.80
	48,855.93	42,657.06

At the end of the period/year:

	<b>30 June 2011</b>	<i>Unit: million</i> 31 December 2010
Gross amount due from contract customers	<b>65,162.03</b>	60,120.41
Less: gross amount due to contract customers	<b>16,306.10</b>	17,463.35
	<b>48,855.93</b>	42,657.06

The Group's construction contracts in progress increased to RMB48,855.9 million as at 30 June 2011 from RMB42,657.1 million as at 31 December 2010.

## (2) Accounts receivable and accounts payable

The following table sets forth the turnover days of the Group's accounts receivable and accounts payable for balance sheet dates indicated:

	<b>30 June 2011</b>	31 December 2010
Turnover days of receivable	<b>45</b>	37
Turnover days of payable	<b>123</b>	94

- (a) The number of turnover days of receivable is derived by dividing the arithmetic mean of the opening and closing balances of receivables for the six months period ended 30 June 2011 by revenue and then by multiplying 180 days (calculated by multiplying 365 days for the year ended 31 December 2010).
- (b) The number of turnover days of payable is derived by dividing the arithmetic mean of the opening and closing balances of payables for the six months period ended 30 June 2011 by operating costs and then by multiplying 180 days (calculated by multiplying 365 days for the year ended 31 December 2010).

The following table sets forth an aging analysis of accounts receivable as at the balance sheet dates indicated:

*Unit: million*

	<b>30 June 2011</b>	31 December 2010
<b>Accounts receivable</b>		
Less than one year	<b>50,371.39</b>	46,517.61
One to two years	<b>2,754.61</b>	2,290.14
Two to three years	<b>1,004.24</b>	624.70
More than three years	<b>500.50</b>	477.92
	<b>54,630.74</b>	49,910.37
Less: provision for bad debts	<b>371.62</b>	377.75
	<b>54,259.12</b>	49,532.62

The directors of the Group believe that the provision for bad debts of the Group is adequate.

The following table sets forth an aging analysis of accounts payable as at the balance sheet dates indicated:

*Unit: million*

	<b>30 June 2011</b>	31 December 2010
Less than one year	<b>131,240.78</b>	124,615.93
One to two years	<b>3,197.32</b>	3,547.45
Two to three years	<b>511.73</b>	607.48
More than three years	<b>562.64</b>	242.80
	<b>135,512.47</b>	129,013.66
Less: non-current portion		
— project retention money	<b>1,518.35</b>	1,425.05
	<b>133,944.12</b>	127,588.61

As of 30 June 2011, the Group's accounts payable increased to RMB133,944.1 million from RMB127,588.6 million as of 31 December 2010.

#### 4. **Prepayments and other receivables**

The Group's prepayments and other receivables increased to RMB57,487.1 million as at 30 June 2011 from RMB50,127.9 million as at 30 December 2010.

## 5. Gross amount due to contract customers, other payables, employee benefits payable and taxes payable

Employee benefits payable includes salaries, bonuses, allowances, housing funds, social insurance and union and staff education fees. Taxes payable mainly include business tax and surcharges, enterprise income tax and value-added tax payables. As at 31 December 2010 and 30 June 2011, the gross amount due to contract customers, other payables, employee benefits payable and taxes payable amounted to RMB64,835.2 million and RM65,298.6 million.

## 6. Indebtedness

### (1) Loans

The short-term loans of the Group as of 31 December 2010 and 30 June 2011 are as follows:

	30 June 2011	Unit: million 31 December 2010
Pledged/mortgaged and guaranteed loans	—	43.40
Pledged loans	2,833.09	214.02
Mortgaged loans	67.50	47.50
Guaranteed loans	3,772.50	3,339.60
Credit loans	25,890.45	12,598.15
	<b>32,563.54</b>	16,242.67

The short-term bonds payable of the Group as of 31 December 2010 and 30 June 2011 are as follows:

	30 June 2011	Unit: million 31 December 2010
Short-term bonds payable	659.07	—

The long-term loans of the Group that would due within one year as of 31 December 2010 and 30 June 2011 are as follows:

	30 June 2011	Unit: million 31 December 2010
Pledged loans	21.95	21.95
Mortgaged loans	360.00	110.00
Guaranteed loans	374.79	653.73
Credit loans	428.81	169.83
	<b>1,185.55</b>	955.51



## Report of Directors (continued)

The long-term loans of the Group as of 31 December 2010 and 30 June 2011 are as follows:

	<b>30 June 2011</b>	31 December 2010
Pledged loans	<b>174.53</b>	174.53
Mortgaged loans	<b>4,908.53</b>	3,159.10
Guaranteed loans	<b>1,830.63</b>	1,062.74
Credit loans	<b>7,958.42</b>	3,088.43
	<b>14,872.11</b>	7,484.80

The bonds payable of the Group as of 31 December 2010 and 30 June 2011 are as follows:

	<b>30 June 2011</b>	31 December 2010
Medium-term corporate bonds	<b>14,936.03</b>	14,930.36

The Group's gearing ratio was 73% and 75% as of 31 December 2010 and 30 June 2011, respectively. Gearing ratio is calculated by dividing net liabilities by the sum of total equity plus net liabilities. Net liabilities include the sum of accounts payable, bills payable, other payables, short-term and long-term loans, short-term bonds payable, bonds payable, employee benefits payable (excluded provision for early retirement benefits), dividends payable, interest payable, long-term payable and non-current liabilities due within one year, less cash and cash equivalents. Total equity comprises equity attributable to owners of the Company and minority interests.

### (2) Commitments

	<b>30 June 2011</b>	31 December 2010
Capital commitments		
Contracted, but not provided for	<b>544.39</b>	757.60
Authorized by the Board		
but not contracted	<b>239.50</b>	320.85
	<b>783.89</b>	1,078.45
Investment commitments		
Contracted, but not fulfilled	—	195.95
Authorized by the Board		
but not contracted	<b>1,000.00</b>	1,000.00
	<b>1,000.00</b>	1,195.95

## (3) Contingent liabilities

During the Reporting Period, the Company did not have material contingent liabilities.

## 7. Pledge of assets

Please refer to Item 18 (note (b), note (c) and note (d)) under notes five to the financial statements for details.

## 8. Foreign exchange risk and foreign exchanges gains or losses

Since the business of the Group is mainly carried out in the PRC, the income, expenditures and over 90% of the financial assets and financial liabilities of the Group are denominated in Renminbi. Therefore, the foreign currency transaction risks of the Group are insignificant, and as at 30 June 2011, the Group has not used foreign currency contract to hedge foreign exchange risks.

## (IV) INVESTMENTS OF THE COMPANY

### 1. Overall use of proceeds

Unit: million

Year of fund raising	Method of fund raising	Total amount of proceeds	Total amount of proceeds used in the reporting period	Cumulative total amount of proceeds used	Total amount of remaining unused proceeds	Use and intended use of remaining unused proceeds
2008	Issue of A shares	22,246.00	51.27	21,473.78	251.88	Unused proceeds amounted to RMB251.9 million, which are deposited in the special account for proceeds.
2008	Issue of H shares	17,358.59	—	17,184.39	—	—
Total		39,604.59	51.27	38,658.17	251.88	

Explanation on the overall use of proceeds

The A shares of the Company were listed on the Shanghai Stock Exchange on 10 March 2008, and gross proceeds of RMB22,246.0 million and net proceeds of RMB21,725.7 million were raised. As at 30 June 2011, a cumulative amount of RMB21,473.8 million from the proceeds raised had been used and the unused proceeds amounted to RMB251.9 million, and there was RMB265.4 million (inclusive of interest of RMB13.5 million) held in the Company's special account for proceeds raised. The use of the Company's proceeds raised is in line with the proposed uses disclosed in the A Share prospectus. The temporarily unused proceeds are deposited in the Company's special account for proceeds.

## 2. Projects funded by raised proceeds

### Projects undertaken to be funded by proceeds raised from A shares

Unit: million

Name of projects undertaken	Whether there is any change in the project	Planned amount of raised proceeds to be invested	Actual amount of proceeds applied	Whether the project is on schedule	Project progress	Income generated	Whether in accordance with estimated earnings	Explanation of projects falling behind schedule or failing to achieve income as planned	Explanation of reasons and procedures for changes of use of proceeds raised
1. Acquisition of equipment for construction of domestic projects	No	10,500.00	10,500.00	Yes	Completed	N/A	N/A	N/A	—
2. Expansion construction of the technology introduction and localization project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	No	1,150.00	898.12	No	78% of the construction completed	Note 1	Note 1	Note 2	—
3. The project of railway system of China Railway Rail System Group Co., Ltd.	No	320.00	320.00	Yes	Completed	Accumulated profit of RMB45,073 million	Yes	N/A	—
4. The project of Changsha Xiu Feng Shan Zhuang	No	400.00	400.00	Yes	Note 3	Note 3	Note 3	Note 3	—
5. Shijiazhuang-Wuhan Passenger Dedicated Line Project	No	1,500.00	1,500.0	Yes	Progressed according to the planned schedule and is still in the construction period	N/A	Note 4	Note 4	—
6. Replenishment of working capital and repayment of loans	No	7,855.66	7,855.66	Yes	N/A	N/A	N/A	N/A	—
Total		21,725.66	21,473.78						

- Explanation of the use of proceeds for such projects
1. RMB251.9 million has yet to be applied in the expansion construction of the technology introduction and localization project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd.;
  2. All the other projects funded by raised proceeds have completed.

*Note:*

1. As the industry base project of KCR Group Company (昆明中鐵集團公司) is not a standalone project with its own project economic efficiency, it is difficult to measure the cash flow and economic efficiency of the project on a standalone basis. KCR Group Company realized a profit of RMB155 million for the Reporting Period.
2. Due to various factors, the project has been delayed and the proceeds currently unused are all fund for settlement being processed now. As at the end of June 2011, the accumulated investment of the project reached RMB898 million and the remaining proceeds are expected to be applied by the end of October.
3. As at 30 June 2011, the construction of Phase I of Changsha Shan Yu Cheng had been basically completed, with 180,000 m<sup>2</sup> completing the inspection and delivery. The remaining construction has also completed and is currently undergoing the filing procedures for the completion. An area of 290,000 m<sup>2</sup> of Phase 2 of the project is currently under full-scale construction, with section 1 constructed up to 10 storeys high, section 2 up to five storeys high and section 3 above the ground surface level. Main structures of ancillary buildings such as school and kindergarten had been completed and relevant pipe networking and green space construction are in progress. Phase 3 has not commenced construction. Phase 1 of the project had a residential sales rate of more than 90%, while phase 2 had completed the application of some of its pre-sale permits and is expected to debut in July.
4. According to the prescribed project construction plan, the project is still under construction and has no direct contribution to profit yet.

### **3. Projects not funded by raised proceeds**

#### **(1) The BT Project of the Bridges of Lower Reach of Changjiang in Yudong, Chongqing (Phase 2) (重慶魚洞長江大橋下游幅橋(二期工程)BT項目)**

The total contract value of the project was RMB457.85 million. The project is expected to complete construction in July 2011. In the first half of 2011, the Company invested RMB46.60 million in the project and its accumulated investment in the project aggregated to RMB305.10 million as at the end of the Reporting Period.

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

The total investment of the project is RMB3,190.00 million, with a construction period of 17 months and a redemption period of 5 years. A BT contract was entered into by the Company and Guiyang Jinyang Construction Investment (Group) Co., Ltd. (貴陽金陽建設投資(集團)有限公司) on 26 January 2010. In the first half of 2011, the Company had invested RMB548.00 million in the project and its accumulated investment aggregated to RMB2,233.80 million as at the end of the Reporting Period.

#### **(3) The Rebuilding and Expansion (BT) Project for the Kunming Main City Second-Ring Highway System (昆明主城二環快速系統改擴建工程(BT)項目)**

The total contract value of the project was RMB3,256.56 million. In the first half of 2011, the Company invested RMB100.00 million in the project and its accumulated investment in the project aggregated to RMB2,987.90 million as at the end of the Reporting Period.

**(4) The (BT) Projects for Construction of Luquan to Banjiao Section of Luda Highway in Kunming (昆明祿大公路祿勸至半角段) and the Jiuxiang - Yiliang Highway (九鄉至宜良公路)**

In March 2011, a cooperation framework agreement (《合作框架協議書》) was entered into between the Company and the Transportation Bureau of Kunming City (昆明市交通運輸局) in respect of the cooperation framework agreement on investment and construction of Luda Highway and Jiuxiang-Yiliang Highway. On 5 April, a BT contract was duly signed. The Luquan to Banjiao section of Luda Highway in Kunming (昆明祿大公路祿勸至半角段) and the Jiuxiang - Yiliang Highway (九鄉至宜良公路) had a total length of 96.599 Km and 32.969 Km, both constructed up to the standards of second-tier highways. The contract involved a total investment of RMB2,670.00 million, a construction period of 7 months and a redemption period of 1 year. In the first half of 2011, the Company invested RMB1,870.35 million in the project and its accumulated investment in the project aggregated to RMB1,870.35 million as at the end of the Reporting Period.

**(5) The BT Project of Taicang Harbour in Jiangsu (江蘇太倉港區BT項目)**

The project was invested by China Railway 14<sup>th</sup> Bureau Group Co., Ltd. (中鐵十四局集團公司), a wholly-owned subsidiary of the Company, with a total investment of RMB1,383.17 million in the project. In the first half of 2011, China Railway 14<sup>th</sup> Bureau Group invested RMB40.00 million in the project. Its accumulated investment in the project aggregated to RMB1,300.00 million and the accumulated repurchase payment received amounted to RMB1,062.93 million as at the end of the Reporting Period.

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

The project was jointly invested by China Railway 16<sup>th</sup> Bureau Group Co., Ltd., a wholly-owned subsidiary of the Company and China Railway Goods and Materials Co., Ltd. with a total investment of RMB1,200.00 million. In the first half of 2011, the companies invested RMB132.81 million in the project and their accumulated investment in the project aggregated to RMB172.81 million as at the end of the Reporting Period.

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

The project was invested by China Railway 22<sup>nd</sup> Bureau Group Co., Ltd., a wholly-owned subsidiary of the Company, with a planned total investment of RMB228.67 million. In the first half of 2011, the company invested RMB13.64 million in the project and its accumulated investment in the project aggregated to RMB191.64 million as at the end of the Reporting Period.

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

The total contract value of the project was RMB8,539.78 million and the Company had 40% equity interest in the project. In the first half of 2011, the Company invested RMB195.95 million in the project and its accumulated investment in the project aggregated to RMB391.90 million as at the end of the Reporting Period.

The Group had not made any additional investment in other material investment projects during the Reporting Period and these projects are progressing as scheduled.

#### **4. Investment for establishment of wholly-owned (controlling) subsidiaries and capital increase in wholly-owned subsidiaries**

##### **(1) Investment in CRCC Finance Company Limited (中國鐵建財務有限公司)**

On 13 May 2011, the 44th meeting of the first session of the Board of the Company considered and passed the Proposal in Relation to Investment in the Finance Company, whereby it was approved that the Company would participate in the proposed restructuring and capital increase of China Greatwall Finance Company (中國長城財務公司) by CRCCG, the controlling shareholder of the Company and holding 100% interest in the Finance Company. Upon completion of the restructuring, the name of the Finance Company will be changed to CRCC Finance Company Limited (中國鐵建財務有限公司) and its registered capital will be increased from RMB77.77 million to RMB 1,300 million. In particular, the Company will subscribe for RMB1,222 million of the capital increase by cash, in return for 94% equity interest in the company; and CRCCG will contribute a total of RMB78 million for 6% equity interest in the company. Meanwhile, the Company and CRCCG would assume the cost of the restructuring and reforming of China Greatwall Finance Company in proportion to their respective shareholding upon the completion of the capital increase, and that the Company would pay RMB105,916,369.35, representing 94% of the aggregate restructuring cost of RMB112,676,988.67, to CRCCG, being the preliminary cost of restructuring for which the Company was responsible and which had been advanced by CRCCG for the Company, (for details, please refer to the relevant announcements published by the Company on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 14 May and 20 May 2011). At present, CRCC Finance Company is going through the various approvals and internal preparations for the opening of business.

##### **(2) Capital increase in China Railway Real Estate Group Co., Ltd. and China Railway Goods and Materials Co., Ltd.**

On 31 May 2011, the 1st meeting of the second session of the Board of the Company considered and passed the Proposal in Relation to the Increase in Registered Capital of China Railway Real Estate Group Co., Ltd., whereby it was approved that the Company would increase the registered capital of China Railway Real Estate Group Co., Ltd. by RMB5 billion to RMB7 billion through conversion of debts to investments. The Proposal in Relation to the Increase in Registered Capital of China Railway Goods and Materials Co., Ltd. was also considered and passed, whereby the Company would increase the registered capital of China Railway Goods and Materials Co., Ltd. by RMB300 million to RMB1 billion in cash (for details, please refer to the announcements published by the Company on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 1 June 2011). On 16 August 2011, the 3rd meeting of the second session of the Board of the Company considered and passed the Proposal in Relation to the Change of the Method of Increasing the Registered Capital of China Railway Real Estate Group Co., Ltd., whereby it was approved that the Company would change the way of capital increase in China Railway Real Estate Group Co., Ltd. by increasing its registered capital by cash (for details, please refer to relevant announcements published by the Company on the Shanghai Stock Exchange and Hong Kong Stock Exchange on 17 August 2011).

**(3) Investment and establishment of China Railway Construction Port Channel Engineering Company Limited (中國鐵建港航局有限公司)**

On 22 June 2011, the 2nd meeting of the second session of the Board of the Company considered and passed the Proposal in Relation to the Establishment of China Railway Construction Port Channel Engineering Company Limited, whereby China Railway Construction Port Channel Engineering Company Limited was to be established with a registered capital of RMB1 billion to be contributed by cash by the Company as the sole contributor. The place of registration would be Zhuhai City, Guangdong Province. The business scope of China Railway Construction Port Channel Engineering Company Limited comprises: port and waterway construction, water conservancy, hydro-electricity, energy projects engineering, bridge construction, highway and municipal utilities construction, contracting of overseas projects and PRC construction projects open for international tenders, export of equipment and materials necessary for overseas projects, secondment of personnel necessary for the above projects as well as the manufacturing and installation of steel structures (for details, please refer to relevant announcements published by the Company on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 23 June 2011). On 8 August 2011, China Railway Construction Port Channel Engineering Company Limited was officially established.

**(V) ANALYSIS ON FINANCIAL POSITION AND OPERATING RESULTS OF THE COMPANY**

**1. Fulfillment of the profit forecasts**

During the Reporting Period, the Company had no profit forecasts.

**2. Completion of business plans**

During the Reporting Period, the Company formulated an annual business plan but it had not formulated business plans for the half year.

**(VI) REVISED BUSINESS PLANS FOR THE SECOND HALF BY THE BOARD**

The Board made no changes to the annual business plan.

**(VII) STATUS OF AND REMUNERATION AND TRAININGS FOR THE COMPANY'S STAFF**

During the Reporting Period, there were no substantial changes to the number and composition of the Company's staff as well as their remuneration and trainings since the disclosures in the 2010 annual report.



## 1. BASIC CORPORATE GOVERNANCE OF THE COMPANY

During the Reporting Period, the Company improved its corporate governance structure, standardized corporate operations and corporate governance in compliance with relevant regulatory provisions of domestic and overseas laws and regulations. During the Reporting Period, the Company convened a total of six Board meetings and one general meeting, and completed the election of members for the new session of the Board and supervisory committee. The Proposal in Relation to the Election of Directors of the Second Session of the Board and Shareholder Representative Supervisors of the Second Session of the Supervisory Committee was considered and passed at the 2010 annual general meeting. The Proposal in Relation to the Election of Chairman and Vice Chairman of the Company, the Proposal in Relation to the Composition of the Respective Special Committee under the Second Session of the Board, the Proposal in Relation to the Appointment of President of the Company, the Proposal in Relation to the Appointment of Vice President and Other Senior Management of the Company and the Proposal in Relation to the Appointment of Secretary to the Board were considered and passed at the first meeting of the second session of the Board. Pursuant to the latest requirements of regulatory authorities as well as the practical condition of the Company, the Company formulated the Rules of Management of Capital Transactions with Related Parties, the Working Rules for the Secretary to the Board of China Railway Construction Corporation Limited and revised the Articles of Association. During the Reporting Period, the directors and supervisors of the Company carried through their tasks with diligence and fulfilled their duties faithfully. The senior management members of the Company at managerial level discharged their duties and safeguarded the interests of the Company and all shareholders in strict compliance with the authorization of the Board. The Company strictly adhered to the Management Measures for Information Disclosure of Listed Companies (《上市公司信息披露管理办法》) promulgated by CSRC, laws and regulations of the places where it is listed and the Company's Working Guidance for Relations between Listed Companies and Investors and Management Measures for Information Disclosure by timely performing its information disclosure obligations and provided fair, timely, accurate, truthful and complete information. During the Reporting Period, the Company also standardized its operations in strict compliance with the requirements under modern enterprise systems and its practical corporate governance was in compliance with relevant requirements stipulated under relevant documents of CSRC. Going forward, the Company will continue to deepen its governance efforts, explore and innovate new corporate governance initiatives whilst uplifting its governance standards, with a view to improving its corporate governance regime and further standardizing its operation continuously for the sustainable, sound and coordinated development of the Company.

### 2. INTERNAL CONTROL

The Company has attached great importance to internal control and comprehensive risk management. During the Reporting Period, the Company continued to improve and refine its internal control and comprehensive risk management in compliance with the requirements set out in the overall planning of internal control and risk management: an implementation plan for risk control for 2011 was devised and strictly exercised according to the requirements of the Audit and Risk Management Committee; adjustments were made to the Company's pioneering team of internal control and risk management with specified job responsibilities and work manual, with a view to strengthening the organization and coordination of risk control, facilitating the establishment of a fully systematic internal control and risk management system and thereby positioning the Company with stronger internal control and overall risk control capabilities; the Rules on Analysis and Reporting of Major Risks and Incidents was formulated and issued for a more rigid control over major risks and incidents and an improved system for analysis and reporting of major risks; and a meeting for selection and appointment of auditors of internal control was convened, where the auditors for internal control had been initially selected in open, just, fair and selective principles, which will be appointed subject to consideration and approval of the Board and the general meeting.

### 3. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Articles of Association, the terms of reference of the Audit and Risk Management Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy and Investment Committee, the terms of reference of the supervisory committee and the Code of Conduct on Directors and Relevant Employees' Securities Transactions together constitute the bases of reference of the Company's code on corporate governance practices. The Board already reviewed its corporate governance rules, and was of the view that such rules already covered most of the principles and code provisions set forth in the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules. The Board is of the view that the Company had complied with all code provisions of the Code on Corporate governance Practices during the six months period ended 30 June 2011.

# Review of Audit and Risk Management Committee

The Audit and Risk Management Committee under the Board has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2011, and has also discussed matters such as the accounting policies and practices adopted by the Company and internal control with the senior management of the Company.

## **(I) IMPLEMENTATION OF THE PLAN OF NON-PUBLIC ISSUANCE AND PLACING OF A SHARES**

The Proposal on the Non-public Issuance and Placing of A Shares of the Company was considered and passed at the 2009 annual general meeting, the first 2010 A shareholders' class meeting and the first 2010 H shareholders' class meeting. The resolution was valid for twelve months from the date of being considered and passed at the above shareholders' meetings and had expired on 17 June 2011. Since real estate development is one of the principal businesses of the Company, the share issuance has to go through specific examination procedures in the course of review. The Company's application for the non-public issuance and placing of A shares is still under review by CSRC. The Company will continue its effort in bringing the non-public issuance and placing of A shares to a successful completion and go through the required internal and external approvals as necessary and appropriate to complement the process. (For details, please refer to relevant announcements published by the Company on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 17 June 2011.)

## **(II) IMPLEMENTATION OF THE PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD**

It was resolved at the 35th meeting of the first session of the Board convened by the Company on 30 August 2010 that a cash dividend for the 2010 interim period of 0.5 (tax inclusive) per 10 shares based on the total share capital of 12,337,541,500 shares as at 30 June 2010 was declared, totaling 616,877,075.00. The dividend distribution plan had been considered and passed at the 2010 first extraordinary general meeting convened on 28 December 2010. As at 18 February 2011, the distribution of the above cash dividend was completed.

It was resolved at the 42nd meeting of the first session of the Board convened by the Company from 29 to 30 March 2011 that a cash dividend for 2010 of 0.5 (tax inclusive) per 10 shares based on the total share capital of 12,337,541,500 shares as at 31 December 2010 was declared, totaling 616,877,075. The profit distribution plan had been considered and passed at the 2010 annual general meeting convened by the Company on 31 May 2011. As at 22 July 2011, the distribution of the above cash dividend was completed.

## **(III) PROPOSED HALF-YEAR PROFIT DISTRIBUTION PLAN AND RESERVES-TO-EQUITY TRANSFER PLAN**

The Company did not have any proposed profit distribution plan and reserves-to-equity transfer plan for the first half of 2011.

## **(IV) IMPLEMENTATION OF THE CASH DIVIDEND POLICY DURING THE REPORTING PERIOD**

As specified under Article 254 of the Articles of Association, "The Company's profit distribution policy shall maintain a certain continuity and stability. The Company may distribute profits in either or both of the following forms: (I) cash; and/or (II) stocks. The Company shall distribute cash dividends in an appropriate proportion provided that sufficient capital is maintained for its ordinary production, operation and development needs."

Please refer to sub-sections (II) and (III) of this section for details of implementation of the cash dividend policy during the Reporting Period.

## **(V) MATERIAL LITIGATIONS AND ARBITRATIONS**

During the Reporting Period, there were no new material litigations or arbitrations of the Group.

## Significant Events (continued)

### (VI) EVENTS REGARDING BANKRUPTCY AND RESTRUCTURING

During the Reporting Period, there was no event regarding bankruptcy or restructuring of the Group.

### (VII) INVESTMENTS SUCH AS HOLDING OF SHARES OF OTHER LISTED COMPANIES AND HOLDING OF SHARES IN FINANCIAL ENTERPRISES SUCH AS COMMERCIAL BANKS, SECURITIES COMPANIES, INSURANCE COMPANIES, TRUST COMPANIES AND FUTURES COMPANIES AS WELL AS HOLDING OF SHARES IN COMPANIES PROPOSING TO BE LISTED

#### 1. Investment in securities

Type of No. securities	Stock code	Abbreviated stock name	Amount of initial investment ('000)	Number of securities held (share)	Carrying value at the end of the period ('000)	Percentage over total securities investment at the end of the period (%)	Gain/loss during the Reporting Period ('000)
1 Stock	601618	MCC	59,265.11	10,600,000	26,797.48	40.79	-3,437.83
2 Fund	184692	Yulong Fund (基金裕隆)	20,569.80	20,090,700	19,307.16	29.39	-1,366.17
3 Fund	500009	Anshun Fund (基金安顺)	11,881.70	15,300,000	15,759.00	23.99	-3,932.10
4 Fund	500011	Jinxin Fund (基金金鑫)	3,350.20	3,600,000	3,445.20	5.24	-352.80
5 Stock	600028	Sinopec	533.30	135,000	390.15	0.59	—
Total			95,600.11		65,698.99	100	-9,088.90

## 2. Shareholdings in other listed companies

Stock code	Abbreviated stock name	Amount of initial investment ('000)	Percentage of interests in the investee	Carrying value at the end of the period ('000)	Gain/loss during the Reporting Period	Changes in equity of owners during the Reporting Period ('000)	Accounting item	Source of shares
601328	Bank of Communications (交通銀行)	49,892.00	0.07%	218,991.83	—	2,371.75	Available-for-sale financial assets	Original issue stock
002159	Sante Cableway (三特索道)	3,000.00	0.99%	16,218.73	—	-5,525.59	Available-for-sale financial assets	Original issue stock
000759	Wuhan Zhongbai (武漢中百)	1,057.70	0.14%	11,805.34	—	-191.65	Available-for-sale financial assets	Original issue stock
600885	Linuo Solar (力諾太陽)	1,440.00	0.71%	7,764.12	—	-524.16	Available-for-sale financial assets	Original issue stock
600809	Shanxi Fenjiu (山西汾酒)	708.10	0.05%	14,010.00	—	304.00	Available-for-sale financial assets	Original issue stock
600322	Tianjin Reality Development	160.00	0.01%	530.00	—	77.00	Available-for-sale financial assets	Original issue stock
Total		55,200.10		269,320.02		-3,488.65		

## 3. Shareholdings in non-listed financial enterprises

Name of investees	Amount of initial investment ('000)	Number of shares held (share)	Percentage of interests in the investee	Carrying value at the end of the period ('000)	Gain/loss during the Reporting Period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司)	7,660	7,660,000	0.16%	7,660	—	—	Long-term equity investments	—
Essence Securities Co. Ltd. (安信證券有限公司)	251,500	50,000,000	2.09%	251,500	—	—	Long-term equity investments	—
Total	259,160			259,160	—	—		

## Significant Events (continued)

### (VIII) ASSETS TRANSACTION

During the Reporting Period, China Railway 14th Bureau Group Co., Ltd. (the “14th Bureau”), a subsidiary of the Company, entered into an equity transfer agreement (the “Transfer Agreement”) with Ji’nan Sangsha Properties Co., Ltd. (the “Transferor”) on 25 March 2011 to acquire 100% equity interest in Ji’nan Qinglong Properties Co., Ltd. (“Qinglong”) at a consideration of 100,000,000 for the purpose of acquiring certain assets and liabilities held by Qinglong. Qinglong had completed the registration procedures for changes in equity on 29 March 2011 and the 14th Bureau had appointed its representatives as executive directors and general manager of Qinglong on 21 March 2011. As at 26 April 2011, the 14th Bureau had fully paid the consideration of 100,000,000 to the Transferor pursuant to the Transfer Agreement and obtained the 100% equity interest in Qinglong. It was determined that the fair value of the net asset of Qinglong as at the date of acquisition, i.e., 26 April 2011 was 100,000,000.

### (IX) IMPLEMENTATION OF THE COMPANY'S SHARE INCENTIVE PLAN AND IMPACTS THEREOF

During the Reporting Period, the Company had not implemented any share incentive plan. The preliminary proposal of the share incentive plan for the senior management and core employees of the Company was in the process of going through the approval procedures of the relevant state departments.

### (X) MATERIAL RELATED PARTY TRANSACTIONS UNDER THE PRC GAAP

#### 1. Related parties and related party relationships

##### (1) Parent

Company name	Place of registration	Percentage of ownership interest in the Company	Percentage of voting rights in the Company	Registered capital
CRCCG	Beijing	61.33%	61.33%	5,969.89 million



## (2) Other related parties

Company name	Related party relationships
China Civil (Hong Kong) Building Limited (中國土木(香港)建築有限公司)	Fellow subsidiary
Beijing Tongda Jingcheng Highway Co., Ltd. (北京通達京承高速公路有限公司)	Fellow subsidiary
Chongqing Tiefa Suiyu Highway Co., Ltd. (重慶鐵發遂渝高速公路有限公司)	Fellow subsidiary
Same Fast Limited (達喜有限公司)	Fellow subsidiary
Xi'an Tianchuang Real Estate Co., Ltd. (西安天創房地產有限公司)	Fellow subsidiary
China Railway Construction (Hong Kong) Co., Ltd. (中國鐵道建築(香港)有限公司)	Fellow subsidiary
Jinli Assets Management Center (錦鯉資產管理中心)	Fellow subsidiary
Nanchang Railway 2 <sup>nd</sup> Construction Engineering Co., Ltd. (南昌鐵路第二建築工程公司)	Associate
Chongqing Monorail Transportation Engineering Co., Ltd. (重慶單軌交通工程有限責任公司)	Associate
Nanchang Xinlong Real Estate Co., Ltd. (南昌新龍置業有限公司)	Associate
Shaanxi Jiuzheng Medical Technology Co., Ltd. (陝西久正醫藥科技有限公司)	Associate
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd. (深圳市中鐵達韋俊儲運有限公司)	Associate
Shanghai Tunnel Yushchenko Bridge Strengthening Works and Detection Technology Co., Ltd. (上海先科橋樑隧道檢測加固工程技術有限公司)	Associate
Chongqing Yurong Highway Co., Ltd. (重慶渝蓉高速公路有限公司)	Associate
Gansu China Railway Construction and Estate Investment Co., Ltd. (甘肅中鐵建投地產有限公司)	Associate
China Railway Communications International Engineering and Technology Co., Ltd. (中鐵交通國際工程技術有限公司)	Jointly controlled entity
CRCC-Tongguan Investment Co., Ltd. (中鐵建銅冠投資有限公司)	Jointly controlled entity
PetroChina-CRCC Petroleum Marketing Co., Ltd. (中石油鐵建油品銷售有限公司)	Jointly controlled entity
Groupment CITIC-CRCC Joint Venture (中信集團-中國鐵建聯合體)	Jointly controlled entity
Hubei Wanjia Real Estate Development Co., Ltd. (湖北萬佳房地產開發有限公司)	Jointly controlled entity
China - Africa Lekkil Investment Co., Ltd. (中非萊基投資有限公司)	Jointly controlled entity
HK ACE Joint Venture	Jointly controlled entity
CLPE-CRCC-HG Joint Venture	Jointly controlled entity
Chun Wo-Henryvicy-CRCC Joint Venture	Jointly controlled entity
Chun Wo-Henryvicy-CRCC-Queensland Rail Joint Venture	Jointly controlled entity
CRCC-HC-CR15G Joint Venture	Jointly controlled entity

## Significant Events (continued)

### 2. Related party transactions in relation to daily operations

Unit: '000

	For the six months period ended 30 June 2011		For the six months period ended 30 June 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
(1) Construction operations revenue				
Chongqing Yurong Highway Co., Ltd. (重慶渝蓉高速公路有限公司)	853,200	0.45	—	—
Groupment CITIC-CRCC Joint Venture (中信集團 – 中國鐵建聯合體)	154,058	0.08	452,380	0.28
CRCCG	126,766	0.07	1,597	—
Chongqing Monorail Transportation Engineering Co., Ltd. (重慶單軌交通工程有限責任公司)	82,297	0.04	181,328	0.11
Chongqing Tiefa Suiyu Highway Co., Ltd. (重慶鐵發遂渝高速公路有限公司)	772	—	—	—
Beijing Tongda Jingcheng Highway Co., Ltd. (北京通達京承高速公路有限公司)	58	—	66	—
Nanjing Changjiang Tunnel Co., Ltd. (南京長江隧道有限責任公司)	—	—	428,582	0.27
	<b>1,217,151</b>	<b>0.64</b>	<b>1,063,953</b>	<b>0.66</b>
(2) Survey, design and consultancy operations revenue				
Nanjing Changjiang Tunnel Co., Ltd. (南京長江隧道有限責任公司)	—	—	237	0.01
CRCCG	238	0.01	2,962	0.08
	<b>238</b>	<b>0.01</b>	<b>3,199</b>	<b>0.09</b>

## Significant Events (continued)

	For the six months period ended 30 June 2011		For the six months period ended 30 June 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
(3) Other income				
CRCCG	26,626	0.14	—	—
Groupment CITIC-CRCC Joint Venture (中信集團 – 中國鐵建聯合體)	—	—	63,523	0.42
Chongqing Monorail Transportation Engineering Co., Ltd. (重慶單軌交通工程有限責任公司)	—	—	2,856	0.02
CRCC-Tongguan Investment Co., Ltd. (中鐵建銅冠投資有限公司)	—	—	56	—
	26,626	0.14	66,435	0.44
(4) Purchase of goods or rendering of services				
PetroChina-CRCC Petroleum Marketing Co., Ltd. (中石油鐵建油品銷售有限公司)	374,690	0.20	—	—
Groupment CITIC-CRCC Joint Venture (中信集團 – 中國鐵建聯合體)	11,624	0.01	—	—
Shanghai Tunnel Yushchenko Bridge Strengthening Works and Detection Technology Co., Ltd. (上海先科橋樑隧道檢測 加固工程技術有限公司)	—	—	100	—
	386,314	0.21	100	—
(5) Other expenses				
CRCCG	15,000	0.01	15,000	0.01
Jinli Assets Management Center (錦鯉資產管理中心)	227	—	1,352	—
China - Africa Lekkil Investment Co., Ltd. (中非萊基投資有限公司)	—	—	184	—
	15,227	0.01	16,536	0.01

The above related party transactions were carried out to meet the needs of production and operation of the Company. Relevant transaction contracts were executed based on the negotiation between two parties with the trading price determined in accordance with the pricing principle prevailing in the market. There were no unfair related party transactions which would have any impact on the independence of the Company.

## Significant Events (continued)

### 3. **Material related party transactions in relation to acquisition/disposal of assets, as well as equity transfers**

During the Reporting Period, the Group had no material related party transactions in relation to acquisition/disposal of assets as well as equity transfers.

### 4. **Amount due from/to related parties**

Unit: '000

	As at 30 June 2011		As at 31 December 2010	
	Gross		Gross	
	carrying	Provision for	carrying	Provision for
	amount	bad debt	amount	bad debt
<b>Accounts receivable</b>				
CRCCG (Note (1))	55,650	—	79,905	—
Chongqing Yurong Highway Co., Ltd.	84,937	—	—	—
Chongqing Monorail Transportation Engineering Co., Ltd.	55,401	—	37,026	—
Beijing Tongda Jingcheng Highway Co., Ltd.	5,721	—	9,393	—
Chongqing Tiefa Suiyu Highway Co., Ltd.	4,044	—	4,433	—
Xi'an Tianchuang Real Estate Co., Ltd.	2,155	—	2,155	—
CRCC-HC-CR15G Joint Venture	1,296	—	1,400	—
Nanchang Railway 2 <sup>nd</sup> Construction Engineering Co., Ltd.	715	—	715	—
	209,919	—	135,027	—
<b>Amount due from customers for contract work</b>				
Groupement CITIC-CRCC Joint Venture	251,621	—	218,270	—
CRCCG (Note (1))	116,085	—	61,671	—
Chongqing Monorail Transportation Engineering Co., Ltd.	33,474	—	18,806	—
	401,180	—	298,747	—
<b>Advances to suppliers</b>				
PetroChina-CRCC Petroleum Marketing Co., Ltd.	—	—	11,440	—

## Significant Events (continued)

	As at 30 June 2011		As at 31 December 2010	
	Gross carrying amount	Provision for bad debt	Gross carrying amount	Provision for bad debt
<b>Other receivables</b>				
China-Africa Lekkil Investment Co., Ltd.	219,337	—	208,605	—
Groupement CITIC-CRCC Joint Venture	201,068	—	162,232	—
Nanchang Xinlong Real Estate Co., Ltd.	26,631	475	26,599	475
Nanchang Railway 2 <sup>nd</sup> Construction Engineering Co., Ltd.	6,129	—	7,079	—
CRCC-HC-CR15G Joint Venture	3,742	—	26,804	—
CRCC-Tongguan Investment Co., Ltd.	2,108	—	2,056	—
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	1,855	—	2,083	—
Shaanxi Jiuzheng Medical Technology Co., Ltd.	1,352	—	1,352	—
Chongqing Monorail Transportation Engineering Co., Ltd.	469	—	443	—
Chongqing Yurong Highway Co., Ltd.	169	—	169	—
Gansu China Railway Construction and Estate Investment Co., Ltd.	125	—	99,000	—
CLPE-CRCC-HG Joint Venture	—	—	460	—
Hubei Wanjia Real Estate Development Co., Ltd.	—	—	430	—
	<b>462,985</b>	<b>475</b>	<b>537,312</b>	<b>475</b>
<b>Non-current assets due within one year</b>				
CRCCG (Note 2)	500,000	—	577,000	—
<b>Long-term receivables</b>				
CRCCG (Note 2)	1,000,000	—	1,500,000	—

## Significant Events (continued)

	30 June 2011	31 December 2010
<b><u>Accounts payable</u></b>		
Nanchang Railway 2 <sup>nd</sup>		
Construction Engineering Co., Ltd.	131	131
PetroChina-CRCC Petroleum Marketing Co., Ltd.	—	301
	131	432
<b><u>Amount due to customers for contract work</u></b>		
CRCCG	—	2,398
<b><u>Advance from customers</u></b>		
CRCCG	10,366	—
Groupement CITIC-CRCC Joint Venture	50,368	70,698
Chongqing Monorail Transportation Engineering Co., Ltd.	28,184	25,141
Chongqing Yurong Highway Co., Ltd.	—	2,000
CRCC-HC-CR15G Joint Venture	—	64
	88,918	97,903
<b><u>Dividends payable</u></b>		
CRCCG	378,312	378,312
<b><u>Other payables</u></b>		
Groupement CITIC-CRCC Joint Venture	2,103,225	2,074,951
CRCCG (Note 3)	200,276	198,370
China-Africa Lekkil Investment Co., Ltd.	21,279	—
Chongqing Monorail Transportation Engineering Co., Ltd.	7,634	3,531
Hubei Wanjia Real Estate Development Co., Ltd.	5,538	5,052
China Railway Communications International Engineering and Technology Co., Ltd.	930	930
HK ACE Joint Venture	707	723
Shaanxi Jiuzheng Medical Technology Co., Ltd.	450	450
Nanchang Railway 2 <sup>nd</sup> Construction Engineering Co., Ltd.	150	150
Jinli Assets Management Center	—	2,638
CRCC-HC-CR15G Joint Venture	—	383
	2,340,189	2,287,178

Notes:

- (1) Accounts receivable and payment of completed but unsettled projects from CRCCG mainly arose from the following transactions: China Railway Construction Group Ltd., one of the Group's subsidiaries, provided construction services for the Research Building of CRCCG; and China Railway 14<sup>th</sup> Bureau Group Co., Ltd., one of the Group's subsidiaries, provide construction services for Nanjing Changjiang Tunnel Headquarters of CRCCG.
- (2) Such amount was mainly attributable to the transfer of Mecca Light Rail Project to the controlling shareholder. CRCCG will pay an amount of 500,000,000 within one year and settle the remaining 1,000,000,000 in the two following years.
- (3) The amount due represented the fund received from the controlling shareholder in 2008 for the reconstruction work in relation to the earthquake in Wenchuan County of Sichuan Province out of the fund allocated by the Ministry of Finance of PRC.

The above related party guarantees and related party rights and debts were all conducted in the daily operation of the Company, and had no material impact on the operating results and financial positions of the Company.

## 5. Guarantees provided to the related party

Unit: '000

	As at 30 June 2011	As at 31 December 2010
Guarantees provided to joint venture: CRCC-Tongguan Investment Co., Ltd. (中鐵建銅冠投資有限公司)	1,067,204	1,067,204

## 6. The fund appropriation of the Company for the six months period ended 30 June 2011 and the progress of settlement

Balance of the listed Company's funds appropriated by major shareholders and their respective subsidiaries for non-operational purposes

Opening balance	Closing balance
—	—

Explanation of the appropriation of the listed company's funds by major shareholders and their respective subsidiaries for non-operational purposes and the progress of settlement

There was no non-operational fund appropriation by the controlling shareholder of Company as at the end of each accounting period; the amount incurred and closing balance were nil.



## Significant Events (continued)

### (XI) MATERIAL CONTRACTS AND PERFORMANCE THEREOF

#### 1. Matters relating to trusteeship, contracting and leasing

During the Reporting Period, the Company had no material matters relating to trusteeship, contracting or leasing.

#### 2. Guarantees

During the Reporting Period, significant external guarantees granted by the Company were as follows:

Unit: million

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

Name of the guaranteed party	Date of guarantee (Date of the agreement)	Amount of guarantee	Type of guarantee	Guarantee period	Has it been completed	Was it provided to a related party (yes or no)
Sichuan Naxu Railway Company Limited (四川納敘鐵路有限公司)	2006.12.28	67.20	General liability guarantee	2006.12.28-2026.12.28	No	No
Sichuan Naxu Railway Company Limited (四川納敘鐵路有限公司)	2008.4.16	50.40	General liability guarantee	2008.4.16-2028.4.16	No	No
CRCC-Tongguan Investment Co., Ltd.	2010.5.25	68.28	General liability guarantee	2010.5.25-2015.5.25	No	Yes
CRCC-Tongguan Investment Co., Ltd.	2010.5.25	998.92	General liability guarantee	2010.5.25-2015.5.25	No	Yes
Total amount of guarantee during the Reporting Period						—
Total amount of outstanding guarantee as at the end of the Reporting Period						1,184.80
Guarantees granted by the Company to its subsidiaries						
Total amount of guarantee provided to the subsidiaries during the Reporting Period						-2,214.26
Total amount of outstanding guarantee provided to the subsidiaries as at the end of the Reporting Period						1,999.32
Total amount of guarantees granted by the Company (including the guarantees provided to the subsidiaries)						
Total amount of guarantee						3,184.12
Percentage of the total amount of guarantee to the net assets of the Group						5.19%
Including:						
Amount of guarantee provided to the shareholders, actual controller and their related parties						—
Amount of guarantee provided directly or indirectly to the guaranteed parties with gearing ratio over 70%						1,998.00
Total amount of guarantee exceeding 50% of the net assets						—
Total amount of the above three guarantees						1,998.00

**3. Financial trust management and entrusted credit**

During the Reporting Period, the Group had no financial trust management or entrusted credit.

**4. Material contracts entered into during the Reporting Period**

No.	Date of contract	Summary of contract	Contract amount (‘00 million)	Subject of contract	Performance period
1	2011/3/10	Open-pit mining for Section 2 of the Yuanjia Village iron mine project (袁家村鐵礦項目露天採礦生產(標段二))	53.312	China Railway 19th Bureau Group Co., Ltd.	3,650 calendar days
2	2011/6/16	Master construction contract of pre-station project for Section JHSVII of Type 2 of the new Jilin-Hunchun railway (新建吉林至琿春鐵路站前其他工程第二類JHSVII標段施工總價承包)	31.067	China Railway 19th Bureau Group Co., Ltd.	412 calendar days
3	2011/7/4	Master construction contract of Section 1 of settlement housing project of No.45 and No.46 land parcels in Northern Caohai Area, Xishan District, Kunming City (昆明市西山區草海北片區45、46號地塊安置房工程施工總承包項目一標段)	31.156	China Railway Construction Group Ltd.	547 calendar days

**(XII) IMPLEMENTATION OF UNDERTAKINGS**

- At the time of the offering of its A shares by the Company, CRCCG, the controlling shareholder of the Company, undertook that within 36 months from the date of listing of the Company's A shares, it would not transfer, or entrust others to manage, the shares of the Company held by it and would not allow such shares to be acquired by the Company. The controlling shareholder has performed this undertaking. On 10 March 2011, shares subject to trading restriction held by CRCCG were released from the lock-up arrangements.
- As disclosed in the Prospectus, the Company owned 836 parcels of land in total, including 349 parcels of original allocated land for which the Group was in the process of applying for land use rights by way of capital contribution by the State as the consideration, and 53 parcels for which the Group was in the process of going through the procedures for granted land use rights. During the Reporting Period, the Company continued to press ahead with the renewal and application for land use rights certificates. As at 30 June 2011, land use right certificates had been obtained for an aggregate of 342 parcels of allocated land, which were contributed as capital of the Company by the State, and 53 parcels of land had obtained the land use right certificates upon completion of all the land grant procedures. The Company will further push ahead with the perfection of the land use rights certificates for the remaining 7 parcels to fulfil its undertakings to the shareholders.

3. As disclosed in the Prospectus of the Company, the Company had not obtained building ownership certificates for 822 buildings. During the Reporting Period, the Company continuously pushed ahead the application procedures for building ownership certificates. As at 30 June 2011, it obtained 211 building ownership certificates. Among the remaining 611 buildings, 480 were properties for ancillary production use for which it was impossible to obtain building ownership certificates, 121 buildings were old constructions, for which it would be difficult to obtain building ownership certificates, and the application of building ownership certificates for the remaining 10 buildings were under way. However, the properties invested and constructed by the Company have relevant accounting invoices and construction proofs and there were no disputes as to the rights relating to such buildings. The Company had the right to occupy, use, receive earnings from and effectively dispose of these buildings. The Company will further accelerate the application procedures for building ownership certificates for the 10 buildings.

### **(XIII) CHANGE OF AUDITORS OF THE COMPANY**

The Proposal in Relation to the Appointment of External Auditor for the Year 2011 and Payment of the Auditing Expenses for the Year 2010 was considered and approved at the 2010 annual general meeting of the Company. Pursuant to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong issued by the Hong Kong Stock Exchange in December 2010 and related amendments to the Hong Kong Listing Rules, the “Experimental Working Scheme for Accounting Firms Involved in Auditing Services to H Share Companies” issued by the Ministry of Finance of the PRC and CSRC as well as other documents, mainland incorporated companies listed in the Hong Kong Stock Exchange were permitted to prepare their financial statements under the mainland accounting standards, and mainland audit firms endorsed by the Ministry of Finance and CSRC were permitted to provide relevant services to such companies in accordance with the mainland auditing standards since 15 December 2010. Ernst & Young Hua Ming Certified Public Accountants, as a mainland audit firm recognized by the Ministry of Finance and CSRC, was appointed by the Company as the external auditors of the Company for 2011 to audit the financial statements of the Company and review the interim financial statements for 2011. As such, the Company resolved not to further appoint Ernst & Young Certified Public Accountants as the external auditors for 2011.

### **(XIV) PENALTY AND RECTIFICATION AGAINST THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, THE COMPANY’S SHAREHOLDERS AND ACTUAL CONTROLLER**

During the Reporting Period, neither the Company nor its directors, supervisors, senior management, its shareholders or actual controller were subject to any investigation by competent authorities, coercive measures of judiciary or disciplinary inspection departments, transfer to judiciary authorities or recourse of criminal liabilities, administrative punishment, banning the entry to securities markets, identification as inappropriate candidate by CSRC, punishment by other administrative departments or public reprimand from any stock exchanges.

### **(XV) OTHER SIGNIFICANT EVENTS AND THEIR IMPACTS AND EXPLANATIONS FOR CORRESPONDING RESOLUTIONS**

During the Reporting Period, the Company did not have any other significant events affecting the normal operation of the Company.

## (XVI) INFORMATION DISCLOSURE INDEX

Events	Newspaper name for publication	Date of publication	Website for publication and retrieve path
H Share Announcement of CRCC		18 January 2011	www.sse.com.cn
Announcement on the Arrangement of Matters in Relation to the Mecca Light Rail Project of CRCC (《中國鐵建關於沙特麥加輕軌項目相關事項安排的公告》)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	22 January 2011	www.sse.com.cn
Announcement on the Resolutions of the 41st Meeting of the First Session of the Board of Directors of CRCC (中國鐵建第一屆董事會第四十一次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	22 January 2011	www.sse.com.cn
Announcement on the Implementation of the Distribution of 2010 Interim Dividend and Bonus of CRCC (中國鐵建2010年度中期分紅派息實施公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 January 2011	www.sse.com.cn
Announcement in Relation to Projects in Libya of CRCC (中國鐵建利比亞項目情況公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2 March 2011	www.sse.com.cn
Reminder Announcement on the Commencement of Trading of Shares Subject to Trading Restrictions Held by the Controlling Shareholder of CRCC (中國鐵建控股股東限售股份上市流通提示性公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	3 March 2011	www.sse.com.cn
H Share Announcement of CRCC		17 March 2011	www.sse.com.cn
Special Statement on Amounts Due from Controlling Shareholder and other Related Parties of CRCC (中國鐵建應收控股股東和其他關聯方款項的專項說明)		31 March 2011	www.sse.com.cn

## Significant Events (continued)

Events	Newspaper name for publication	Date of publication	Website for publication and retrieve path
Announcement in Relation to the Change of Certified Public Accountants of CRCC (中國鐵建關於會計師事務所 變更的公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 March 2011	www.sse.com.cn
Management System of Fund Transfers among Related Parties of CRCC (中國鐵建關聯方資金 往來管理制度)		31 March 2011	www.sse.com.cn
2010 Social Responsibility Report of CRCC (中國鐵建2010年社會責任報告)		31 March 2011	www.sse.com.cn
Self-assessment Report on Internal Control of the Company by the Board of CRCC (中國鐵建董事會關於公司 內部控制的自我評估報告)		31 March 2011	www.sse.com.cn
Summary of Annual Report of CRCC (中國鐵建年報摘要)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 March 2011	www.sse.com.cn
Annual Report of CRCC (中國鐵建年報)		31 March 2011	www.sse.com.cn
Announcement on the Resolutions of the 42nd Meeting of the First Session of the Board of Directors of CRCC (中國鐵建第一屆董事會 第四十二次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 March 2011	www.sse.com.cn
Special Report on the Placement and Actual Use of A Share Proceeds of CRCC (中國鐵建關於公司A股募集 資金存放與實際使用情況的 專項報告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 March 2011	www.sse.com.cn

## Significant Events (continued)

Events	Newspaper name for publication	Date of publication	Website for publication and retrieve path
Announcement on the Resolutions of the 11th Meeting of the First Session of the Supervisory Committee of CRCC (中國鐵建第一屆監事會第十一次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 March 2011	www.sse.com.cn
Announcement on Bid-winning of Significant Projects of CRCC (中國鐵建重大工程中標公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	7 April 2011	www.sse.com.cn
Announcement on the Amount of Internal Guarantees of the Company for 2011 of CRCC (中國鐵建關於公司2011年內部擔保額度的公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	8 April 2011	www.sse.com.cn
Notice on Convening the 2010 Annual General Meeting of CRCC (中國鐵建關於召開2010年年度股東大會的通知)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	15 April 2011	www.sse.com.cn
H Share Announcement of CRCC		20 April 2011	www.sse.com.cn
First Quarterly Report of CRCC (中國鐵建第一季度季報)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	29 April 2011	www.sse.com.cn
Working Rules for the Secretary to the Board of CRCC (中國鐵建董事會秘書工作制度)		14 May 2011	www.sse.com.cn
Supplementary Notice on Additional Proposal to be Submitted at the 2010 Annual General Meeting of CRCC (中國鐵建關於2010年年度股東大會增加臨時提案的補充通知)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	14 May 2011	www.sse.com.cn

## Significant Events (continued)

Events	Newspaper name for publication	Date of publication	Website for publication and retrieve path
Announcement on the Resolutions of the 44th Meeting of the First Session of the Board of of CRCC (中國鐵建第一屆董事會第四十四次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	14 May 2011	www.sse.com.cn
Information on the 2010 Annual General Meeting of CRCC (中國鐵建2010年度股東大會會議資料)		19 May 2011	www.sse.com.cn
Announcement on the Connected Transactions of Investment in a Finance Company (中國鐵建關於投資財務公司的關聯交易公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	20 May 2011	www.sse.com.cn
Announcement of the Election and Appointment of the Employee Representative Supervisor of the Second Session of the Supervisory Committee of CRCC (中國鐵建關於選舉產生第二屆監事會職工代表監事的公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 May 2011	www.sse.com.cn
Clarification Announcement of CRCC (中國鐵建澄清公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 May 2011	www.sse.com.cn
Announcement on the Resolutions of the First Meeting of the Second Session of the Supervisory Committee of CRCC (中國鐵建第二屆監事會第一次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	1 June 2011	www.sse.com.cn
Letter of Legal Advice on the 2010 Annual General Meeting of CRCC (中國鐵建2010年年度股東大會法律意見書)		1 June 2011	www.sse.com.cn



## Significant Events (continued)

Events	Newspaper name for publication	Date of publication	Website for publication and retrieve path
Announcement of the Resolutions of the Annual General Meeting of CRCC (中國鐵建2010年年度 股東大會會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	1 June 2011	www.sse.com.cn
Announcement of the Resolutions of the First Meeting of the Second Session of the Board of CRCC (中國鐵建第二屆董事會 第一次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	1 June 2011	www.sse.com.cn
Announcement on Progress of the Non-public Issuance and Placing of A Shares of CRCC (中國鐵建關於非公開發行 A股股票事項進展情況的公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	17 June 2011	www.sse.com.cn
Announcement on the Resolutions of the Second Meeting of the Second Session of the Board of CRCC (中國鐵建第二屆董事會 第二次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	23 June 2011	www.sse.com.cn
Announcement on Bid-winning of Significant Projects of CRCC (中國鐵建重大工程中標公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	24 June 2011	www.sse.com.cn

# Report on Review of Interim Financial Statements

Ernst & Young Hua Ming (2011) Zhuan Zi No.60618770\_A05

## **To the Shareholders of China Railway Construction Corporation Limited**

We have reviewed the accompanying financial statements of China Railway Construction Corporation Limited (the “Company”), which comprise the consolidated and the Company’s balance sheets as at 30 June 2011, and the consolidated and the Company’s income statements, statements of changes in equity and cash flow statements for the six months then ended, and notes to the financial statements (hereinafter collectively referred to as the “Interim Financial Statements”). The Interim Financial Statements were prepared in accordance with the requirements of Accounting Standards for Business Enterprises No. 32 *Interim Financial Reporting* (“ASBE 32”) issued by the Ministry of Finance of the People’s Republic of China, and the preparation of the Interim Financial Statements are the responsibilities of the Company’s management. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

We conducted our review in accordance with China Standard on Review No.2101 *Engagements to Review of Financial Statements*. This Standard requires us to plan and perform the review to obtain limited assurance about whether the Interim Financial Statements are free from material misstatement. A review is limited primarily to inquiries of the company personnel and analytical review procedures applied to the financial information and thus provided less assurance than an audit. We have not performed an audit, and therefore we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements are not prepared in accordance with the requirements of ASBE 32, and cannot present fairly, in all material respects, the consolidated and the Company’s financial position, operating performance and cash flows.

## **Ernst & Young Hua Ming**

*Chinese Certified Public Accountant:* **Chen Jing**

*Chinese Certified Public Accountant:* **Wang Ning**

Beijing, the People’s Republic of China  
30 August 2011

# Consolidated Balance Sheet

As at 30 June 2011

(All amounts in RMB'000 unless otherwise stated)

ASSETS	Note V	30 June 2011 (Unaudited)	31 December 2010
<b>Current assets</b>			
Cash and cash equivalents	1	70,724,426	65,206,592
Financial assets held for trading	2	65,699	75,490
Bills receivable	3	410,590	483,446
Accounts receivable	4	54,259,123	49,532,618
Advances to suppliers	5	32,552,614	28,132,730
Interest receivable		2,463	200
Dividends receivable		46,844	—
Other receivables	6	24,934,523	21,995,143
Inventories	7	74,982,179	59,598,496
Construction contracts	8	65,162,034	60,120,409
Non-current assets due within one year	10	10,492,443	6,779,659
<b>Total current assets</b>		<b>333,632,938</b>	<b>291,924,783</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	9	270,183	273,773
Held-to-maturity investments		1,267	1,295
Long-term receivables	10	9,612,557	7,923,277
Long-term equity investments	12	4,362,584	4,191,741
Fixed assets	13	37,039,486	35,172,303
Construction in progress	14	2,089,309	2,192,039
Intangible assets	15	6,539,029	6,372,612
Long-term prepayments		90,995	71,874
Deferred tax assets	16	1,974,759	2,070,318
<b>Total non-current assets</b>		<b>61,980,169</b>	<b>58,269,232</b>
<b>TOTAL ASSETS</b>		<b>395,613,107</b>	<b>350,194,015</b>

## Consolidated Balance Sheet (continued)

As at 30 June 2011

(All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	Note V	30 June 2011 (Unaudited)	31 December 2010
<b>Current liabilities</b>			
Short-term loans	19	32,563,535	16,242,671
Short-term bonds payable	20	659,072	—
Bills payable	21	15,669,703	13,607,569
Accounts payable	22	133,994,122	127,588,606
Advances from customers	23	50,596,506	42,724,119
Construction contracts	8	16,306,103	17,463,347
Employee benefits payable	24	8,883,678	7,831,029
Taxes payable	25	5,025,279	5,668,153
Interest payable	26	446,547	187,058
Dividends payable	27	678,720	691,594
Other payables	28	31,006,749	29,525,733
Deferred income	34	18,896	22,710
Non-current liabilities due within one year	29	1,479,321	1,185,029
<b>Total current liabilities</b>		<b>297,328,231</b>	<b>262,737,618</b>
<b>Non-current liabilities</b>			
Long-term loans	30	14,872,113	7,484,804
Bonds payable	31	14,936,029	14,930,359
Long-term payables	32	2,364,874	1,790,797
Special payables	33	277,271	246,075
Deferred income	34	154,591	156,223
Deferred tax liabilities	16	267,912	269,754
Employee benefits payable	24	4,076,778	4,346,965
<b>Total non-current liabilities</b>		<b>36,949,568</b>	<b>29,224,977</b>
<b>Total liabilities</b>		<b>334,277,799</b>	<b>291,962,595</b>

## Consolidated Balance Sheet (continued)

As at 30 June 2011

(All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY (continued)	Note V	30 June 2011 (Unaudited)	31 December 2010
<b>Shareholders' equity</b>			
Share capital	35	12,337,542	12,337,542
Capital reserve	36	33,983,055	33,986,234
Surplus reserve	38	855,536	855,536
Retained earnings	39	13,123,352	10,101,077
Exchange differences on foreign currency translation		188,530	122,925
<b>Equity attributable to:</b>			
<b>Owners of the Company</b>		60,488,015	57,403,314
<b>Minority interests</b>		847,293	828,106
<b>Total shareholders' equity</b>		61,335,308	58,231,420
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		395,613,107	350,194,015

The financial statements have been signed by:

*Legal Representative:*

**Meng Fengchao**

30 August 2011

*CFO:*

**Zhuang Shangbiao**

30 August 2011

*Finance Controller*

**Cao Xirui**

30 August 2011

# Consolidated Income Statement

For the six months ended 30 June 2011

(All amounts in RMB'000 unless otherwise stated)

	Note V	For the six months ended 30 June	
		2011 (Unaudited)	2010 (Unaudited)
Revenue	40	211,406,095	179,320,347
Less: Cost of sales	40	190,752,891	162,246,884
Taxes and surcharges	41	6,245,702	5,286,421
Selling and distribution expenses	42	776,132	550,143
General and administrative expenses	43	8,602,251	6,759,855
Financial expenses, net	44	635,207	265,926
Impairment losses of assets	45	4,279	60,738
Add: Loss arising from fair value changes	46	(9,089)	(29,291)
Investment income	47	82,767	29,733
Including: Share of profits/(losses) of associates and jointly controlled entities		3,242	(4,084)
Operating profit		4,463,311	4,150,822
Add: Non-operating income	48	194,061	166,663
Less: Non-operating expenses	49	145,505	65,957
Including: Losses on disposal of non-current assets		109,125	28,683
Total profit		4,511,867	4,251,528
Less: Income tax expenses	50	886,191	826,357
Net profit		3,625,676	3,425,171
Attributable to:			
Owners of the Company		3,639,152	3,378,096
Minority interests		(13,476)	47,075
Earnings per share:			
Basic earnings per share (RMB/share)	51	0.29	0.27
Diluted earnings per share (RMB/share)	51	N/A	N/A
Other comprehensive income/(loss)	52	62,452	(118,656)
Total comprehensive income		3,688,128	3,306,515
Total comprehensive income attributable to:			
Owners of the Company		3,701,578	3,259,440
Minority interests		(13,450)	47,075

# Consolidated Statement Of Changes In Equity

For the six months ended 30 June 2011  
(All amounts in RMB'000 unless otherwise stated)

For the six months ended 30 June 2011 (Unaudited)									
Equity attributable to owners of the Company									
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Exchange differences on foreign currency translation	Subtotal	Minority interests	Total equity
<b>1. As at 1 January 2011</b>	12,337,542	33,986,234	—	855,536	10,101,077	122,925	57,403,314	828,106	58,231,420
<b>2. Movements in the current period</b>									
(a) Net profit/(loss) for the period	—	—	—	—	3,639,152	—	3,639,152	(13,476)	3,625,676
(b) Other comprehensive income/(loss) (Note V.52)	—	(3,179)	—	—	—	65,605	62,426	26	62,452
Total comprehensive income/(loss)	—	(3,179)	—	—	3,639,152	65,605	3,701,578	(13,450)	3,688,128
(c) Transactions with shareholders as owners, except for profit distribution									
Capital contributions	—	—	—	—	—	—	—	32,637	32,637
(d) Profit appropriation and distribution									
Distribution to owners (Note)	—	—	—	—	(616,877)	—	(616,877)	—	(616,877)
(e) Special reserve									
1. Appropriated in the current period	—	—	1,859,131	—	—	—	1,859,131	—	1,859,131
2. Used in the current period	—	—	(1,859,131)	—	—	—	(1,859,131)	—	(1,859,131)
<b>3. As at 30 June 2011</b>	12,337,542	33,983,055	—	855,536	13,123,352	188,530	60,488,015	847,293	61,335,308

*Note:* In accordance with the resolution at the 42<sup>nd</sup> Meeting of the First Board of Directors on 30 March 2011, the Company proposed a final cash dividend for the year ended 31 December 2010 of RMB0.50 (includes tax) per 10 shares which amounted to RMB616,877,050 based on the total number of shares of 12,337,541,500. At the annual general meeting held on 31 May 2011, the Company's shareholders approved the distribution of the final dividend of 2010.

# Consolidated Statement Of Changes In Equity (continued)

For the six months ended 30 June 2011

(All amounts in RMB'000 unless otherwise stated)

For the six months ended 30 June 2010 (Unaudited)									
Equity attributable to owners of the Company									
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Exchange differences on foreign currency translation	Subtotal	Minority interests	Total equity
<b>1. As at 1 January 2010</b>	12,337,542	31,520,101	—	617,274	8,684,002	106,566	53,265,485	813,748	54,079,233
<b>2. Movements in the current period</b>									
(a) Net profit for the period	—	—	—	—	3,378,096	—	3,378,096	47,075	3,425,171
(b) Other comprehensive loss (Note V.52)	—	( 90,182)	—	—	—	( 28,474)	( 118,656)	—	( 118,656)
Total comprehensive income/(loss)	—	( 90,182)	—	—	3,378,096	( 28,474)	3,259,440	47,075	3,306,515
(c) Transactions with shareholders as owners, except for profit distribution									
Capital contributions	—	—	—	—	—	—	—	5,161	5,161
Acquisition of minority interests	—	( 207,389)	—	—	—	—	( 207,389)	( 38,611)	( 246,000)
(d) Profit appropriation and distribution									
Distribution to owners	—	—	—	—	( 1,974,007)	—	( 1,974,007)	( 125,860)	( 2,099,867)
(e) Special reserve									
Appropriated in the current period	—	—	1,334,819	—	—	—	1,334,819	—	1,334,819
Used in the current period	—	—	(1,334,819)	—	—	—	( 1,334,819)	—	( 1,334,819)
<b>3. As at 30 June 2010</b>	12,337,542	31,222,530	—	617,274	10,088,091	78,092	54,343,529	701,513	55,045,042



# Consolidated Cash Flow Statement

For the six months ended 30 June 2011  
(All amounts in RMB'000 unless otherwise stated)

	Note V	For the six months ended 30 June	
		2011 (Unaudited)	2010 (Unaudited)
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from the sale of goods or rendering of services		201,708,601	164,724,042
Refunds of taxes		128,834	91,888
Other cash received relating to operating activities		1,059,905	1,073,399
Subtotal of cash inflows from operating activities		202,897,340	165,889,329
Cash paid for goods and services		(192,244,883)	(144,944,924)
Cash paid to and on behalf of employees		(12,076,172)	(11,711,777)
Cash paid for all types of taxes		(8,000,708)	(5,825,064)
Other cash paid relating to operating activities	53	(3,145,592)	(1,987,037)
Subtotal of cash outflows from operating activities		(215,467,355)	(164,468,802)
Net cash flows (used in)/from operating activities	54	(12,570,015)	1,420,527
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash received from the sale of investments		17,227	45,659
Cash received from return on investments		16,174	543
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		440,446	314,825
Decrease in non-pledged deposits with original maturity of three months or more when acquired		1,493,414	1,313,144
Decrease in pledged time deposits and other restricted cash		3,308,738	1,514,765
Other cash received relating to investing activities		631,257	494,872
Subtotal of cash inflows from investing activities		5,907,256	3,683,808
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(5,687,812)	(5,960,708)
Cash paid for acquisition of investments		(168,359)	(526,987)
Cash paid for acquisition of minority interests		—	(246,000)
Net cash paid for acquisition of material assets and liabilities		(99,953)	—
Increase in pledged time deposits and other restricted cash		(3,173,699)	(1,909,801)
Other cash paid relating to investing activities		(106,096)	—
Subtotal of cash outflows from investing activities		(9,235,919)	(8,643,496)
Net cash flows used in investing activities		(3,328,663)	(4,959,688)

## Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2011

(All amounts in RMB'000 unless otherwise stated)

	Note V	For the six months ended 30 June	
		2011 (Unaudited)	2010 (Unaudited)
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash received from capital contributions		32,637	5,161
Including: Cash received from minority shareholders of subsidiaries		32,637	5,161
Cash received from borrowings		33,847,772	12,790,578
Cash received from issuing bonds		650,000	—
Subtotal of cash inflows from financing activities		34,530,409	12,795,739
Cash repayments of borrowings		( 9,735,585)	( 8,028,498)
Cash paid for distribution of dividends or profits and for interest expenses		( 1,721,755)	( 687,310)
Including: Cash paid to minority owners for distribution of dividends by subsidiaries		( 12,874)	( 137,085)
Subtotal of cash outflows from financing activities		(11,457,340)	( 8,715,808)
Net cash flows from financing activities		23,073,069	4,079,931
<b>4. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>		( 28,104)	( 134,814)
<b>5. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	54	7,146,287	405,956
Add: Cash and cash equivalents at beginning of the period		55,923,144	55,070,050
<b>6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	54	63,069,431	55,476,006

# Balance Sheet

As at 30 June 2011

(All amounts in RMB'000 unless otherwise stated)

ASSETS	Note V	30 June 2011 (Unaudited)	31 December 2010
<b>Current assets</b>			
Cash and cash equivalents		11,255,024	4,497,264
Financial assets held for trading		38,512	44,163
Accounts receivable	1	419,082	7,406
Advances to suppliers		969,445	1,351,365
Interest receivable		2,115	200
Dividends receivable		131,936	6,379,630
Other receivables	2	24,559,653	30,001,780
Inventories		604	1,418
Construction contracts		4,049,551	4,713,410
Non-current assets due within one year		2,025,086	841,295
<b>Total current assets</b>		43,451,008	47,837,931
<b>Non-current assets</b>			
Available-for-sale financial assets		127,084	125,707
Long-term receivables		5,371,864	4,777,752
Long-term equity investments	3	48,984,902	36,755,427
Fixed assets		46,659	49,473
Construction in progress		3,586	—
Intangible assets		549	—
Deferred tax assets		8,413	8,413
<b>Total non-current assets</b>		54,543,057	41,716,772
<b>TOTAL ASSETS</b>		97,994,065	89,554,703

## Balance Sheet (continued)

As at 30 June 2011

(All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	30 June 2011 (Unaudited)	31 December 2010
<b>Current liabilities:</b>		
Short-term loans	8,623,495	3,202,587
Accounts payable	1,087,246	775,491
Advances from customers	8,201	220,668
Employee benefits payable	35,334	44,093
Taxes payable	66,690	( 52,710)
Interest payable	446,181	183,855
Dividend payable	616,877	616,877
Other payables	9,566,736	11,429,009
Non-current liabilities due within one year	92,579	97,756
<b>Total current liabilities</b>	<b>20,543,339</b>	<b>16,517,626</b>
<b>Non-current liabilities:</b>		
Long-term loans	6,928,636	1,995,424
Bonds payable	14,936,029	14,930,359
Deferred tax liabilities	2,018	3,087
Employee benefits payable	26,210	28,010
<b>Total non-current liabilities</b>	<b>21,892,893</b>	<b>16,956,880</b>
<b>Total liabilities</b>	<b>42,436,232</b>	<b>33,474,506</b>
<b>Shareholders' equity</b>		
Share capital	12,337,542	12,337,542
Capital reserve	39,012,960	39,011,927
Surplus reserve	855,536	855,536
Retained earnings	3,351,795	3,875,192
<b>Total shareholders' equity</b>	<b>55,557,833</b>	<b>56,080,197</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>97,994,065</b>	<b>89,554,703</b>

# Income Statement

For the six months ended 30 June 2011  
(All amounts in RMB'000 unless otherwise stated)

	Note XI	For the six months ended 30 June	
		2011 (Unaudited)	2010 (Unaudited)
Revenue	4	3,156,866	2,742,747
Less: Cost of sales	4	3,029,692	2,637,782
Taxes and surcharges		2,863	6,139
Selling and distribution expenses		6,653	6,288
General and administrative expenses		146,164	130,386
Financial (income)/expenses		( 151,490)	94,340
Impairment losses of assets		—	73,935
Add: Loss arising from fair value changes		( 5,651)	( 17,870)
Investment income	5	216	10,221
Including: Share of loss of jointly controlled entities		( 6,826)	( 6,468)
Operating profit/(loss)		117,549	( 213,772)
Add: Non-operating income		5	1,755
Less: Non-operating expenses		82	7,224
Total profit/(loss)		117,472	( 219,241)
Less: Income tax expenses		23,992	792
Net profit/(loss)		93,480	( 220,033)
Other comprehensive income/(loss)		1,033	( 45,547)
Total comprehensive income/(loss)		94,513	( 265,580)

# Statement Of Changes In Equity

For the six months ended 30 June 2011

(All amounts in RMB'000 unless otherwise stated)

	For the six months ended 30 June 2011 (Unaudited)				
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total equity
<b>1. As at 1 January 2011</b>	12,337,542	39,011,927	855,536	3,875,192	56,080,197
<b>2. Movements in the current period</b>					
(a) Net profit	—	—	—	93,480	93,480
(b) Other comprehensive income	—	1,033	—	—	1,033
Total comprehensive income	—	1,033	—	93,480	94,513
(c) Profit appropriation and distribution Distribution to owners (Note)	—	—	—	( 616,877)	( 616,877)
<b>3. As at 30 June 2011</b>	12,337,542	39,012,960	855,536	3,351,795	55,557,833

Note: For details, refer to the note on the consolidated statement of changes in equity for the six months ended 30 June 2011.

	For the six months ended 30 June 2010 (Unaudited)				
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total equity
<b>1. As at 1 January 2010</b>	12,337,542	36,304,030	617,274	4,321,718	53,580,564
<b>2. Movements in the current period</b>					
(a) Net loss	—	—	—	( 220,033)	( 220,033)
(b) Other comprehensive loss	—	( 45,547)	—	—	( 45,547)
Total comprehensive loss	—	( 45,547)	—	( 220,033)	( 265,580)
(c) Profit appropriation and distribution Distribution to owners	—	—	—	(1,974,007)	( 1,974,007)
<b>3. As at 30 June 2010</b>	12,337,542	36,258,483	617,274	2,127,678	51,340,977

# Cash Flow Statement

For the six months ended 30 June 2011  
(All amounts in RMB'000 unless otherwise stated)

	Note XI	For the six months ended 30 June	
		2011 (Unaudited)	2010 (Unaudited)
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from the sale of goods or rendering of services		1,414,283	2,092,691
Refunds of taxes		10	10,258
Other cash received relating to operating activities		7,304	2,208,467
Subtotal of cash inflows from operating activities		1,421,597	4,311,416
Cash paid for goods and services		(2,042,496)	( 2,707,307)
Cash paid to and on behalf of employees		( 76,183)	( 97,742)
Cash paid for all types of taxes		( 166,439)	( 106,668)
Other cash paid relating to operating activities		(1,515,383)	( 5,521,378)
Subtotal of cash outflows from operating activities		(3,800,501)	(8,433,095)
Net cash flows used in operating activities	6	(2,378,904)	(4,121,679)
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash received from the sale of investments		—	299
Cash received from return on investments		2,594,603	1,537,416
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6	—
Decrease in non-pledged time deposits with original maturity of three months or more when acquired		17,000	249,629
Other cash received relating to investing activities		511,687	321,238
Subtotal of cash inflows from investing activities		3,123,296	2,108,582
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		( 8,592)	( 24,269)
Cash paid for acquisition of investments		(3,428,950)	(1,409,694)
Other cash paid relating to investing activities		( 106,096)	—
Subtotal of cash outflows from investing activities		(3,543,638)	(1,433,963)
Net cash flows (used in)/from investing activities		( 420,342)	674,619

## Cash Flow Statement (continued)

For the six months ended 30 June 2011

(All amounts in RMB'000 unless otherwise stated)

	Note XI	For the six months ended 30 June	
		2011 (Unaudited)	2010 (Unaudited)
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash received from borrowings		11,711,600	924,770
Subtotal of cash inflows from financing activities		11,711,600	924,770
Cash repayments of borrowings		( 1,313,463)	( 151,797)
Cash paid for distribution of dividends or profits and for interest expenses		( 813,665)	( 35,555)
Subtotal of cash outflows from financing activities		( 2,127,128)	( 187,352)
Net cash flows from financing activities		9,584,472	737,418
<b>4. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>		( 10,466)	( 45,240)
<b>5. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		6,774,760	( 2,754,882)
Add: Cash and cash equivalents at beginning of the period		4,289,283	12,052,649
<b>6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	6	11,064,043	9,297,767



# Notes To Financial Statements

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## I. CORPORATE INFORMATION

China Railway Construction Corporation Limited ("the Company") is a joint stock limited company registered in Beijing in the People's Republic of China (the "PRC" or "Mainland China"), which was established by China Railway Construction Corporation, the CRCCG (hereinafter referred to as "CRCCG") upon the approval by the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") of Guozi Reform [2007] 878 Approval for CRCCG's Group Restructuring and Dual Listing in Domestic and Overseas Markets, issued on 17 August 2007, and Guozi Reform [2007] 1218 Approval for the Establishment of China Railway Construction Corporation Limited issued on 4 November 2007. The Company's registration was approved by the Administration for Industry and Commerce of Beijing with the business license code of 1000001004130(4-3). The registered office of the Company's head office is located at East, No. 40 Fuxing Road, Haidian District, Beijing, China. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") mainly consist of the construction of infrastructure, the provision of survey, design and consultancy services, the provision of logistics services, industrial manufacturing, real estate development and etc.

Pursuant to the restructuring, the net assets of CRCCG's principal businesses (including the assets and liabilities associated to its construction operations, survey, design and consultancy operations, manufacturing operations, logistics and real estate development operations) that are to be injected into the Company were valued by PRC independent qualified assets valuer at the base date of 31 December 2006. According to the asset valuation report issued by DeveChina International Appraisal Co., Ltd, the value of the restructuring net assets was RMB9,498,744,300. SASAC authorized the Company to issue 8,000,000,000 shares to CRCCG for 84.22165865% of the amount of the valued net assets, with all the then remaining amount of RMB1,498,744,300 dealt with in the capital reserve of the Company.

The Company was incorporated in Beijing, the PRC, on 5 November 2007 with a total share capital of RMB8,000,000,000 upon its establishment, consisting of 8,000,000,000 shares of RMB1 each.

During the period from 25 February to 26 February 2008, the Company issued 2,450 million A Shares through The Shanghai Stock Exchange (the "SSE") at RMB9.08 per A Share with the nominal value of RMB1.00 each, which raised total gross proceeds, before listing expenses, of RMB22.2 billion. The A Shares were listed on the SSE on 10 March 2008.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## I. CORPORATE INFORMATION (continued)

During the period from 29 February to 5 March 2008, the Company issued 1,706 million H Shares through the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") at HK\$10.70 per H Share with the nominal value of RMB1.00 each, which raised total gross proceeds, before listing expenses, of HK\$18.3 billion. The H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 13 March 2008. CRCCG converted its 170,600,000 state legal person shares of the Company into H Shares and transferred the shares to the National Council for Social Security Fund ("NSSF") of the PRC on the same day.

On 8 April 2008, the over-allotment option of H Shares was exercised in part and an additional 181,541,500 H Shares were issued at HK\$10.70 per H Share, which were listed on the Main Board of the Hong Kong Stock Exchange on the same day. The gross proceeds from the issuance of these H Shares, before listing expenses, amounted to HK\$1.9 billion. On 8 April 2008, CRCCG converted 18,154,500 state legal person shares of the Company into H Shares and transferred the shares to the NSSF.

On 22 September 2009, CRCCG converted 245,000,000 state legal person shares of the Company into A Shares and transferred the shares to the NSSF.

As at 30 June 2011, the Company has issued an aggregate of 12,337,541,500 shares as share capital. See Note V.35 for details.

The Company's business scope is: construction of railways, highways, metropolitan railways, airports, ports, tunnels, bridges, water conservancy and hydropower facilities, post and telecommunication facilities, mining facilities; lumbering; industrial and civil and construction for municipal projects, provision of survey, design and consultancy services for installation of circuitry, pipeline and equipment and general construction contracting of the installation; overseas and domestic construction contracting; construction contracting of prevention and control of geologic disasters; provision of construction project management services, manufacturing and installation of industrial equipment; real estate development; wholesale and retail of automobile, ferrous metal, timber, cement, fuel, construction materials, chemical products, mechanical and electrical products, armored concrete product and special railway equipment; provision of storage services; provision of rental services of machinery and construction equipment, provision of renovation and interior decoration services; import and export; and provision of consulting and technical services related to the above businesses.

The Group's parent and ultimate holding company is CRCCG, a company registered in the PRC.

These financial statements were approved and authorized for issue by the board of directors of the Company on 30 August 2011.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS

### 1. *Basis of preparation*

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises Basic Standard and 38 specific standards issued in February 2006, and the implementation guidance, interpretations and other relevant provisions issued subsequently by the Ministry of Finance (collectively referred to as "Accounting Standards for Business Enterprises").

The Interim Financial Statements have been prepared in accordance with the "Accounting Standards for Business Enterprises No. 32 Interim Financial Reporting" issued by the Ministry of Finance, and do not include all the information and disclosure required in the annual financial statements. Therefore, the Interim Financial Statements should be read together with the Group's annual financial statements as at 31 December 2010.

The financial statements are presented on a going concern basis.

All the assets (other than certain financial assets) are carried at historical cost. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant requirements.

### 2. *Statement of compliance with Accounting Standards for Business Enterprises*

The financial statements present fairly and fully, the financial position of the Group and the Company as at 30 June 2011 and the financial performance and the cash flows for the period then ended in accordance with Accounting Standards for Business Enterprises.

### 3. *Accounting period*

The accounting year of the Group is from 1 January to 31 December of each calendar year. Only the interim financial statements are prepared for the six months ended 30 June 2011.

### 4. *Functional currency*

The Group's reporting and presentation currency is the Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is thousand yuan.

The overseas subsidiaries, jointly controlled entities and associates of the Group may determine their own functional currencies based on their specific economic environments. In preparation of financial statements, their functional currencies shall be translated into RMB.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 5. Business combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

#### *Business combinations involving entities under common control*

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is a party being acquired. Combination date is the date on which the acquirer effectively obtains control of the party being acquired.

Assets and liabilities that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being acquired. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) is adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

#### *Business combinations not involving entities under common control*

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Goodwill is measured at cost being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the fair value of the acquiree's net identifiable assets. After recognition, goodwill is subsequently measured at cost less any accumulated impairment losses. If the sum of this consideration and other items mentioned above is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss for the current period.

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 6. *Basis of consolidation*

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and its subsidiaries for the six months ended 30 June 2011. A subsidiary is an enterprise or entity that is controlled by the Company.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Where the amount of losses of a subsidiary attributable to the minority shareholders exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against minority interests. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the date on which the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the prior period financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination had been existed since the ultimate controlling party begins to exercise control.

### 7. *Cash and cash equivalents*

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 8. Foreign currency transactions and foreign currency translations

The Group translates the amounts of foreign currency transactions occurred into its functional currency.

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate at the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rates at the balance sheet date. All the resulting exchange differences are taken to profit or loss, except for those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rates prevailing on the transaction date, while the amounts denominated in the functional currencies not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The exchange difference thus resulted are recognized in profit or loss or as other comprehensive income for the current period.

For foreign operations, the Group translates their functional currency amounts into RMB in preparing the financial statements as follows: asset and liability items in the balance sheet are translated using the spot exchange rates at the balance sheet date, and equity items other than "retained earnings" are translated using the spot exchange rates at the date of transactions; revenue and expense items in the income statement are translated using the spot exchange rate prevailing on the date that the transactions occur. The resulting exchange differences are recognized in other comprehensive income and presented as a separate component of equity in the balance sheet. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement. If the disposal only involves a portion of a particular foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement on a pro-rata basis.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the spot exchange rates prevailing on the dates that the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **Recognition and derecognition of financial instruments**

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognizes a financial asset (or part of a financial asset, or part of a group of similar financial assets) when the following conditions are met:

- (1) the rights to receive cash flows from the asset have expired; or
- (2) the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognized in profit or loss for the current period.

Regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting. Regular way purchases or sales of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by regulation or convention in the market place. The trade date is the date that an asset is agreed to be delivered to or by the Group.

#### **Classification and measurement of financial assets**

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets. The Group determines the category of financial assets upon initial recognition. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to the profit or loss for the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 9. Financial instruments (continued)

#### Classification and measurement of financial assets (continued)

**The subsequent measurement of a financial asset depends on its category as follows:**

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as financial assets at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: 1) the financial asset is acquired for the purpose of sale in a short term; 2) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; or 3) the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument with fair value cannot be reliably measured. Such kind of financial assets are subsequently measured at fair value. All the realized or unrealized gains or losses on these financial assets are recognized in profit or loss for the current period. Dividend income or interest income related to financial assets at fair value through profit or loss is charged to profit or loss for the current period.

##### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortized cost using the effective interest rate method. Gains or losses arising from amortization or impairment and derecognition are recognized in profit or loss for the current period.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortized cost using the effective interest rate method. Gains or losses arising from amortization or impairment are recognized in profit or loss for the current period.



## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

#### 9. Financial instruments (continued)

##### **Classification and measurement of financial assets (continued)**

###### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at fair value. The premium/discount is amortized using effective interest rate method and recognized as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognized as other comprehensive income in capital reserve, except for impairment losses and foreign exchange gains or losses resulted from monetary financial assets, until the financial asset is derecognized or determined to be impaired, at which time the accumulated gain or loss previously recognized is transferred to profit or loss for the current period. Interests and dividends relating to an available-for-sale financial asset are recognized in profit or loss for the current period.

Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, are measured at cost.

##### **Classification and measurement of financial liabilities**

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group determines the category of financial liabilities upon initial recognition. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 9. Financial instruments (continued)

#### **Classification and measurement of financial assets** (continued)

#### ***The subsequent measurement of a financial liability is determined by its category:***

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as financial liabilities at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following conditions: 1) the financial liability is assumed for the purpose of repurchasing in a short term; 2) the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; or 3) the financial liability is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an equity instrument without a quoted price in an active market, and whose fair value cannot be reliably measured. Such kind of financial liabilities are subsequently measured at fair value. All the realized or unrealized gains or losses on these financial liabilities are recognized in profit or loss for the current period.

##### *Bonds payable*

Bonds payable are recorded based on fair value, the difference between proceeds of issue and the face value of the bonds is recognized as premium or discount and amortized according to effective interest rate method over the life of the bonds along with the interest.

##### *Other financial liabilities*

After initial recognition, such kind of financial liabilities are measured at amortized costs by using the effective interest rate method.

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 9. *Financial instruments (continued)*

#### **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to settle a debt or assume a liability to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognized less the accumulated amortization determined according to the principles of revenue recognition.

#### **Fair value of financial instruments**

If there is an active market for a financial asset or financial liability, the quoted price in the active market is used to establish the fair value of the financial asset or financial liability. If no active market exists for a financial instrument, its fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions between knowledgeable and willing parties; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis; and option pricing model.

#### **Impairment of financial assets**

The Group assesses at the balance sheet date the carrying amount of every financial asset. If there is objective evidence indicating a financial asset may be impaired, a provision is made for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset.

#### ***Financial assets carried at amortized cost***

If there is objective evidence that an impairment loss on a financial asset has incurred, the carrying amount of the asset is reduced to the present value of expected future cash flows (excluding future credit losses that have not been incurred). Impairment is recognized in profit or loss for the current period. The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e. effective interest rate computed on initial recognition) and includes the value of any related collateral. If a financial asset bears interest at variable interest rate, the Group uses the current effective interest rate stipulated in the contract as the discount rate to calculate the present value of future cash flows.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 9. Financial instruments (continued)

#### **Impairment of financial assets** (continued)

##### ***Financial assets carried at amortized cost*** (continued)

For a financial asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognized in profit or loss if there is objective evidence of impairment. For a financial asset that is not individually significant, the asset is also individually assessed for impairment. If no objective evidence of impairment incurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets for which an impairment loss is individually recognized are not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Subsequent to the Group's recognition of impairment loss on a financial asset carried at amortized cost, if there is objective evidence of a recovery in value of the financial assets and the recovery can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment loss not been recognized at the date the impairment is reversed.

##### ***Available-for-sale financial assets***

If there is objective evidence that such an asset is impaired, the accumulated loss arising from decline in fair value previously recognized in other comprehensive income is removed and recognized in profit or loss. The accumulated loss that removed from other comprehensive income is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on the financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed with the amount of the reversal recognized in profit or loss. The impairment loss on an available-for-sale equity instrument is not reversed through profit or loss, and any increase of fair value that occurs after the impairment is recognized directly in other comprehensive income.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 9. Financial instruments (continued)

#### **Impairment of financial assets (continued)**

##### ***Financial assets carried at cost***

If there is objective evidence that such an asset is impaired, the difference between its carrying amount and the present value of expected future cash flows which are discounted at the current market interest rate is recognized as an impairment loss in profit or loss. Once an impairment loss is recognized, it is not reversed.

For a long-term equity investment, measured using the cost method and accounted for in accordance with the Accounting Standards for Business Enterprises No. 2 *Long-term Equity Investments* which is not quoted in an active market and for which the fair value cannot be reliably measured, any impairment is also accounted for in accordance with the above principles.

##### **Transfer of financial assets**

If the Group transfers substantially all the risks and rewards of ownership of a financial asset, the Group derecognizes the financial asset; if the Group retains substantially all the risks and rewards of ownership of a financial asset, the Group does not derecognize a financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it accounts for the transactions as follows: (i) if the Group has not retained control, it derecognizes the financial asset and recognize any resulting assets or liabilities; and (ii) if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

### 10. Receivables

The Group's receivables comprise accounts receivable, long-term accounts receivable and other receivables. The Group assesses the carrying amount of receivables at the balance sheet date. If there is objective evidence that impairment loss has been incurred, a provision, which is the difference between the carrying amount and the present value of the estimated future cash flow, is recognized as impairment loss.

#### **(1) Receivables individually significant for which provision for impairment is assessed separately**

A receivable with an amount greater than RMB10,000,000, is considered to be individually significant and is separately assessed for provision. If there is objective evidence that a receivable is impaired (such as the debtor in serious financial difficulties, entering bankruptcy and breach of contracts, etc.), the amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows, and shall be recognized in the current profit and loss.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 10. Receivables (continued)

#### (2) Receivables for which provision for impairment is assessed collectively in a group

Receivables that are not individually significant, and receivables that are not impaired through the individual assessment, are included in a group of receivables with similar credit risk characteristics and collectively tested for impairment. The Group estimated the future cash flows of the receivables based on its experiences and applied the ageing analysis method for the recognition of provision for bad debt for the receivables. The provision rates were as follows:

	Accounts receivable provision rate (%)	Other receivables provision rate (%)
Within 6 months (inclusive)	—	—
6 months to 1 year (inclusive)	0.5	0.5
1 to 2 years (inclusive)	5	5
2 to 3 years (inclusive)	10	10
3 to 5 years (inclusive)	30	30
Over 5 years	80	80

In addition, retention money receivables are overdue if they have not been released by the customers after the maintenance (warranty) period according to the relevant contract terms, and impairment losses for the overdue retentions are assessed based on the above provision rate, with ageing counted from the due date.

#### (3) Other individually not significant receivables but separately tested for impairment

Receivables, that are individually insignificant and could not be grouped by the similar or related risk characteristics, are individually assessed for provision. If there is objective evidence that a receivable is impaired (such as the debtor encountering serious financial difficulties, bankruptcy or breach of contracts), the amount of the impairment loss shall be recognized in the current profit and loss after taking into account the rate of prior year accounts receivables losses.

## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

#### 11. Inventories

Inventories include raw materials, work in progress, finished goods, turnover materials, properties under development and completed properties held for sale, etc. Costs of properties under development and completed properties held for sale mainly consist of land use rights acquisition cost, earlier-stage land development expenditures, construction costs, infrastructure costs, supporting facilities costs and other relevant costs.

Inventories are initially carried at the actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined by using weighted average method. Turnover materials include low value consumables and packing materials, etc. Low value consumables and packing materials are amortized by using immediate write-off method and other turnover materials are amortized based on the number of times that they are expected to be used.

The Group adopts perpetual inventory system.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories is recognized in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the provision for decline in value of inventories. The amount of the reversal is recognized in profit or loss for the current period.

Net realizable value is based on estimated selling price in the ordinary course of business less any estimated costs to be incurred to completion and the estimated costs necessary to make the sale and relevant taxes. The provision for decline in value of inventories is made on an individual basis in principle; for inventories in large quantity and with relatively low unit prices, provision for decline in value of inventories shall be determined on an aggregated basis.

#### 12. Construction contract

The amount of construction contract represents the net amount of construction costs incurred to date and recognized profits (less recognized losses), less progress billings and provision for foreseeable contract losses.

Construction contract costs are valued at actual cost, and comprise direct materials, direct labor costs, construction machinery costs, other direct costs and construction overheads, etc. For individual contract for which costs incurred to date plus recognized profits (less recognized losses) exceeds progress billings, the gross amount due from customers for contract work is presented as a current asset. For individual contract for which progress billings exceeds costs incurred to date plus recognized profits (less recognized losses), the gross amount due to customers for contract work is presented as a current liability.

The Group estimates total contract costs based on actual circumstances for each contract. Provision for foreseeable contract losses will be recognized in profit or loss where total estimated contract costs exceeds total contract revenue.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 13. Long-term equity investments

Long-term equity investments include investments in subsidiaries, jointly controlled enterprises and associates; investments where the Group does not have control, joint control or significant influence over the investees and investments which are not quoted in an active market and the fair values of which cannot be reliably measured.

A long-term equity investment is recorded at its initial investment cost on acquisition. For a long-term equity investment acquired through a business combination, the initial investment cost is determined as follows: for a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the acquirer's share of the carrying value of owner's equity of the party being absorbed at the combination date; for a business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of combination (for a business combination not involving enterprises under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date). The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree. For a long-term equity investment acquired otherwise than through a business combination, the initial investment cost is determined as follows: for a long-term equity investment acquired by cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued; for contribution from an investor, the initial investment cost is the value stipulated in the investment contract or agreement, except where the value stipulated in the investment contract or agreement is not fair.

For a long-term equity investment where the Group does not have joint control or significant influence over the investee, the investment is not quoted in an active market and its fair value cannot be reliably measured, the Group uses the cost method accounting. For a long-term equity investment where the Company can exercise control over the investee, the Company uses the cost method accounting in the Company's financial statements. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

Under the cost method, the long-term equity investment is measured at its initial investment cost. Except for the cash dividend or profit distribution declared but unpaid that is included in the price or consideration paid upon acquisition of a long-term equity investment, the Company recognizes its share of cash dividends or profit distributions declared by the investee as investment income in the current period, and considers whether the long-term equity investment is impaired according to the policies related to asset impairment.



## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

#### 13. Long-term equity investments (continued)

The equity method is adopted when the Group holds joint control, or exercises significant influence on the investee. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the significant financial and operational decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate decision making in the financial and operating policies of the investee but is not the power to control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profits or losses made by the investee as investment income or losses, and adjusts the carrying amount of the investment accordingly. The Group recognizes its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits and losses based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its jointly controlled enterprises and associates, attributable to the investor according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognized in full). For any long-term equity investment differences (debit side) arising from investments in jointly controlled enterprise and associates held before the first-time adoption of new *Accounting Standards for Business Enterprises*, the investment income or loss is recognized after deducting the debit balance to be amortized over the remaining period on straight-line basis. The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognized to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has incurred obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profits or losses) and includes the corresponding adjustments in the shareholders' equity.

On disposal of a long-term equity investment, the difference between the proceeds actually received and carrying amount is recognized in profit or loss for the current period. For a long-term equity investment accounted for using the equity method, any change in the shareholders' equity of the investee included in the shareholders' equity of the Group is transferred to profit or loss for the current period on a pro-rata basis according to the proportion disposed of.

For long-term equity investment in subsidiary, jointly controlled enterprise or associate, refer to Note II.25 for the test for impairment and recognition of provision for impairment. For other long-term equity investment not quoted in an active market and where its fair value cannot be measured reliably, refer to Note II.9 for the test for impairment and recognition of provision for impairment.

## Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

### II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

#### 14. Fixed assets

A fixed asset is recognized only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in profit or loss for the period in which they are incurred.

Fixed assets are initially measured at cost, and the effect of any expected costs of abandoning the asset is considered. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use, such as transportation fee and installation expenses. If the payment for a purchased fixed asset is deferred beyond the normal credit terms, cost of the fixed asset shall be determined based on the present value of the installment. The difference between the actual payment and the present value of the purchase price is recognized in the profit or loss over the credit period, except for such difference that is capitalized according to the *Accounting Standards for Business Enterprises No. 17 Borrowing Costs*.

Depreciation is calculated using the straight-line method. The estimated useful lives, estimated residual value rates and annual depreciation rates of fixed assets by category are as follows:

Category	Estimated residual value rate	Useful life	Annual depreciation rate
Buildings	5%	35 years	2.71%
Machinery	5%	10 years	9.50%
Vehicles	5%	5 years	19.00%
Production equipments	5%	10 years	9.50%
Measuring and testing equipments	5%	5 years	19.00%
Others	5%	5 years	19.00%

Where the individual component parts of an item of fixed asset have different useful lives or provide benefits to the enterprise in different patterns, different depreciation rates are applied.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Group. If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease period, the leased asset is depreciated over its useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year end, and adjustments are made when necessary.

For the test for impairment and recognition of provision for impairment related to a fixed asset, refer to Note II.25.

## Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

### II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

#### 15. Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalized before the construction is completed and ready for its intended use and other relevant expenses.

A construction in progress is transferred to fixed asset when the asset is ready for its intended use.

For the test for impairment and recognition of provision for impairment related to a construction in progress, refer to Note II. 25.

#### 16. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of the funds. Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the assets. All other borrowing costs are recognized as expenses in the period in which they are incurred. Qualifying assets are assets (fixed assets, and inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

The capitalization of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset are being incurred;
- (2) borrowing costs are being incurred; and
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognized as an expense in the period in which they are incurred.

During the capitalization period, the amount of interest to be capitalized for each accounting period shall be determined as follows:

- (1) where funds are borrowed for a specific purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds; and
- (2) where funds are borrowed for a general purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over the amounts of specific-purpose borrowings.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognized as expenses for the current period until the acquisition, construction or production is resumed.

# Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 17. Intangible assets

The Group's intangible assets include land use rights, concession assets, and mining rights, etc.

An intangible asset shall be recognized only when it is probable that the economic benefit associated with the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination with a fair value that can be measured reliably are recognized separately as intangible assets and measured at the fair value at the date of acquisition.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an uncertain useful life when the period over which the asset is expected to generate economic benefits for the Group is uncertain.

An intangible asset with a finite useful life is amortized using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at least at each financial year end and makes adjustment if necessary.

#### Land use rights

Land use rights represent cost incurred for certain lease period.

Land use rights that are purchased by the Group are accounted for as intangible assets. For plants and etc that are developed and constructed by the Group, and relevant land use rights are accounted for as fixed assets and intangible assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

Land use rights of the Group are amortized on the straight-line basis according to the useful lives approved in the obtained land use certificates.

#### Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work (such as turnpike highways and bridges) for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be classified as intangible assets or receivables from granting authority. The assets are classified as intangible assets if the operator receives a right (a license) to charge users of the public service, or as receivables if paid by the granting authority. The Group classifies the non-current assets linked to the long term investment in these concession arrangements as "concession assets" within the intangible assets classification on the balance sheet if the intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets will be amortized over the term of the concession on the straight-line basis under the intangible asset model.

## Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

### II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

#### 17. Intangible assets (continued)

##### Mining rights

Mining rights are stated at cost incurred to obtain the mining license. Amortization is calculated based on the units of production method based on only proved mining reserves.

##### Development expenditure

The Group classifies the expenditure on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognized in profit or loss for the period in which it is incurred. Expenditure on the development phase is capitalized when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the expenditure attributable to the intangible asset during its development can be measured reliably. Expenditure on the development phase that does not meet the above criteria is recognized in profit or loss for the period in which it is incurred.

For the test for impairment and recognition of provision for impairment related to an intangible asset, refer to Note II. 25.

#### 18. Long-term prepayments

Long-term prepayments represent expenditures incurred but should be recognized as expenses over more than one year in the current and subsequent periods including costs of improvements to fixed assets under operating leases. Long-term prepayments are amortized on a straight-line basis over the expected beneficial period. Expenditure incurred during the pre-operating period should be recognized in profit or loss immediately as incurred.

#### 19. Assets transfer under a repurchase agreement

The Group determines whether a transfer of an asset under a repurchase agreement shall be derecognized based on the economic substance of the transfer. If an asset is sold by the Group (the transferor) under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the asset sold shall not be derecognized. If the Group (the transferor) sells an asset and retains only a right of refusal to repurchase the transferred asset at fair value if the transferee subsequently sells it, the asset shall be derecognized.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 20. Provisions

Except for contingent consideration transferred and contingent liability assumed in business combinations, the Group recognizes an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at the balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general guidance for provisions above; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the guidance for revenue recognition.

### 21. Revenue

Revenue is recognized only when it is probable that the associated economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

#### *Construction contracts*

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognized using the percentage of completion method at the balance sheet date. Depending on the type of the construction contract, the percentage of completion of a contract is determined in the following ways: (1) the proportion of contract costs incurred to date to estimated total contract costs; (2) the proportion of completed contract work has been confirmed by the supervision party to the estimated total contract work; or (3) surveys of the work performed.

The outcome of a construction contract is considered to be reliably estimated when all the following conditions are satisfied:

- (1) the total contract revenue can be measured reliably;
- (2) it is probable that the economic benefits associated with the contract will flow to the Group;
- (3) both the contract costs to complete the contract and the stage of contract completion on the balance sheet date can be measured reliably; and
- (4) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 21. Revenue (continued)

#### *Construction contracts (continued)*

When the outcome of a construction contract cannot be estimated reliably, revenue shall be recognised only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs shall be recognised as an expense in the period in which they are incurred. Contract costs that are not probable of being recovered are recognised as an expense immediately when incurred and no contract revenue shall be recognized. When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognised as an expense immediately.

Total contract revenue comprises the initial amount of revenue agreed in the contract and amounts resulting from variations in contract work, claims and incentive payments.

#### Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method. Based on the nature of the transaction, the percentage of completion is determined in the following ways: (1) the proportion of costs incurred to date to the estimated total costs; (2) surveys of work perform; or (3) the proportion of services performed to date to the total services to be performed. Concession revenue is recognized when it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably.

The outcome of rendering services can be estimated reliably when the following conditions are satisfied:

- (1) the amount of revenue can be measured reliably;
- (2) it is probable that the associated economic benefits will flow to the Group;
- (3) both the service costs to be incurred for the transaction and the stage of transaction completion on the balance sheet date can be measured reliably; and
- (4) the actual costs incurred can be clearly identified and measured reliably, so as to compare with prior estimates.

The total service revenue is determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair.

When the outcome of a transaction involving rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of costs incurred that it is probable will be recoverable, and costs shall be recognised as an expense in the period in which they are incurred. When it is probable that total service costs will exceed total revenue, the expected loss shall be recognised as an expense immediately.

When the Group has entered into a contract or agreement with other enterprises comprising both sales of goods and rendering of services, if the sales of goods component and the rendering of services component can be separately identified and measured, they are accounted for separately; if the sales of goods component and the rendering of services component cannot be separately identified, or can be separately identified but cannot be separately measured, the contract is treated as the sales of goods.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 21. Revenue (continued)

#### Revenue from the sales of goods

The Group recognizes the revenue from the sales of goods when it has transferred the significant risks and rewards of ownership of the goods to the buyer; and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and the associated costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sales of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair. Where the consideration receivable under contract or agreement is deferred so that the arrangement is in substance of a financing nature, the amount of revenue arising on the sales of goods is measured at the fair value of the consideration receivable.

#### Interest income

It is determined according to the length of time for which the Group's fund is used by others and the effective interest rate.

#### Royalty income

It is determined according to period and method of charging as stipulated in the relevant contract or agreement.

#### Lease income

Lease income from operating leases is recognized on a straight-line basis over the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

### 22. Government grants

Government grants are recognized when all attaching conditions will be complied with and the grant can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted for as follows: (a) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized; and (b) if the grant is a compensation for related expenses or losses already incurred, it is recognized immediately in profit or loss for the current period. A government grant related to an asset shall be recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. However, a government grant measured at a nominal amount is recognized immediately in profit or loss for the current period.



## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 23. Income tax

Income tax comprises current and deferred tax. Income tax is recognized as income or an expense in profit or loss for the current period, or recognized directly in shareholders' equity if it arises from goodwill on a business combination or relates to a transaction or event which is recognized directly in shareholders' equity.

The Group measures a current tax asset or liability arising from the current and prior periods based on the amount of income tax expected to be paid by the Group or returned by tax authority calculated by related tax laws.

Deferred tax is recognised under the balance sheet liability method based on the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the tax bases and carrying amount in respect of items not recognized as assets and liabilities, but the tax bases are determinable under tax law.

A deferred tax liability is recognized for all taxable temporary differences, except:

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss; or
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled enterprises, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, carryforward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilized, except:

- (1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss; or
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled enterprises, a deferred tax asset is only recognized to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized in the future.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 23. *Income tax (continued)*

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 24. *Leases*

A finance lease is a lease that transfers in substance all the risks and rewards of ownership of an asset. An operating lease is a lease other than a finance lease.

#### **In the case of the lessee of an operating lease**

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period. Contingent rents are charged to profit or loss in the period in which they actually arise.

#### **In the case of the lessor of an operating lease**

Rent income under an operating lease is recognized by a lessor on a straight-line basis over the lease terms through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

#### **In the case of the lessee of a finance lease**

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge, which is amortized using the effective interest rate method over each period during the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 25. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, construction contracts, deferred income taxes, financial assets and long-term equity investments, which are accounted for using the cost method as there are no quoted market prices in active markets and whose fair value cannot be reliably measured, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment. Goodwill arising from a business combination and an intangible asset with an indefinite useful life is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognized in profit or loss for the current period. A provision for impairment loss of the asset is recognized accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compare the recoverable amount with the related carrying amount and recognize any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

Once the above impairment loss is recognized, it cannot be reversed in subsequent accounting periods.

# Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 26. Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for service rendered by employees. In the accounting period in which an employee has rendered service to the Group, the employee benefits payable are recognized as liabilities. For employee benefits payable due in more than one year after the balance sheet date, if the discounted value is significant, they are presented at the present value.

#### Retirement benefits

The full-time employees of the Group in Mainland China are covered by various government-sponsored retirement plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these retirement plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

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

#### Termination and early retirement benefits

Employee termination and early retirement benefits are recognized in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. As for termination benefits, the Group recognizes retirement benefits as a liability and an expense when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. As for early retirement benefits, the Group recognizes monthly paid salaries and social benefits for these early retirees during the periods from the date of early retirement to the normal retirement date as an employee benefits payable and charges to profit or loss of the current period. The specific terms vary among the terminated and early retired employees depending on various factors including their position, length of service, and salary level at the time of application, minimum compensation levels set by the local regulatory authorities, and the district in which the employee is located.

The termination and early retirement benefits are considered as defined benefit plans. The liability recognized in the balance sheet in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit actuarial valuation method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturities approximating to the terms of the related pension liability.

# Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 26. *Employee benefits (continued)*

#### **Termination and early retirement benefits (continued)**

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets and 10% of the defined benefit obligation, are charged or credited to the income statement over the expected average remaining working lives of the related employees. Past-service costs are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the “vesting period”). In this case, the past-service costs are amortized on the straight-line basis over the vesting period.

#### **Housing funds**

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

#### **Bonus entitlements**

The expected cost of bonus payments is recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

### 27. *Distribution of profit*

The cash dividend of the Company is recognized as a liability after being approved in the shareholders' meeting.

### 28. *Related parties*

If a party has the power to control, jointly control or exercise significant influence over another party, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

# Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 29. Segment reporting

The Group identifies operating segments based on the internal organization structure, managerial requirements and internal reporting system, identifies reportable segments based on operating segments and discloses segment information by operating segment.

An operating segment is a component of the Group that meets all the following conditions:

- (1) it engages in business activities from which it may earn revenues and incur expenses;
- (2) its operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and assess its performance; and
- (3) the Group is able to obtain relevant accounting information such as its financial position, operating results and cash flows.

If two or more segments have similar economic characteristics and meet certain conditions, then they can be aggregated into a single operating segment.

### 30. Production safety expenses

The Group accrues for production safety expenses according to *the Circular on Printing and Issuing the Interim Measures for the Financial Management of Production Safety Expenses of Enterprises in High-risk Industries* and *the Interim Measures for the Financial Management of Production Safety Expenses of Enterprises in High-risk Industries*, issued by the Ministry of Finance and the State Administration of Work Safety. Such production safety expenses are specifically provided for and used to improve the production safety conditions by enterprises.

Pursuant to provided *Interpretations No. 3 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance on 11 June 2009, production safety expenses and other expenses with similar nature accrued by the enterprises, shall be recorded in the costs of related products of current period profit or loss, and "Special reserve", an account that is shown between "Less: Treasury shares" and "Surplus reserve" in the owner's equity. Production safety expenses accrued for and used by the Group are recognized in costs and expenses, which shall directly offset against the special reserve. If production safety expenses are accrued for and used by the Group to generate fixed assets, expenses arising therefrom shall be recorded in construction in progress, and recognized as fixed assets until the safety projects are completed and ready for its intended use. Meanwhile, the costs of these fixed assets shall be used to offset against the special reserve, and accumulated depreciation shall be recognized at an equal amount. These fixed assets will not be depreciated in the subsequent periods.

# Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 31. Significant accounting judgments and estimates

The preparation of the financial statements requires management to make judgments, estimates that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### **Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments which have significant effect on the amounts recognized in the financial statements:

#### ***Impairment of available-for-sale financial assets***

The Group determines if available-for-sale investments are not temporarily impaired in accordance with the requirements of Accounting Standard for Enterprises No. 22-Recognition and Measurement of Financial Instruments. This determination of what is not temporarily impaired requires significant judgment. In making this judgment, the Group evaluates various factors, including the duration and the extent to which the fair value of an investment is less than its cost. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health and short-term business prospects of the investee, including industry and sector performance, changes in technology, and operating and financing cash flows, etc.

#### ***Contingent liabilities arising from litigation and claims***

The Group is involved in a number of litigation and claims in respect of certain construction work performed at present and in the past. Contingent liabilities arising from these litigation and claims have been assessed by management with reference to legal advice. Provisions on the possible obligations have been made based on management's best estimates and judgments.

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are discussed below.

#### ***Useful lives and residual values of fixed assets***

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are expected to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

### 31. Significant accounting judgments and estimates (continued)

#### **Estimation uncertainty** (continued)

##### ***Useful lives and residual values of fixed assets*** (continued)

In determining the useful lives and residual values of items of fixed assets, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of fixed assets are different from previous estimation. Useful lives and residual values are reviewed, at the end of each reporting period, based on changes in circumstances.

##### ***Income tax and deferred tax assets***

The Company and its subsidiaries are subject to income taxes in numerous jurisdictions in domestic provinces and certain overseas countries. In order to reliably estimate and judge, the income tax provision is required to be determined based on existing tax laws, regulations and practices, if the relevant affairs of income tax has not yet been confirmed by relevant tax authorities. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current period income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The realization 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 recognized in the income statement in the period in which such a reversal takes place.

##### ***Percentage of completion of construction work***

The Group recognizes revenue according to the percentage of completion of individual contracts of construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.



## Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

### II. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERRORS (continued)

#### 31. Significant accounting judgments and estimates (continued)

##### **Estimation uncertainty** (continued)

###### ***Impairment of trade receivables***

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers will deteriorate such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

###### ***Provision for properties under development***

The Group makes a provision for properties under development when the net realizable values of the properties under development are lower than the carrying amounts at the balance sheet date. The principal assumptions for the Group's estimation of the net realizable values of the properties under development include those related to current market prices for similar properties in the same location and condition, estimated costs to be incurred to completion of the properties and discount rates.

###### ***Retirement benefits***

The Group establishes liabilities in connection with benefits paid to certain early retired employees. The amounts of employee benefit expenses and liabilities are determined using various assumptions and conditions assumptions on discount rates, expected rates of return on assets, pension benefit inflation rates, medical benefit inflation rates, and other factors. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Actual results that differ from the assumptions are recognized immediately and therefore, affect recognized expenses in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the expenses related to the employee retirement benefit obligations.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## III. TAXES

### 1. Major categories of taxes and respective tax rates

Value-added tax ("VAT")	—	For the Company and certain subsidiaries which are recognized as general VAT payers, VAT payable is calculated based on the taxable sales amount multiplied by the tax rate of 17% (Output VAT) less deductible input-VAT of current period. VAT of other subsidiaries recognized as small scale taxpayers is levied at the rate of 3% for VAT.
Business tax ("BT")	—	The Company and its subsidiaries are subject to BT for construction services and other services provided, at the rates of 3% and 5% respectively.
City maintenance and construction tax ("CCT")	—	The Company and its subsidiaries are subject to CCT at the rates of 7%, 5% or 1% of the amounts of BT and VAT paid.
Corporate income tax ("CIT")	—	<p>Except for certain preferential treatments available to the Company's domestic subsidiaries and overseas subsidiaries which are required to accrue CIT based on tax laws and regulations of the relevant overseas countries, the entities within the Group are subject to CIT at a rate of 25%.</p> <p>Each of the Company and its subsidiaries calculates and pays CIT as a legal entity at the location where it is registered.</p> <p>Overseas subsidiaries (including those located in the Hong Kong and Macao Special Administrative Regions of the People's Republic of China) are taxed according to the prevailing tax laws and regulations in the relevant countries/jurisdictions.</p>
Real estate tax	—	Real estate tax is levied at a rate of 1.2% based on 70% of the original cost of the real estate and is filed and paid by the Company and its subsidiaries accordingly.
Individual income tax ("IIT")	—	According to the relevant tax laws and regulations, the Company and its subsidiaries are obliged to withhold IIT for their employees' income.

**III. TAXES (continued)****2. Tax preferential treatments****Additional deduction of research and development (R&D) expenditures**

Pursuant to Chapter IV, Item 1 of Article 30 of the PRC Corporate Income Tax Law (the New CIT Law) and the *Circular on Printing and Issuing the Administrative Measures for the Pre-tax Deduction of Enterprises' Expenditures for Research and Development (for Trial Implementation)* of the State Administration of Taxation (Guo Shui Fa [2008] No.116), subsidiaries of the Group complying with the relevant provisions can make additional deduction on their research and development expenditures when calculating the taxable income.

**Other preferential tax treatments of the Company's subsidiaries*****China Civil Engineering Construction Ltd. (中國土木工程集團有限公司) and its subsidiaries***

Zhongtu Zhuhai Xintiecheng Jianzhu Gongcheng Co., Ltd. (中國土木工程集團珠海新鐵成建築工程有限公司), located in the Zhuhai Special Economic Zone, was Corporate Income Tax at a rate of 15% according to the PRC Enterprise Income Tax Laws and the relevant regulations that were applicable before 1 January 2008. According to the New CIT Law and the *Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies* (Guo Fa [2007] No.39), from 1 January 2008, the preferential tax rate enjoyed by the entity shall gradually be increased to the statutory tax rate within 5 years. The tax rate of 15% applied to the entity shall be gradually increased to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

***China Railway 11<sup>th</sup> Bureau Group Co., Ltd. (中鐵十一局集團有限公司) and its subsidiaries***

China Railway 11<sup>th</sup> Bureau Group Urban Mass Transit Engineering Co., Ltd. (中鐵十一局集團城市軌道工程有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Hubei Province, Hubei Provincial Department of Finance, Hubei State Administration of Taxation and the Hubei Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

China Railway 11<sup>th</sup> Bureau Group Bridge Co., Ltd. (中鐵十一局集團橋樑有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Jiangxi Province, Jiangxi Provincial Department of Finance, Jiangxi State Administration of Taxation and the Jiangxi Local Taxation Bureau since 2010, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January, 2010 to 31 December 2012.

# Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

## III. TAXES (continued)

### 2. Tax preferential treatments (continued)

#### **Other preferential tax treatments of the Company's subsidiaries (continued)**

##### ***China Railway 12<sup>th</sup> Bureau Group Co., Ltd. (中鐵十二局集團有限公司) and its subsidiaries***

China Railway 12<sup>th</sup> Bureau Group Municipal Engineering Co., Ltd. (中鐵十二局集團市政工程有限公司), located in the Zhuhai Special Economic Zone, was subject to Corporate Income Tax at a rate of 15% according to the PRC Enterprise Income Tax Laws and relevant regulations that were applicable before 1 January 2008. According to the New CIT Law and the *Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies* (Guo Fa [2007] No.39), from 1 January 2008, the preferential tax rate enjoyed by the entity shall gradually be increased to the statutory tax rate within 5 years. The tax rate of 15% applied to the entity shall be gradually increased to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

China Railway 12<sup>th</sup> Bureau Group 2<sup>nd</sup> Engineering Co., Ltd. (中鐵十二局集團第二工程有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

China Railway 12<sup>th</sup> Bureau Group 3<sup>rd</sup> Engineering Co., Ltd. (中鐵十二局集團第三工程有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

China Railway 12<sup>th</sup> Bureau Group 7<sup>th</sup> Engineering Co., Ltd. (中鐵十二局集團第七工程有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Hunan Province, Hunan Provincial Department of Finance, Hunan State Administration of Taxation and the Hunan Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## III. TAXES (continued)

### 2. Tax preferential treatments (continued)

#### **Other preferential tax treatments of the Company's subsidiaries (continued)**

##### **China Railway 13<sup>th</sup> Bureau Group Co., Ltd. (中鐵十三局集團有限公司) and its subsidiaries**

China Railway 13<sup>th</sup> Bureau Group Co., Ltd. (中鐵十三局集團有限公司) has been recognized as high-tech enterprise by the Science and Technology Department of Jilin Province, Jilin Provincial Department of Finance, Jilin State Administration of Taxation and the Jilin Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

Shenzhen Zhongtieda Shiye Co., Ltd. (深圳市中鐵達實業有限公司), Zhongtieda Baopo Co., Ltd. (中鐵達爆破有限公司) and the 2<sup>nd</sup> Engineering Co., Ltd. of China Railway 13<sup>th</sup> Bureau Group (中鐵十三局集團有限公司第二工程公司), located in the Shenzhen Special Economic Zone, were subject to Corporate Income Tax at a rate of 15% according to the PRC Enterprise Income Tax Laws and the relevant regulations that were applicable before 1 January 2008. According to the New CIT Law and the Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies (Guo Fa [2007] No.39), from 1 January 2008, the preferential tax rate enjoyed by the entities shall gradually be increased to the statutory tax rate within 5 years. The tax rate of 15% applied to the entities shall be gradually increased to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

China Railway 13<sup>th</sup> Bureau Group 4<sup>th</sup> Engineering Co., Ltd. (中鐵十三局集團有限公司第四工程有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Heilongjiang Province, Heilongjiang Provincial Department of Finance, Heilongjiang State Administration of Taxation and the Heilongjiang Local Taxation Bureau since 2010, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2010 to 31 December 2012.

##### **China Railway 14<sup>th</sup> Bureau Group Co., Ltd. (中鐵十四局集團有限公司) and its subsidiaries**

China Railway 14<sup>th</sup> Bureau Group Electrical engineering Co., Ltd. (中鐵十四局集團電氣化工程有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Shandong Province, Shandong Provincial Department of Finance, Shandong State Administration of Taxation and the Shandong Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

China Railway 14<sup>th</sup> Bureau Group Beijing China Railway Fangshan Bridge Co., Ltd. (中鐵十四局集團北京中鐵房山橋樑有限公司) has been recognized as a high-tech enterprise by the Beijing Municipal Science and Technology Commission, Finance Bureau of Beijing, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

# Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

## III. TAXES (continued)

### 2. Tax preferential treatments (continued)

#### **Other preferential tax treatments of the Company's subsidiaries (continued)**

##### **China Railway 15<sup>th</sup> Bureau Group Co., Ltd. (中鐵十五局集團有限公司)**

China Railway 15<sup>th</sup> Bureau Group Co., Ltd. (中鐵十五局集團有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Henan Province, Henan Provincial Department of Finance, Henan State Administration of Taxation and the Henan Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

##### **China Railway 16<sup>th</sup> Bureau Group Co., Ltd. (中鐵十六局集團有限公司) and its subsidiaries**

China Railway 16<sup>th</sup> Bureau Group Co., Ltd. (中鐵十六局集團有限公司) has been recognized as a high-tech enterprise by the Beijing Municipal Science and Technology Commission, Finance Bureau of Beijing, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

China Railway 16<sup>th</sup> Bureau Group Beijing Metro Engineering Construction Co., Ltd. (中鐵十六局集團北京軌道交通建設工程有限公司) has been recognized as a high-tech enterprise by the Beijing Municipal Science and Technology Commission, Finance Bureau of Beijing, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2010, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2010 to 31 December 2012.

##### **China Railway 17<sup>th</sup> Bureau Group Co., Ltd. (中鐵十七局集團有限公司) and its subsidiaries**

China Railway 17<sup>th</sup> Bureau Group 6<sup>th</sup> Engineering Co., Ltd. (中鐵十七局集團第六工程有限公司), located in the Xiamen Special Economic Zone, was subject to Corporate Income Tax of 15% according to the PRC Enterprise Income Tax Laws and the relevant regulations that were applicable before 1 January 2008. According to the New CIT Law and the *Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies* (Guo Fa [2007] No.39), from 1 January 2008, the preferential tax rates enjoyed by the entity shall gradually be increased to the statutory tax rate within 5 years. The tax rate of 15% applied to the entity shall be gradually increased to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

##### **China Railway 18<sup>th</sup> Bureau Group Co., Ltd. (中鐵十八局集團有限公司)**

China Railway 18<sup>th</sup> Bureau Group Co., Ltd. (中鐵十八局集團有限公司) has been recognized as a high-tech enterprise by the Tianjin Municipal Science and Technology Commission, Finance Bureau of Tianjin, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2010, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2010 to 31 December 2012.

## III. TAXES (continued)

### 2. Tax preferential treatments (continued)

#### **Other preferential tax treatments of the Company's subsidiaries (continued)**

##### ***China Railway 19<sup>th</sup> Bureau Group Co., Ltd. (中鐵十九局集團有限公司) and its subsidiaries***

China Railway 19<sup>th</sup> Bureau Group South China Engineering Co., Ltd (中鐵十九局集團華南工程有限公司), located in the Zhuhai Special Economic Zone, was subject to Corporate Income Tax of 15% according to the PRC Enterprise Income Tax Laws and the relevant regulations that were applicable before 1 January 2008. According to the New CIT Law and *the Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies* (Guo Fa [2007] No.39), from 1 January 2008, the preferential tax rate enjoyed by the entity shall gradually be increased to the statutory tax rate within 5 years. The tax rate of 15% applied to the entity shall be gradually increased to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

China Railway 19<sup>th</sup> Bureau Group Co., Ltd. (中鐵十九局集團有限公司) has been recognized as a high-tech enterprise by the Beijing Municipal Science and Technology Commission, Finance Bureau of Beijing, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2010, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2010 to 31 December 2012.

##### ***China Railway 20<sup>th</sup> Bureau Group Co., Ltd. (中鐵二十局集團有限公司) and its subsidiaries***

China Railway 20<sup>th</sup> Bureau Group 4<sup>th</sup> Engineering Co., Ltd. (中鐵二十局集團第四工程有限公司) has been recognized as a high-tech enterprise by the Qingdao Municipal Science and Technology Commission, Qingdao Finance Department, Qingdao Municipal Office of the State Administration of Taxation and the Qingdao Local Taxation Bureau since 2010, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2010 to 31 December 2012.

##### ***China Railway 22<sup>nd</sup> Bureau Group Co., Ltd. (中鐵二十二局集團有限公司) and its subsidiaries***

China Railway 22<sup>nd</sup> Bureau Group 3rd Engineering Co., Ltd. (中鐵二十二局集團第三工程有限公司), located in the Xiamen Special Economic Zone, was subject to Corporate Income Tax of 15% according to the PRC Enterprise Income Tax Laws and the relevant regulations that were applicable before 1 January 2008. According to the New CIT Law and *the Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies* (Guo Fa [2007] No.39), from 1 January 2008, the preferential tax rate enjoyed by the entity shall gradually be increased to the statutory tax rate within 5 years. The tax rate of 15% applied to the entity shall be gradually increased to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

# Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

## III. TAXES (continued)

### 2. Tax preferential treatments (continued)

#### **Other preferential tax treatments of the Company's subsidiaries (continued)**

##### **China Railway 23<sup>rd</sup> Bureau Group Co., Ltd. (中鐵二十三局集團有限公司) and its subsidiaries**

China Railway 23<sup>rd</sup> Bureau Group 7<sup>th</sup> Engineering Co., Ltd. (中鐵二十三局集團第七工程有限公司), located in the Zhuhai Special Economic Zone, was subject to Corporate Income Tax of 15% according to the PRC Enterprise Income Tax Laws and the relevant regulations that were applicable before 1 January 2008. According to the New CIT Law and *the Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies* (Guo Fa [2007] No.39), from January 1 2008, the preferential tax rate enjoyed by the entity shall gradually be increased to the statutory tax rate within 5 years. The tax rate of 15% applied to the entity shall be gradually increased to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

China Railway 23<sup>rd</sup> Bureau Group Co., Ltd. (中鐵二十三局集團有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Sichuan Province, Sichuan Provincial Department of Finance, Sichuan State Administration of Taxation and the Sichuan Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

##### **China Railway Shanghai Design Institute Group Co., Ltd. (中鐵上海設計院集團有限公司)**

China Railway Shanghai Design Institute Group Co., Ltd. (中鐵上海設計院集團有限公司) has been recognized as a high-tech enterprise by the Shanghai Municipal Science and Technology Commission, Shanghai Finance Department, Shanghai Municipal Office of the State Administration of Taxation and the Shanghai Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

##### **China Railway Construction Group Co., Ltd. (中鐵建設集團有限公司) and its subsidiaries**

China Railway Construction (Zhuhai) Co., Ltd. (中鐵建設珠海有限公司), located in the Zhuhai Special Economic Zone, was subject to Corporate Income Tax of 15% according to the PRC Enterprise Income Tax Laws and the relevant regulations that were applicable before 1 January 2008. According to the New CIT Law and *the Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies* (Guo Fa [2007] No.39), from 1 January 2008, the preferential tax rate enjoyed by the entity shall gradually be increased to the statutory tax rate within 5 years. The tax rate of 15% applied to the entity shall be gradually increased to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.



# Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

## III. TAXES (continued)

### 2. Tax preferential treatments (continued)

#### **Other preferential tax treatments of the Company's subsidiaries (continued)**

##### **China Railway Construction Electrification Bureau (Group) Co., Ltd. (中鐵建電氣化局集團有限公司) and its subsidiaries**

China Railway Construction Electrification Bureau Group Co., Ltd. (中鐵建電氣化局集團有限公司) has been recognized as a high-tech enterprise by the Beijing Municipal Science and Technology Commission, Finance Bureau of Beijing, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

China Railway Construction Electrification Bureau Group South Engineering Co., Ltd. (中鐵建電氣化局集團南方工程有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Hubei Province, Hubei Provincial Department of Finance, Hubei State Administration of Taxation and the Hubei Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

China Railway Construction Electrification Bureau (Group) 4<sup>th</sup> Engineering Co., Ltd. (中鐵建電氣化局集團第四工程有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Hunan Province, Hunan Provincial Department of Finance, Hunan State Administration of Taxation and the Hunan Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

China Railway Construction Electrification Bureau (Group) 2<sup>nd</sup> Engineering Co., Ltd. (中鐵建電氣化局集團第二工程有限公司) has been recognized as a high-tech enterprise by the Shanxi Provincial Science and Technology Department, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2010, and was entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2010 to 31 December 2012.

China Railway Construction Electrification Bureau (Group) 5<sup>th</sup> Engineering Co., Ltd. (中鐵建電氣化局集團第五工程有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Guangxi Zhuang Autonomous Region, Department of Finance of Guangxi Zhuang Autonomous Region, Guangxi Zhuang Autonomous Region Office of the State Administration of Taxation and the Local Taxation Bureau of Guangxi since 2010, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2010 to 31 December 2012.

##### **China Railway Goods and Materials Co., Ltd. (中鐵物資集團有限公司) and its subsidiaries**

China Railway Industries and Trade (Zhuhai) Co., Ltd. (中鐵物資集團華鐵工貿實業公司), located in the Zhuhai Special Economic Zone, was subject to Corporate Income Tax at a rate of 15% according to the PRC Enterprise Income Tax Laws and the relevant regulations that were applicable before 1 January 2008. According to the New CIT Law and *the Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies* (Guo Fa [2007] No.39), from 1 January 2008, the preferential tax rate enjoyed by the entity shall gradually be increased to the statutory tax rate within 5 years. The tax rate of 15% applied to the entity shall be gradually increased to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## III. TAXES (continued)

### 2. Tax preferential treatments (continued)

#### Other preferential tax treatments of the Company's subsidiaries (continued)

#### **China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司) and its subsidiaries**

China Railway Rail System Group Electrified Railway Products Co., Ltd. (中鐵軌道系統集團電氣化製品有限公司) has been recognized as a high-tech enterprise by the Science and Technology Department of Hunan Province, Hunan Provincial Department of Finance, Hunan State Administration of Taxation and the Hunan Local Taxation Bureau since 2009, and is entitled to enjoy a Corporate Income Tax rate of 15% from 1 January 2009 to 31 December 2011.

## IV. BUSINESS COMBINATION AND THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Subsidiaries

Particulars of the principal subsidiaries of the Company are as follows:

Subsidiaries acquired through establishment or investment:

Company name	Type	Place of registration	Legal representative	Registered capital	Principal activities	Organization code	Actual contribution at period end	Percentage				Minority interests
								Percentage of equity interest	of voting rights	Consolidated or not	(%)	(Note (d))
China Civil Engineering Construction Ltd.	Wholly-owned subsidiary	Beijing	Liu Zhiming	1,210,000	Construction	10000081-7	2,265,071	Direct	100	100	Yes	—
China Railway 11th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Wuhan, Hubei	Wang Gulin	1,031,850	Construction	17931508-7	1,893,912	Direct	100	100	Yes	—
China Railway 12th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Taiyuan, Shanxi	Shi Daoquan	1,060,677	Construction	11007118-4	2,075,868	Direct	100	100	Yes	90.084
China Railway 13th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Changchun, Jilin	Lei Shengxiang	1,044,810	Construction	24499795-1	1,396,621	Direct	100	100	Yes	—
China Railway 14th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Jinan, Shandong	Yang Youshi	1,110,000	Construction	16305598-9	2,130,105	Direct	100	100	Yes	6.538
China Railway 15th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Luoyang, Henan	Xu Dongkun	1,117,210	Construction	16995347-2	1,446,941	Direct	100	100	Yes	—
China Railway 16th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Tan Zhengbiao	1,068,300	Construction	10163676-1	1,405,744	Direct	100	100	Yes	—
China Railway 17th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Taiyuan, Shanxi	Duan Dongming	1,044,210	Construction	11007084-3	1,653,322	Direct	100	100	Yes	—
China Railway 18th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Tianjin	Hao Chenyi	1,130,000	Construction	10306009-X	1,103,234	Direct	100	100	Yes	14.989
China Railway 19th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Ge Yongli	1,085,469	Construction	12202739-1	1,454,638	Direct	100	100	Yes	—

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## IV. BUSINESS COMBINATION AND THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Subsidiaries (continued)

Particulars of the principal subsidiaries of the Company are as follows (continued):

Subsidiaries acquired through establishment or investment (continued):

Company name	Type	Place of registration	Legal representative	Registered capital	Principal activities	Organization code	Actual	Percentage				Minority interests
							contribution at period end	Percentage of equity interest (%)	of voting rights (%)	Consolidated or not	(Note (d))	
China Railway 20th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Xi'an Shaanxi	Yu Wenzhong	1,110,000	Construction	22052306-5	1,594,294	Direct	100	100	Yes	—
China Railway 21st Bureau Group Co., Ltd. (Note (a))	Wholly-owned subsidiary	Lanzhou, Gansu	Meng Guangshun	950,000	Construction	22433362-1	1,357,251	Direct	100	100	Yes	—
China Railway 22nd Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Liu Guozhi	926,000	Construction	71092227-X	1,256,558	Direct	100	100	Yes	8,393
China Railway 23rd Bureau Group Co., Ltd.	Wholly-owned subsidiary	Chengdu, Sichuan	Li Hongji	900,000	Construction	74033824-2	1,411,847	Direct	100	100	Yes	28,507
China Railway 24th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Shanghai	Wang Beijing	953,244	Construction	13220244-8	1,424,517	Direct	100	100	Yes	6,487
China Railway 25th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Guangzhou, Guangdong	Wang Hanlin	910,720	Construction	19043049-X	1,107,177	Direct	100	100	Yes	—
China Railway Construction Group Ltd.	Wholly-owned subsidiary	Beijing	Wang Wenzhong	1,100,000	Construction	10228709-X	2,140,101	Direct	100	100	Yes	11,326
China Railway Electrification Bureau (Group) Co., Ltd.	Wholly-owned subsidiary	Beijing	Xue Zhigui	710,000	Construction	77705261-9	1,105,530	Direct	100	100	Yes	29,836
China Railway Real Estate Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Li Li	2,000,000	Real estate development	66050723-7	7,062,941	Direct	100	100	Yes	312,012
China Railway First Survey and Design Institute Group Co., Ltd.	Wholly-owned subsidiary	Xi'an, Shaanxi	Wang Zhengming	200,000	Survey, design and consultancy	22433882-8	623,730	Direct	100	100	Yes	2,289

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## IV. BUSINESS COMBINATION AND THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Subsidiaries (continued)

Particulars of the principal subsidiaries of the Company are as follows (continued):

Subsidiaries acquired through establishment or investment (continued):

Company name	Type	Place of registration	Legal representative	Registered capital	Principal activities	Organization code	Actual contribution at period end	Percentage				
								Percentage of equity interest	of voting rights	Consolidated or not	Minority interests	
								(%)	(%)		(Note (d))	
China Railway Fourth Survey and Design Institute Group Co., Ltd.	Wholly-owned subsidiary	Wuhan, Hubei	Jiang Zaifu	150,000	Survey, design and consultancy	70711678-7	1,015,309	Direct	100	100	Yes	5,305
China Railway Fifth Survey and Design Institute Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Lou Delan	155,000	Survey, design and consultancy	40000238-X	291,811	Direct	100	100	Yes	1,348
China Railway Shanghai Design Institute Group Co., Ltd.	Wholly-owned subsidiary	Shanghai	Li Yongji	130,000	Survey, design and consultancy	13303138-8	267,624	Direct	100	100	Yes	1,347
China Railway Goods and Materials Co., Ltd.	Wholly-owned subsidiary	Beijing	Jin Yueliang	700,000	Trading of construction materials	10209797-4	1,014,805	Direct	100	100	Yes	27,521
Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	Wholly-owned subsidiary	Kunming, Yunnan	Ma Yunkun	587,984	Manufacturing of large track maintenance machinery	21668661-0	1,349,792	Direct	100	100	Yes	—
China Railway Construction Heavy Industry Co., Ltd. (Note (b))	Wholly-owned subsidiary	Changsha, Hunan	Liu Feixiang	750,000	Manufacturing of railway track system	79473863-9	1,234,810	Direct	100	100	Yes	—
Beijing Tiecheng Construction Supervision Co., Ltd.	Wholly-owned subsidiary	Beijing	Wang Jian	6,000	Construction management and supervision	63371371-3	26,385	Direct	80.02	80.02	Yes	2,611
							4,502	Indirect	19.98	19.98		
China Railway Construction (HK) Limited	Wholly-owned subsidiary	Hong Kong	Hao Guilin	HKD 6,000	Construction management	N/A	5,898	Direct	100	100	Yes	—

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## IV. BUSINESS COMBINATION AND THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Subsidiaries (continued)

Particulars of the principal subsidiaries of the Company are as follows (continued):

Subsidiaries acquired through establishment or investment (continued):

Company name	Type	Place of registration	Legal representative	Registered capital	Principal activities	Organization code	Actual	Percentage					
							contribution at	Percentage of	of voting	Consolidated	Minority		
							period end	equity interest	rights	or not	interests		
							(%)			(%)			
													(Note (d))
Chenghe Insurance Broker (Beijing) Co., Ltd.	Wholly-owned subsidiary	Beijing	Yu Xingxi	20,000	Insurance brokerage	69234422-5	53,290	Direct	100	100	Yes	—	
China Railway Construction Shandong Jinghu Highway Jie Co., Ltd.	Non-Wholly owned subsidiary	Ji'nan, Shandong	Meng Qiaoran	1,767,500	Construction and operation of highway	69687656-0	554,800	Direct	65	65	Yes	298,700	
China Railway Construction (Beijing) Business Management Co., Ltd.	Wholly-owned subsidiary	Beijing	Zhou Buke	8,828	Property management	10186680-8	18,313	Direct	100	100	Yes	—	
China Railway Construction (Caribbean) Co., Ltd.	Wholly-owned subsidiary	Port of Spain Trinidad and Tobago	Yu Hongzhong	TTD 1,000	Construction	N/A	1,168	Direct	100	100	Yes	—	
CROC China-AfricaConstruction Limited	Wholly-owned subsidiary	Beijing	Chen Xiaoxing	1,000,000	Construction	55140295-4	1,000,000	Direct	100	100	Yes	—	
China Railway ConstructionUSA Co., Ltd.	Wholly-owned subsidiary	San Francisco, California, USA	Hu Zhenji	USD 3,000	Construction	N/A	20,008	Direct	100	100	Yes	—	
China Railway Construction Investment Co., Ltd. (Note (c))	Wholly-owned subsidiary	Beijing	Zhou Zhiliang	3,000,000	Project investment	57317581-X	3,000,000	Direct	100	100	Yes	—	
							45,767,917						847,293

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## IV. BUSINESS COMBINATION AND THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Subsidiaries (continued)

Particulars of the principal subsidiaries of the Company are as follows (continued):

Subsidiaries acquired through establishment or investment (continued):

Notes:

- (a) The legal representative of China Railway 21th Bureau Group Co., Ltd changed to Meng Guangshun on 10 May 2011 from the former legal representative Li Ning.
- (b) On 28 June 2011, China Railway Rail System Group Co., Ltd. changed its name to China Railway Construction Heavy Industry Co., Ltd., at the same time the registered capital of RMB520,000,000 was increased to RMB750,000,000.
- (c) China Railway Construction Investment Co., Ltd. is a newly established subsidiary of the Company and was incorporated on 4 May 2011.
- (d) Except for China Railway Construction Shandong Jinghu Highway Jile Co., Ltd., all minority interests are arising from the subsidiaries of Company's second tier subsidiaries.

### 2. Changes in the scope of consolidation

The consolidation scope remains the same as last year, except for subsidiary newly established during the current period.

### 3. Entities newly consolidated and entities ceased to be consolidated in the current period

For the six months ended 30 June 2011, the subsidiary newly consolidated is presented as follows:

	30 June 2011 Net assets (Unaudited)	From date of establishment to period end Net profits (Unaudited)
China Railway Construction Investment Co., Ltd.	3,000,534	534

## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### IV. BUSINESS COMBINATION AND THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 4. Acquisition of material assets and liabilities

On 25 March 2011, China Railway 14th Bureau Group Corporation (referred as "14th Bureau"), one of the Company's subsidiaries, entered into a transfer agreement (the "Transfer Agreement") with Ji'nan Sangsha Properties Co., Ltd. (referred to as "the Transferor") to acquire a 100% equity interest in Ji'nan Qinglong Properties Co., Ltd. (referred to as "Qinglong") for the primary purpose of acquiring certain assets and liabilities held by Qinglong at a purchase consideration of RMB100,000,000. Qinglong had completed the changes of shares registration on 29 March 2011. Pursuant to the Transfer Agreement, 14th Bureau appointed its representatives to act as executive directors of the board and the general manager of Qinglong on 21 March 2011, and has fully paid the purchase consideration of RMB100,000,000 to the Transferor in the form of cash and obtained the 100% equity interest as at 26 April 2011. Thereby 14th Bureau obtained control over Qinglong on the same date. Thus the acquisition date was determined to be 26 April 2011.

Fair values of Qinglong's assets and liabilities at the acquisition date are as follows:

	26 April 2011 Fair value
Cash and cash equivalents	47
Advances to suppliers	460
Inventories	966,286
Other payables	(866,793)
Net assets	100,000
Satisfied by Cash	100,000
Net cash flows from the acquisition of the above assets and liabilities	
Consideration for the acquisition of assets and liabilities	100,000
Cash paid for the acquisition of assets and liabilities	100,000
Less: Cash in Qinglong	(47)
Net cash paid for the acquisition of assets and liabilities	99,953

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## IV. BUSINESS COMBINATION AND THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Exchange rates used to translate the major items of the financial statements of foreign operations of the Group

	Average exchange rate		Exchange rate at period/ year end	
	For the six months ended 30 June 2011	2010	30 June 2011	31 December 2010
USD	6.53740	6.72545	6.46300	6.61179
JPY	0.08045	0.07752	0.07980	0.08109
HKD	0.83998	0.86570	0.83035	0.84961
MOP	0.81663	0.84100	0.79234	0.84092
TTD	1.03753	1.08780	1.01795	1.05710
LYD	5.32123	5.42640	5.31672	5.32573
DZD	0.08985	0.09370	0.08908	0.09062
AED	1.77985	1.84580	1.75926	1.80044
SAR	1.74328	1.81020	1.72320	1.76335
NGN	0.04268	0.04540	0.04180	0.04356
PLN	2.28434	2.25800	2.34228	2.22640
TZS	0.00423	0.00480	0.00405	0.00440
TRY	4.12903	4.50580	3.98865	4.26940
BWP	1.01228	1.01620	0.98108	1.04348
NPR	0.09227	0.09430	0.09053	0.09400
SDG	2.53986	2.95180	2.41961	2.66010
MGA	0.00322	0.00330	0.00333	0.00310
THB	0.21459	0.21195	0.20987	0.21930
OMR	17.19385	17.68330	16.78270	17.60500
EUR	9.03131	9.30180	9.30000	8.76261
PGK	2.81002	2.62620	2.92884	2.69120
INR	0.14434	0.14830	0.14258	0.14610
KWD	23.54975	23.73215	23.54230	23.55720



# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and cash equivalents

	30 June 2011 (Unaudited)		RMB
	Original currency	Exchange rate	
Cash on hand			
— RMB	567,766	1.00000	567,766
— USD	2,730	6.46300	17,644
— EUR	240	9.30000	2,232
— HKD	114	0.83035	95
— JPY	338	0.07980	27
— Others			59,764
			647,528
Cash at banks			
— RMB	61,770,290	1.00000	61,770,290
— USD	484,123	6.46300	3,128,887
— NGN	19,968,086	0.04180	834,666
— EUR	39,617	9.30000	368,438
— MOP	297,594	0.79234	235,796
— SAR	122,500	1.72320	211,092
— DZD	2,211,568	0.08908	197,006
— LYD	24,503	5.31672	130,276
— HKD	155,360	0.83035	129,003
— OMR	232	16.78270	3,894
— BWP	82,492	0.98108	80,931
— AED	34,746	1.75926	61,127
— JPY	41,178	0.07980	3,286
— Others			41,897
			67,196,589
Others			
— RMB	2,843,112	1.00000	2,843,112
— EUR	2,966	9.30000	27,584
— Others			9,613
			2,880,309
			70,724,426

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Cash and cash equivalents (continued)

	Original currency	31 December 2010 Exchange rate	RMB
Cash on hand			
— RMB	523,331	1.00000	523,331
— USD	2,290	6.61179	15,141
— EUR	251	8.76261	2,199
— HKD	58	0.84961	49
— JPY	210	0.08109	17
— Others			45,379
			586,116
Cash at banks			
— RMB	56,978,784	1.00000	56,978,784
— USD	154,267	6.61179	1,019,981
— SAR	518,740	1.76335	914,720
— EUR	64,606	8.76261	566,117
— DZD	3,787,192	0.09062	343,195
— AUD	50,937	6.71956	342,274
— BWP	137,733	1.04348	143,722
— HKD	143,925	0.84961	122,280
— MOP	144,695	0.84092	121,677
— NGN	2,372,645	0.04356	103,352
— AED	38,437	1.80044	69,204
— LYD	2,539	5.32573	13,522
— JPY	29,301	0.08109	2,376
— Others			921,999
			61,663,203
Others			
— RMB	2,890,926	1.00000	2,890,926
— RUR	6,031	8.76261	52,847
— Others			13,500
			2,957,273
			65,206,592

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Cash and cash equivalents (continued)

As at 30 June 2011, the Group held restricted cash and cash equivalents of RMB3,728,274,000 (31 December 2010: RMB3,863,313,000) (Note V.18).

Interest income earned on current deposits is calculated based on the current bank deposit rates. Short term time deposits are made for varying periods of between one day to three months depending on the immediate cash requirement of the Group, and earn interest at the respective deposit rates.

	30 June 2011 (Unaudited)	31 December 2010
Cash and bank balances at period/year end	70,724,426	65,206,592
Less: non-pledged time deposits with original maturity of three months or more when acquired	(3,926,721)	(5,420,135)
Less: other restricted cash and cash equivalents	(3,728,274)	(3,863,313)
Cash and cash equivalents at period/year end	63,069,431	55,923,144
Less: cash and cash equivalents at beginning of period/year	(55,923,144)	(55,070,050)
Net increase in cash and cash equivalents	7,146,287	853,094

### 2. Financial assets held for trading

	30 June 2011 (Unaudited)	31 December 2010
Investment in equity instruments held for trading	65,699	75,490

The management considered that there was no restriction on the recovery of the financial assets held for trading.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. Bills receivable

	30 June 2011 (Unaudited)	31 December 2010
Commercial acceptance bills	21,200	33,190
Bank acceptance bills	389,390	450,256
	410,590	483,446

As at 30 June 2011, the Group had no pledged bills receivable (31 December 2010: nil).

As at 30 June 2011, the Group had derecognized the following bank acceptance bills which were not matured but had been endorsed to other parties:

Issuer	Date of issuance	Due date	Amount (Unaudited)
Zhuzhou Times Plastic Products Co., Ltd.	24 Jun 2011	24 Sep 2011	16,000
Xinjiang Continental Bridge Group Co., Ltd.	27 Jan 2011	27 Jul 2011	4,190
Zhuzhou Times Plastic Products Co., Ltd.	26 Jan 2011	25 Jul 2011	3,000
Xinjiang Bayi Iron and Steel Co., Ltd.	29 Apr 2011	28 Oct 2011	3,000
Zhuzhou Times Plastic Products Co., Ltd.	28 Jun 2011	27 Dec 2011	2,930
Others			116,191
			145,311

## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 3. Bills receivable (continued)

As at 31 December 2010, the Group had derecognized the following bank acceptance bills which were not matured but had been endorsed to other parties:

Issuer	Date of issuance	Due date	Amount
China Railway No. 5 Engineering Group Co., Ltd.	8 Dec 2010	8 Jun 2011	52,060
Guangzhou Silver Steel Trading Co., Ltd.	6 Dec 2010	2 Apr 2011	30,190
China Railway Tunnel Group Co., Ltd.	20 Sep 2010	20 Mar 2011	29,000
Nanping Longpu Highway Co., Ltd.	16 Nov 2010	15 Feb 2011	20,000
Foshan Shunde District Dafeng Enterprise Development Co., Ltd.	21 Sep 2010	19 Apr 2011	13,000
Others			154,092
			298,342

As at 30 June 2011, the Group's discounted bank acceptance bills issued by third parties which were not matured amounted to RMB68,669,000 (31 December 2010: RMB160,217,000).

As at 30 June 2011, the Group held no bills receivable from shareholders that held 5% or more of the voting rights of the Company (31 December 2010: nil).

As at 30 June 2011, the Group's bills receivable were neither past due nor impaired (31 December 2010: nil).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivable

The majority of the Group's revenues are generated through construction projects and settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. For the sale of products, a credit period ranging from 30 to 90 days may be granted to the customers. For retention money receivables in respect of construction work carried out by the Group, which is recorded in long-term receivables, the due dates usually range from one to six years after the completion of the construction work. Accounts receivable are non-interest-bearing.

An ageing analysis of accounts receivable is presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
Within 1 year	50,371,391	46,517,606
1 to 2 years	2,754,614	2,290,143
2 to 3 years	1,004,235	624,697
Over 3 years	500,501	477,918
	54,630,741	49,910,364
Less: provision for bad debts	(371,618)	(377,746)
	54,259,123	49,532,618

Movements in the provision for bad debts are as follows:

	For the six months ended 30 June 2011 (Unaudited)	For the year ended 31 December 2010
Opening balance	377,746	400,812
Provision	28,866	100,981
Reversal	(34,685)	(92,972)
Written off	(309)	(31,075)
Closing balance	371,618	377,746

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivable (continued)

Accounts receivable by category is presented as follows:

	30 June 2011 (Unaudited)			
	Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	46,939,356	85.92	(97,161)	0.21
Subject to provision by groups				
— Within 6 months	6,295,595	11.52	—	—
— 6 months to 1 year	279,261	0.51	(1,396)	0.50
— 1 to 2 years	221,282	0.41	(11,064)	5.00
— 2 to 3 years	146,576	0.27	(14,658)	10.00
— Over 3 years	214,972	0.39	(94,941)	44.16
Individually not significant but subject to separate provision for bad debts	533,699	0.98	(152,398)	28.56
	54,630,741	100.00	(371,618)	

	31 December 2010			
	Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	39,356,489	78.85	(109,207)	0.28
Subject to provision by groups				
— Within 6 months	8,814,810	17.66	—	—
— 6 months to 1 year	501,792	1.01	(2,509)	0.50
— 1 to 2 years	277,815	0.56	(13,891)	5.00
— 2 to 3 years	183,774	0.37	(18,377)	10.00
— Over 3 years	225,124	0.45	(106,934)	47.50
Individually not significant but subject to separate provision for bad debts	550,560	1.10	(126,828)	23.04
	49,910,364	100.00	(377,746)	

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivable (continued)

As at 30 June 2011, accounts receivable which are individually significant and subject to separate provision for bad debts are presented as follows:

Accounts receivable	Gross carrying amount	Provision for bad debts	Percentage (%)	Reason
Company 1	23,960	(23,960)	100	No transactions and no payments for a long time
Company 2	13,137	(10,674)	81	Amount in dispute and brought to court
Company 3	15,289	(9,721)	64	Amount in dispute and negotiation
Company 4	10,529	(8,205)	78	Debtor in a lawsuit and insolvency
Company 5	16,136	(3,841)	24	No transactions and no payment for a long time
Others	973,162	(40,760)		
Total	1,052,213	(97,161)		

As at 31 December 2010, accounts receivable which are individually significant and subject to separate provision for bad debts are presented as follows:

Accounts receivable	Gross carrying amount	Provision for bad debts	Percentage (%)	Reason
Company 1	23,960	(23,960)	100	No transactions and no payments for a long time
Company 2	13,137	(10,674)	81	Amount in dispute and brought to court
Company 3	15,289	(9,721)	64	Amount in dispute and negotiation
Company 4	10,529	(8,205)	78	Debtor in a lawsuit and insolvency
Company 5	16,136	(3,841)	24	No transactions and no payment for a long time
Others	1,535,071	(52,806)		
Total	1,614,122	(109,207)		



## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 4. Accounts receivable (continued)

For the six months ended 30 June 2011 and the year ended 31 December 2010, there was no significant reversal of impairment of accounts receivable or significant cash settlement for impaired receivables.

As at 30 June 2011 and 31 December 2010, no individually significant accounts receivable have been written off.

As at 30 June 2011, accounts receivable which were individually not significant but subject to separate provision for bad debt are presented as follows:

Accounts receivable	Gross carrying amount	Provision for bad debts	Percentage (%)	Reason
Company 1	6,238	(6,238)	100	Debtor in financial difficulties
Company 2	5,900	(5,900)	100	Amount in arbitration but unable to recover
Company 3	4,471	(4,471)	100	No transactions and no payments for a long time
Company 4	4,131	(4,131)	100	Debtor in financial difficulties
Company 5	4,814	(4,011)	83	Debtor in financial difficulties
Others	508,145	(127,647)		
Total	533,699	(152,398)		

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivable (continued)

As at 31 December 2010, accounts receivable which were individually not significant but subject to separate provision for bad debts are presented as follows:

Accounts receivable	Gross carrying amount	Provision for bad debts	Percentage (%)	Reason
Company 1	6,238	(6,238)	100	No transactions and no payments for a long time
Company 2	5,900	(5,900)	100	Amount in arbitration and unable to recover
Company 3	3,687	(3,687)	100	No transactions and no payments for a long time
Company 4	2,992	(2,992)	100	Debtor in financial difficulties
Company 5	2,125	(2,125)	100	Debtor in financial difficulties
Others	529,618	(105,886)		
Total	550,560	(126,828)		

Within the aforesaid balance of accounts receivables, amounts due from shareholders that held 5% or more of the Company's voting rights are presented as follows:

	30 June 2011 (Unaudited)		31 December 2010	
	Amount	Provision for bad debt	Amount	Provision for bad debt
CRCCG	55,650	—	79,905	—

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivable (continued)

As at 30 June 2011, the top five accounts receivable are presented as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total accounts receivable (%)
Company 1	Third party	1,632,600	Within one year	2.99
Company 2	Third party	885,527	Within one year	1.62
Company 3	Third party	734,856	Within one year	1.35
Company 4	Third party	724,079	Within one year	1.32
Company 5	Third party	628,321	Within one year	1.15
		4,605,383		8.43

As at 31 December 2010, the top five accounts receivable are presented as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total accounts receivable (%)
Company 1	Third party	1,653,838	Within one year	3.31
Company 2	Third party	1,247,383	Within one year	2.50
Company 3	Third party	1,158,272	Within one year	2.32
Company 4	Third party	982,670	Within one year	1.97
Company 5	Third party	838,624	Within one year	1.68
		5,880,787		11.78

As at 30 June 2011, accounts receivable due from related parties are presented as follows:

	Relationship with the Group	Amount	Percentage of total accounts receivable (%)
CRCCG	Ultimate holding company	55,650	0.10
Chongqing Yurong Highway Co., Ltd.	Associate	84,937	0.16
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	55,401	0.10
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary	5,721	0.01
Chongqing Tiefa Suiyu Highway Co., Ltd.	Fellow subsidiary	4,044	0.01
Xi'an Tianchuang Real Estate Co., Ltd.	Fellow subsidiary	2,155	—
CRCC-HC-CR15G Joint Venture	Jointly controlled entity	1,296	—
Nanchang Railway 2nd Construction Engineering Co., Ltd.	Associate	715	—
		209,919	0.38

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivable (continued)

As at 31 December 2010, accounts receivable due from related parties are presented as follows:

	Relationship with the Group	Amount	Percentage of total accounts receivable (%)
CRCCG	Ultimate holding company	79,905	0.17
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	37,026	0.07
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary	9,393	0.02
Chongqing Tiefa Suiyu Highway Co., Ltd.	Fellow subsidiary	4,433	0.01
Xi'an Tianchuang Real Estate Co., Ltd.	Fellow subsidiary	2,155	—
CRCC-HC-CR15G Joint Venture	Jointly controlled entity	1,400	—
Nanchang Railway 2nd Construction Engineering Co., Ltd.	Associate	715	—
		135,027	0.27

As at 30 June 2011, the Group's accounts receivable that are neither past due nor impaired amounted to RMB52,182,738,000 (31 December 2010: RMB46,557,177,000).

As at 30 June 2011, the Group's accounts receivable with a carrying amount of RMB3,673,187,000 are pledged to obtain short-term bank loans of RMB2,833,088,000 (Note V.18).

As at 31 December 2010, the Group's accounts receivable with a carrying amount of RMB366,682,000 are pledged to obtain short-term bank loans of RMB214,022,000 (Note V.18).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Advances to suppliers

An ageing analysis of the advances to suppliers is presented as follows:

	30 June 2011 (Unaudited)		31 December 2010	
	Gross carrying amount	Percentage (%)	Gross carrying amount	Percentage (%)
Within 1 year	31,884,154	97.95	27,272,150	96.94
1 to 2 years	429,496	1.32	752,848	2.68
2 to 3 years	180,136	0.55	61,423	0.22
Over 3 years	58,828	0.18	46,309	0.16
	32,552,614	100.00	28,132,730	100.00

As at 30 June 2011 and 31 December 2010, significant advances to suppliers aged over one year are presented as follows:

	30 June 2011 (Unaudited)	Nature
Company 1	87,048	Prepayment for materials
Company 2	43,258	Prepayment for construction
Company 3	22,488	Prepayment for construction
Company 4	19,551	Prepayment for construction
Company 5	12,267	Prepayment for materials
	184,612	

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Advances to suppliers (continued)

As at 30 June 2011 and 31 December 2010, significant advances to suppliers aged over one year are presented as follows: (continued)

	31 December 2010	Nature
Company 1	200,000	Prepayment for materials
Company 2	102,596	Prepayment for construction
Company 3	43,258	Prepayment for construction
Company 4	24,650	Prepayment for construction
Company 5	24,112	Prepayment for materials
	394,616	

Significant outstanding advances to suppliers aged over one year are mainly due to a related construction projects which has not been completed or materials or equipment have not been received.

As at 30 June 2011, the top five advances to suppliers are presented as follows:

	Relationship with the Group	Amount	Ageing	Reason for not yet settled
Company 1	Third party	532,778	Within one year	Materials not yet received
Company 2	Third party	406,852	Within one year	Materials not yet received
Company 3	Third party	235,503	Within one year	Materials not yet received
Company 4	Third party	167,170	Within one year	Equipment not yet received
Company 5	Third party	144,835	Within one year	Equipment not yet received
		1,487,138		

## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 5. Advances to suppliers (continued)

As at 31 December 2010, the top five advances to suppliers are presented as follows:

	Relationship with the Group	Amount	Ageing	Reason for not yet settled
Company 1	Third party	442,628	Within one year and one to two years	Materials not yet received
Company 2	Third party	271,262	Within one year	Equipment not yet received
Company 3	Third party	180,334	Within one year	Materials not yet received
Company 4	Third party	178,184	Within one year	Materials not yet received
Company 5	Third party	142,288	Within one year	Project not yet completed
		1,214,696		

As at 30 June 2011, within the aforesaid balance of advances to suppliers, there was no advances to suppliers paid to shareholders that held 5% or more of the Company's voting rights (31 December 2010: nil).

#### 6. Other receivables

An ageing analysis of other receivables is presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
Within 1 year	23,741,916	20,514,141
1 to 2 years	773,161	1,103,213
2 to 3 years	229,110	210,381
Over 3 years	463,875	444,020
	25,208,062	22,271,755
Less: provision for bad debts	(273,539)	(276,612)
	24,934,523	21,995,143

Movements in the provision for bad debts are presented as follows:

	For the six months ended 30 June 2011 (Unaudited)	For the year ended 31 December 2010
Opening balance	276,612	228,324
Provision	6,466	93,260
Reversal	(7,656)	(25,327)
Written off	(1,883)	(19,645)
Closing balance	273,539	276,612

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables (continued)

Other receivables by category are presented as follows:

	30 June 2011 (Unaudited)			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	9,495,965	37.67	(125,463)	1.32
Subject to provision by groups				
— Within 6 months	7,617,235	30.22	—	—
— 6 months to 1 year	668,760	2.65	(3,344)	0.50
— 1 to 2 years	267,180	1.06	(13,359)	5.00
— 2 to 3 years	100,430	0.40	(10,043)	10.00
— Over 3 years	116,870	0.46	(81,224)	69.50
Individually not significant but subject to separate provision for bad debts	6,941,622	27.54	(40,106)	0.58
	25,208,062	100.00	(273,539)	

	31 December 2010			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	8,017,090	36.00	(126,225)	1.57
Subject to provision by groups				
— Within 6 months	6,986,615	31.37	—	—
— 6 months to 1 year	571,186	2.56	(2,834)	0.50
— 1 to 2 years	306,847	1.38	(15,342)	5.00
— 2 to 3 years	90,154	0.40	(9,015)	10.00
— Over 3 years	100,162	0.45	(68,156)	68.05
Individually not significant but subject to separate provision for bad debts	6,199,701	27.84	(55,040)	0.89
	22,271,755	100.00	(276,612)	



## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 6. Other receivables (continued)

As at 30 June 2011, other receivables which are individually significant and subject to separate provision for bad debts are presented as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reason
Company 1	77,748	(57,192)	73.56	Debtor is insolvent
Company 2	169,340	(50,400)	29.76	Debtor in financial difficulties
Company 3	17,000	(17,000)	100.00	Debtor is insolvent
Others	89,579	(871)		
	353,667	(125,463)		

As at 31 December 2010, individually significant other receivables for which provision for bad debts was recognized separately are presented as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reason
Company 1	79,428	(58,054)	73.09	Debtor is insolvent
Company 2	168,893	(50,400)	29.84	Debtor in financial difficulties
Company 3	17,000	(17,000)	100.00	Debtor is insolvent
Others	73,058	(771)		
	338,379	(126,225)		

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables (continued)

As at 30 June 2011, individually not significant other receivables for which provision for bad debts was recognized separately are presented as follows:

Other receivables	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reason
Company 1	6,693	(6,693)	100	Debtor is insolvent
Company 2	5,000	(5,000)	100	Debtor in financial difficulties
Company 3	2,413	(2,413)	100	Debtor in financial difficulties
Company 4	2,300	(1,840)	80	Debtor in financial difficulties
Company 5	3,850	(1,155)	30	Debtor in financial difficulties
Others	97,084	(23,005)		
Total	117,340	(40,106)		

As at 31 December 2010, individually not significant other receivables for which provision for bad debts was recognized separately are presented as follows:

Other receivables	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reason
Company 1	8,693	(8,693)	100.00	Debtor is insolvent
Company 2	5,000	(5,000)	100.00	Debtor in financial difficulties
Company 3	3,700	(2,960)	80.00	Debtor in financial difficulties
Company 4	2,413	(2,413)	100.00	Debtor in financial difficulties
Company 5	3,850	(1,155)	30.00	Debtor in financial difficulties
Others	76,731	(34,819)		
Total	100,387	(55,040)		

For the six months ended 30 June 2011 and the year ended 31 December 2010, there was no significant reversal of impairment of accounts receivable or significant cash settlement for impaired receivables.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables (continued)

As at 30 June 2011 and 31 December 2010, no individually significant other receivables have been written off.

As at 30 June 2011, the top five other receivables are presented as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total other receivables (%)
China-Africa Lekkil Investment Co., Ltd.	Jointly controlled entity	219,337	Within 3 years	0.87
Groupement CITIC- CRCC Joint Venture	Jointly controlled entity	201,068	Within 1 year	0.80
Company 1	Third party	198,212	Within 1 year	0.78
Company 2	Third party	169,340	Over 3 years	0.67
Company 3	Third party	123,009	Within 1 year	0.49
		910,966		3.61

As at 31 December 2010, the top five other receivables are presented as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total other receivables (%)
Company 1	Third party	785,512	Within 1 year	3.53
Company 2	Third party	320,000	Within 1 year	1.44
Company 3	Third party	234,746	Within 1 year	1.05
China-Africa Lekkil Investment Co., Ltd.	Jointly controlled entity	208,605	Within 2 years	0.94
Company 5	Third party	168,893	Over 3 years	0.76
		1,717,756		7.72

As at 30 June 2011, within the aforesaid balance of other receivables, there was no amount due from shareholders that held 5% or more of the Company's voting rights (31 December 2010: nil).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables (continued)

As at 30 June 2011, other receivables due from related parties are presented as follows:

	Relationship with the Group	Amount	Percentage of total other receivables (%)
China-Africa Lekkil Investment Co., Ltd.	Jointly controlled entity	219,337	0.87
Groupement CITIC-CRCC Joint Venture	Jointly controlled entity	201,068	0.80
Nanchang Xinlong Real Estate Co., Ltd.	Associate	26,631	0.11
Nanchang Railway 2 <sup>nd</sup> Construction Engineering Co., Ltd.	Associate	6,129	0.02
CRCC-HC-CR15G Joint Venture	Jointly controlled entity	3,742	0.01
CRCC-Tongguan Investment Co., Ltd.	Jointly controlled entity	2,108	0.01
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	Associate	1,855	0.01
Shaanxi Jiuzheng Medical Technology Co., Ltd.	Associate	1,352	0.01
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	469	—
Chongqing Yurong Highway Co., Ltd.	Associate	169	—
Gansu China Railway Construction and Estate Investment Co., Ltd.	Associate	125	—
		462,985	1.84

## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 6. Other receivables (continued)

As at 31 December 2010, other receivables from related parties are presented as follows:

	Relationship with the Group	Amount	Percentage of total other receivables (%)
China-Africa Lekkil Investment Co., Ltd	Jointly controlled entity	208,605	0.94
Groupement CITIC-CRCC Joint Venture	Jointly controlled entity	162,232	0.73
Gansu China Railway Construction and Estate Investment Co., Ltd.	Associate	99,000	0.44
CRCC-HC-CR15G Joint Venture	Jointly controlled entity	26,804	0.12
Nanchang Xinlong Real Estate Co., Ltd.	Associate	26,599	0.12
Nanchang Railway 2 <sup>nd</sup> Construction Engineering Co., Ltd.	Associate	7,079	0.03
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	Associate	2,083	0.01
CRCC-Tongguan Investment Co., Ltd.	Jointly controlled entity	2,056	0.01
Shaanxi Jiuzheng Medical Technology Co., Ltd.	Associate	1,352	0.01
CLPE-CRCC-HG Joint Venture	Jointly controlled entity	460	—
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	443	—
Hubei Wanjia Real Estate Development Limited	Jointly controlled entity	430	—
Chongqing Yurong Highway Co., Ltd.	Associate	169	—
		537,312	2.41

As at 30 June 2011, the amount of other receivables neither past due nor impaired was RMB24,483,493,000 (31 December 2010: RMB21,574,754,000).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Inventories

	30 June 2011 (Unaudited)		
	Gross carrying amount	Provision	Carrying amount
Raw materials	21,082,260	(3,381)	21,078,879
Work in progress	1,478,847	—	1,478,847
Finished goods	4,645,497	(1,849)	4,643,648
Turnover materials	5,792,707	—	5,792,707
Properties under development (1)	40,897,076	—	40,897,076
Completed properties held for sale (2)	1,130,409	(39,387)	1,091,022
	75,026,796	(44,617)	74,982,179

  

	31 December 2010		
	Gross carrying amount	Provision	Carrying amount
Raw materials	16,413,079	(3,383)	16,409,696
Work in progress	1,718,270	—	1,718,270
Finished goods	3,317,813	(5,104)	3,312,709
Turnover materials	5,174,609	—	5,174,609
Properties under development (1)	31,318,139	—	31,318,139
Completed properties held for sale (2)	1,712,743	(47,670)	1,665,073
	59,654,653	(56,157)	59,598,496

## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 7. Inventories (continued)

Movements in the provision for decline in value of the inventories are presented as follows:

##### For the six months ended 30 June 2011:

	Opening balance	Provision (Unaudited)	Reversal (Unaudited)	Written off (Unaudited)	Closing balance (Unaudited)
Raw materials	3,383	—	—	(2)	3,381
Finished goods	5,104	—	(1,206)	(2,049)	1,849
Completed properties held for sale	47,670	—	—	(8,283)	39,387
	56,157	—	(1,206)	(10,334)	44,617

##### 2010:

	Opening balance	Provision	Reversal	Written off	Closing balance
Raw materials	3,051	332	—	—	3,383
Finished goods	16,425	8,099	(12,932)	(6,488)	5,104
Properties under development	151,439	—	(151,439)	—	—
Completed properties held for sale	48,020	—	(350)	—	47,670
	218,935	8,431	(164,721)	(6,488)	56,157

During the year ended 31 December 2010, a provision for impairment of properties under development of RMB151,439,000 was reversed. Due to the recovery in the real estate market during the year, certain negative impacts resulting in the provision were resolved and hence management considered the provision was no longer required. Further, based on the valuation by the independent value appraiser, the net realizable value of the properties under development were higher than the carrying amount as at 31 December 2010, therefore the Group wrote back the provision for impairment accordingly.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Inventories (continued)

(1) Movements in the properties under development are presented as follows:

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	As at 30 June 2011 (Unaudited)
Changsha Shanyu City Project	Jun 2004	Dec 2015	2,200,000	502,960
Tongjing International City Project	May 2005	Dec 2013	1,410,000	378,897
CRCC Jing Nan Yipin Project	May 2007	Sep 2012	1,460,510	805,285
Xuzhou Rencai Jiayuan Project	Aug 2007	Dec 2011	1,800,000	583,261
Guiyang CRCC International City Project	Sep 2007	Sep 2016	8,104,880	2,899,170
CRCC International Garden Project	Nov 2007	Dec 2012	1,481,950	232,655
Peony Garden Project	Jan 2008	Jul 2013	290,900	98,360
CRCC Lingxiu City Project	May 2008	Dec 2014	3,164,310	500,312
Huatie Everyday Project	Jul 2008	Jun 2012	800,000	129,494
Jingjiang Garden Project	Aug 2008	Oct 2011	317,278	280,718
Hefei CRCC International City Project	Aug 2008	Dec 2013	6,300,000	2,308,941
CRCC Fengling Shanyu City Project	Dec 2008	Feb 2012	1,958,400	859,738
Kaiyuan Community Project	Mar 2009	Jun 2012	650,000	461,776
CRCC Lucky Garden Project	May 2009	Dec 2012	336,840	178,126
Changsha CRCC International City Project	Jun 2009	May 2012	1,960,000	987,416
Beijing CRCC International City Project	Jul 2009	Dec 2012	6,519,510	3,722,413
Chengdu Longquanyi Project	Sep 2009	Aug 2014	3,000,000	2,115,928
Wuhan 1818 Center Project	Nov 2009	Dec 2013	1,600,000	217,887
Tiantian Garden IV Project	Dec 2009	Dec 2012	325,000	123,610
CRCC Wutong Garden Project	Dec 2009	Dec 2012	1,367,740	660,183
River Palace Project	Feb 2010	Jan 2013	1,100,000	626,366
CRCC Donglai Shangcheng	Jun 2010	Aug 2013	687,049	171,457
CRCC Haixi Project	Aug 2010	Jan 2013	700,000	351,921
CRCC Qingxiu Ya Yuan Project	Oct 2010	Nov 2011	3,400,000	2,407,648
Chenghua District land of Chengdu Project	Nov 2010	Dec 2013	1,200,000	641,651
Xin Ran Jiayuan Project	Nov 2010	May 2012	2,612,930	1,690,360
Hangzhou CRCC International City Project	Mar 2011	Apr 2014	4,893,770	2,992,390



# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Inventories (continued)

(1) Movements in the properties under development are presented as follows (continued):

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	As at 30 June 2011 (Unaudited)
Tianjin CRCC International City Project	Mar 2011	Dec 2015	9,734,970	4,246,724
Zhuzhou Lotuspond Star City Flat Project	Apr 2011	Mar 2015	1,100,000	287,091
Gaoxing District Land of Chengdu Project	May 2011	Dec 2013	2,400,000	1,285,587
Guiyang Lancaoba Project	Jun 2011	Dec 2017	6,000,000	158,179
CRCC Liwan International City Project	Jun 2011	Apr 2013	2,530,000	1,415,848
Fangshan Shengshui Jiaming Project	Jun 2011	Jun 2013	2,100,000	1,391,070
Golden Landing Project	Jul 2011	Dec 2012	272,270	104,545
Xi'an CRCC International City Project	Aug 2011	Dec 2015	5,152,500	1,522,404
Beijing Shanyu City Project	Sep 2011	Mar 2014	3,400,000	1,613,067
Ji'nan CRCC International City Project	Sep 2011	Jun 2013	2,196,840	979,428
Others				964,210
				40,897,076

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	As at 31 December 2010
Changsha Shanyu City Project	Jun 2004	Dec 2015	2,200,000	381,465
Tongjing International City Project	May 2005	Dec 2013	1,410,000	319,786
Properous Place Project	Feb 2007	May 2011	300,000	64,675
CRCC Jing Nan Yipin Project	May 2007	Aug 2012	1,460,510	530,336
Xuzhou Rencai Jiayuan Project	Aug 2007	Dec 2011	1,800,000	390,126
Guiyang CRCC International City Project	Sep 2007	Sep 2016	8,104,880	2,599,748
CRCC International Garden Project	Nov 2007	Dec 2012	1,481,950	92,118
Fangshan Guangyang Garden	Feb 2008	Mar 2011	1,280,000	30,003
CRCC Lingxiu City Project	May 2008	Dec 2014	3,164,310	351,896
Huatie Everyday Project	Jul 2008	Jun 2012	800,000	109,363
Jingjiang Garden Project	Aug 2008	Oct 2011	317,278	254,543

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Inventories (continued)

(1) Movements in the properties under development are presented as follows (continued):

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	31 December 2010
Hefei CRCC International City Project	Aug 2008	Dec 2013	6,300,000	1,745,114
CRCC Fengling Shanyu City Project	Dec 2008	Feb 2012	1,958,400	687,808
Kaiyuan Community Project	Mar 2009	Jun 2012	650,000	387,623
CRCC Lucky Garden Project	May 2009	Dec 2012	336,840	145,321
Changsha CRCC International City Project	Jun 2009	May 2012	1,960,000	797,833
Beijing CRCC International City Project	Jul 2009	Dec 2012	6,519,510	3,431,455
Chengdu Longquanyi Project	Sep 2009	Aug 2014	3,000,000	1,577,770
Wuhan 1818 Center Project	Nov 2009	Dec 2013	1,600,000	189,732
Tiantian Garden IV Project	Dec 2009	Dec 2012	325,000	106,266
CRCC Wutong Garden Project	Dec 2009	Dec 2012	1,367,740	455,002
Tangshan Fengrun Shiliu Jiayuan Project	Jan 2010	Nov 2011	157,028	67,239
River Palace Project	Feb 2010	Jan 2013	1,100,000	535,767
Golden Bridge Xindu Project	Jun 2010	Sep 2011	147,970	40,902
CRCC Donglai Shangcheng Project	Jun 2010	Aug 2013	687,049	131,845
CRCC Haixi Project	Aug 2010	Jan 2013	700,000	315,532
CRCC Qingxiu Yayuan Project	Oct 2010	Nov 2011	3,400,000	2,129,554
Chenghua District Land of Chengdu Project	Nov 2010	Dec 2013	1,200,000	443,939
No. 6 Land of Qibu District in Changyang Town	Nov 2010	May 2012	2,612,930	1,509,229
Hangzhou CRCC International City Project	Mar 2011	Apr 2014	4,893,770	1,978,103
Tianjin CRCC International City Project	Mar 2011	Dec 2015	9,734,970	4,182,368
Gaoxin District Land of Chengdu Project	May 2011	Dec 2013	2,400,000	1,254,416
CRCC Liwan International City Project	Jun 2011	Apr 2013	2,530,000	1,344,224
Fangshan Shengshui Jiaming Project	Jun 2011	Jun 2013	2,100,000	1,388,000
Xi'an CRCC International City Project	Aug 2011	Dec 2015	5,152,500	705,049
Others				643,989
				31,318,139

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Inventories (continued)

- (1) Movements in the properties under development are presented as follows (continued):

As at 30 June 2011, the aggregate carrying amount of borrowing costs capitalized in properties under development was RMB643,183,000 (31 December 2010: RMB501,147,000). Borrowing costs capitalized during the six months ended 30 June 2011 amounted to RMB207,097,000 (For the six months ended 30 June 2010: RMB140,218,000). The capitalization rates of borrowing costs ranged from 4.79% to 6.87% during the current period (For the six months ended 30 June 2010: 5.26% to 5.77%).

- (2) Movements in the completed properties held for sale are presented as follows:

Project names	Completion date	For the six months ended 30 June 2011 (unaudited)			Closing balance
		Opening balance	Addition	Deduction	
Jingjiang Garden I Project	Sep 2005	1,181	663	—	1,844
Yingtai Garden I Project	Nov 2006	8,316	—	—	8,316
Peony Garden II Project	Dec 2006	2,622	2,631	—	5,253
CRCC Fortune Harbour Project	Jun 2007	434	266	(458)	242
Tiantian Garden III Project	Nov 2007	6,421	171	(1,031)	5,561
Jingbo Garden Project	Dec 2007	829	18,415	(18,371)	873
Jiaonan Linrui Business Square Project	Dec 2008	55,836	—	(7,594)	48,242
Harbour Terrace Project	Dec 2008	935	—	—	935
Xuzhou Rencai Jianyuan Southern Project	Dec 2009	309,215	39,510	(3,429)	345,296
C-park Appartment Project	Dec 2009	47,935	—	(2,313)	45,622
Changsha Shanyu City Project	Mar 2010	212,151	—	(129,015)	83,136
CRCC International Garden I Project	Jun 2010	225,212	—	(39,274)	185,938
Hefei CRCC International City Xuyuan Project	Oct 2010	33,227	—	(5,467)	27,760
Fangshan Guangyang Project	Nov 2010	398,374	85,840	(339,117)	145,097
CRCC Fengling Shanyu City I and III Project	Dec 2010	284,032	455	(161,423)	123,064
Others		126,023	32,119	(54,912)	103,230
Total		1,712,743	180,070	(762,404)	1,130,409

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Inventories (continued)

(2) Movements in the completed properties held for sale are presented as follows (continued):

Project names	Completion date	Opening balance	2010:		Closing balance
			Addition	Deduction	
Jiahui International Center Building No. 14 and 18	Aug 2004	89,183	—	(89,183)	—
Jingjiang Garden I Project	Sep 2005	1,181	—	—	1,181
Yingtai Garden I Project	Nov 2006	8,316	—	—	8,316
Peony Garden II Project	Dec 2006	2,622	—	—	2,622
CRCC Fortune Harbour Project	Jun 2007	4,019	84	(3,669)	434
Tiantian Garden III Project	Nov 2007	18,782	—	(12,361)	6,421
Jingbo Garden Project	Dec 2007	10,100	—	(9,271)	829
Jiaonan Linrui Business Square Project	Dec 2008	68,981	—	(13,145)	55,836
Harbour Terrace Project	Dec 2008	2,920	1,431	(3,416)	935
Xuzhou Rencai Jianyuan Southern Project	Dec 2009	273,995	333,313	(298,093)	309,215
C-park Flat Project	Dec 2009	298,202	61,901	(312,168)	47,935
Changsha Shanyu City Project	Mar 2010	—	507,292	(295,141)	212,151
Tongjing International City C Project	Mar 2010	—	217,220	(217,220)	—
CRCC International Garden I Project	Jun 2010	—	647,706	(422,494)	225,212
Hefei CRCC International City Xuyuan Project	Oct 2010	—	428,494	(395,267)	33,227
Fangshan Guangyang Garden Project	Nov 2010	—	1,631,925	(1,233,551)	398,374
CRCC Fengling Shanyu City I and III Project	Dec 2010	—	546,375	(262,343)	284,032
Others		117,610	102,870	(94,457)	126,023
Total		895,911	4,478,611	(3,661,779)	1,712,743

As at 30 June 2011, certain interest-bearing bank loans and other loans were secured by the Group's inventories with an aggregate carrying amount of RMB10,628,610,000, including land use rights under the properties under development of RMB10,625,998,000 and completed properties held for sale of RMB2,622,000 (31 December 2010: RMB6,806,666,000 of inventories, including land use rights under properties under development of RMB6,804,044,000, and completed properties held for sale of RMB2,622,000) (Note V.18(b)).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 8. Construction contracts

	30 June 2011 (Unaudited)	31 December 2010
Contract costs incurred to date	1,360,463,483	1,191,285,685
Recognized profits less recognized losses	92,752,211	81,186,172
Less: progress billings	(1,404,359,763)	(1,229,814,795)
	48,855,931	42,657,062

At end of the period/year:

	30 June 2011 (Unaudited)	31 December 2010
Gross amount due from contract customers	65,162,034	60,120,409
Gross amount due to contract customers	(16,306,103)	(17,463,347)
	48,855,931	42,657,062

Movements in the provision for foreseeable contract losses are presented as follows:

	For the six months ended 30 June 2011 (Unaudited)	For the year ended 31 December 2010
Opening balance	133,785	307,464
Provision	16,956	559,196
Reversal	(9,232)	(14,963)
Written off	(22,527)	(717,912)
Closing balance	118,982	133,785

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 8. Construction contracts (continued)

Within the aforesaid balance of gross amount due from customers for contract work, an amount due from a shareholder that held 5% or more of the Company's voting rights is presented as follows:

	30 June 2011 (Unaudited)		31 December 2010	
	Gross carrying amount	Provision	Gross carrying amount	Provision
CRCCG	116,085	—	61,671	—

Within the aforesaid balance of the gross amount due to contract customers, an amount due to a shareholder that held 5% or more of the Company's voting rights is presented as follows:

	30 June 2011 (Unaudited)		31 December 2010	
	Gross carrying amount	Provision	Gross carrying amount	Provision
CRCCG	—	—	2,398	—

### 9. Available-for-sale financial assets

	30 June 2011 (Unaudited)	31 December 2010
Available-for-sale bonds	13	13
Available-for-sale equity instruments	270,170	273,760
	270,183	273,773

No provision for impairment for available-for-sale financial assets have been made or reversed during the six months ended 30 June 2011 and the year of 2010.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term receivables

	30 June 2011 (Unaudited)		
	Gross carrying amount	Provision for bad debt	Carrying amount
Retention money receivables	11,176,233	(59,623)	11,116,610
“Build-Transfer” project receivables	7,488,390	—	7,488,390
Consideration for the Saudi Arabia Mecca Light Rail Project	1,500,000	—	1,500,000
	20,164,623	(59,623)	20,105,000
Less: Non-current assets due within one year:			
Retention money receivables	7,861,575	(21,331)	7,840,244
“Build-Transfer” project receivables	2,152,199	—	2,152,199
Consideration for the Saudi Arabia Mecca Light Rail Project	500,000	—	500,000
	10,513,774	(21,331)	10,492,443
Long-term receivables (non-current portion)	9,650,849	(38,292)	9,612,557

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term receivables (continued)

	31 December 2010		
	Gross carrying amount	Provision for bad debt	Carrying amount
Retention money receivables	7,916,181	(54,853)	7,861,328
"Build-Transfer" project receivables	4,764,608	—	4,764,608
Consideration for the Saudi Arabia Mecca Light Rail Project	2,077,000	—	2,077,000
	14,757,789	(54,853)	14,702,936
Less: non-current assets due within one year			
Retention money receivables	5,548,001	(22,841)	5,525,160
"Build-Transfer" project receivables	677,499	—	677,499
Consideration for the Saudi Arabia Mecca Light Rail Project	577,000	—	577,000
	6,802,500	(22,841)	6,779,659
Long-term receivables	7,955,289	(32,012)	7,923,277

An ageing analysis of long-term receivables is presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
Within 1 year	16,584,060	12,880,890
1 to 2 years	2,943,417	1,315,229
2 to 3 years	472,042	336,430
Over 3 years	165,104	225,240
	20,164,623	14,757,789
Less: provision for bad debts	(59,623)	(54,853)
	20,105,000	14,702,936
Less: non-current assets due within one year portion	(10,492,443)	(6,779,659)
	9,612,557	7,923,277



# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term receivables (continued)

Movements in the provision for impairment of long-term receivables are presented as follows:

	For the six months ended 30 June 2011 (Unaudited)	For the year ended 31 December 2010
Opening balance	54,853	48,760
Provision for bad debts	4,770	6,093
Closing balance	59,623	54,853

The Group tests impairment for long-term receivables that are individually significant or individually not significant separately. When there is objective evidence (such as the debtor in serious financial difficulties, entering bankruptcy, breach of contract, defaults, no payment and no transactions for a long time) that an impairment loss has been incurred, and the amount will be partially recovered, impairment losses will be recognized through profit or loss. As at 30 June 2011, the above provision is made for individually impaired long-term receivables of RMB59,623,000 (31 December 2010: RMB54,853,000) with a carrying amount before provision for impairment of RMB498,832,000 (31 December 2010: RMB361,435,000).

As at 30 June 2011, within the aforesaid balance of long-term receivables, amount due from shareholders that held 5% or more of the Company's voting rights is RMB1,500,000,000, including a current portion of RMB500,000,000.

As at 31 December 2010, within the aforesaid balance of long-term receivables, amount due from shareholders that held 5% or more of the Company's voting rights is RMB2,077,000,000, including a current portion of RMB577,000,000.

An ageing analysis of the Group's long-term receivables that are neither past due nor impaired, and past due but not impaired is presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
Neither past due nor impaired	19,559,246	14,247,661
Past due but not impaired		
— Within 3 months	44,515	40,936
— 3 to 6 months	29,356	35,262
— More than 6 months	32,674	72,495
	19,665,791	14,396,354

Long-term receivables that were past due but not impaired are due from various customers with a good repayment record in the past. The Company's management believes that these customers had no significant change in credit quality, and the balances are still considered fully recoverable. Therefore, no provision for the impairment has been made for the long-term receivables.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. Investments in jointly controlled entities and associates

For the six months ended 30 June 2011:

Jointly controlled entities	Type	Place of registration	Legal representative	Business scope	Registered capital	Organization code	Total assets at period end	Total liabilities at period end	Total net assets at period end	Operating revenue in current period	Net profit/(loss) in current period
Hubei Wanja Real Estate Development Limited	Limited company	Ezhou, Hubei	He Wenzhong	Real estate development	20,000	74179508-2	206,292	158,742	47,550	42,574	9,693
Chun Wo-Henrywicy-CRCC-Queensland Rail Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	541	16	525	—	(38)
Chun Wo-Henrywicy-CRCC Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	148	24	124	—	(14)
CRCC-Tongguan Investment Co., Ltd.	Limited company	Tongling, Anhui	Jin Shouhua	Investment holding	2,000,000	69896533-X	5,835,701	3,437,664	2,398,037	—	—
PetroChina-CRCC Petroleum Marketing Co., Ltd.	Limited company	Beijing	Zhang Changgen	Petroleum marketing	100,000	697727508	243,199	97,486	145,713	1,042,986	26,657
China-Africa Lekki Investment Co., Ltd.	Limited company	Beijing	Chen Xiaoxing	Investment holding	200,000	78550080-5	603,539	493,952	109,587	509	(19,472)
China Railway Communications International Engineering and Technology Co., Ltd.	Limited company	Xi'an, Shaanxi	She Wenzhong	Construction and design of highway	150,000	79748689-5	134,941	877	134,064	—	(1,212)

Associates	Type	Place of registration	Legal representative	Business scope	Registered capital	Organization code	Total assets at period end	Total liabilities at period end	Total net assets at period end	Operating revenue in current period	Net profit/(loss) in current period
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	Limited company	Beijing	Zhu Zhensheng	Technology consultancy	5,000	74179508-2	8,415	3,057	5,358	2,800	44
Shekou Xinghua Enterprise Co., Ltd.	Joint stock company	Shekou, Guangdong	Li Zhuozhi	Real estate development	46,377	618809020	123,637	10,055	113,582	3,047	842
Chongqing Yurong Highway Co., Ltd.	Limited company	Chongqing	Du Guoping	Construction	979,750	55675000-X	2,778,148	1,798,398	979,750	—	—

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. Investments in jointly controlled entities and associates (continued)

#### 2010:

Jointly controlled entities	Type	Place of registration	Legal representative	Business scope	Registered capital	Organization code	Total assets at period end	Total liabilities at period end	Total net assets at period end	Operating revenue in current period	Net profit/(loss) in current period
Hubei Wanjia Real Estate Development Limited	Limited company	Ezhou, Hubei	He Wenzhong	Real estate development	20,000	74179508-2	218,753	180,895	37,858	161,424	25,020
Chun Wo-Henryvicy-CRCC-Queensland Rail Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	2,390	113	2,277	5,584	2,908
Chun Wo-Henryvicy-CRCC Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	404	49	355	541	541
CRCC-Tongguan Investment Co., Ltd.	Limited company	Tongling, Anhui	Jin Shouhua	Investment holding	2,000,000	69896533-X	5,917,535	3,519,346	2,398,189	—	—
PetroChina-CRCC Petroleum Marketing Co., Ltd.	Limited company	Beijing	Zhong Changqing	Petroleum marketing	100,000	697727508	205,659	86,594	119,065	1,106,489	19,804
China-Africa Lekkil Investment Co., Ltd.	Limited company	Beijing	Chen Xiaoxing	Investment holding	200,000	78550080-5	607,407	478,346	129,061	784	(38,596)
China Railway Communications International Engineering and Technology Co., Ltd.	Limited company	Xi'an Shaanxi	She Wenzhong	Construction and design of highway	150,000	79748689-5	136,199	923	135,276	—	(5,611)

Associates	Type	Place of registration	Legal representative	Business scope	Registered capital	Organization code	Total assets at period end	Total liabilities at period end	Total net assets at period end	Operating revenue in current period	Net profit/(loss) in current period
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	Limited company	Beijing	Zhu Zhengsheng	Technology consultancy	5,000	74179508-2	8,447	3,022	5,425	16,133	183
Shekou Xinghua Enterprise Co., Ltd.	Joint stock company	Shekou, Guangdong	Li Zhuozhi	Real estate development	46,377	618809020	122,590	10,225	112,365	14,535	5,198
Chongqing Yurong Highway Co., Ltd.	Limited company	Chongqing	Du Guoping	Construction	979,750	55675000-X	891,931	402,056	489,875	—	—

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Long-term equity investments

		30 June 2011 (Unaudited)	31 December 2010
Equity method			
— Jointly controlled entities	(1)	1,446,526	1,443,814
— Associates	(2)	607,398	411,638
Cost method	(3)	2,334,584	2,362,246
		4,388,508	4,217,698
Less: provision for impairment	(4)	(25,924)	(25,957)
		4,362,584	4,191,741

(1) Investments in jointly controlled entities

#### For the six months ended 30 June 2011:

Company name	Investment cost	Opening balance	Movements (Unaudited)				Closing balance (Unaudited)	Percentage of ownership in equity (%)	Percentage of voting rights (%)
			Increase	Share of profit/(loss)	Distribution of dividends	Transfer out			
Hubei Wanjia Real Estate Development Limited	8,000	15,130	—	3,890	—	—	19,020	40	40
Chun Wo-Henrywicy-CRCC- Queensland Rail Joint Venture	—	456	—	(8)	(343)	—	105	20	20
Chun Wo-Henrywicy-CRCC Joint Venture	—	88	—	(3)	(53)	—	32	25	25
CRCC-Tongguan Investment Co., Ltd.	1,200,000	1,200,000	—	—	—	—	1,200,000	50	50
PetroChina -CRCC Petroleum Marketing Co., Ltd	50,000	59,574	—	13,328	—	—	72,902	50	50
China-Africa Lekkil Investment Co., Ltd.	130,000	92,619	—	(13,999)	—	—	78,620	65	65
China Railway Communications International Engineering and Technology Co., Ltd.	77,000	68,580	—	—	—	—	68,580	51.33	51.33
Others		7,367	—	—	(100)	—	7,267		
		1,443,814	—	3,208	(496)	—	1,446,526		

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Long-term equity investments (continued)

(1) Investments in jointly controlled entities (continued)

2010:

Company name	Investment cost	Opening balance	Movements				Closing balance	Percentage of ownership in equity (%)	Percentage of voting rights (%)
			Increase	Share of profit/(loss)	Distribution of dividends	Transfer out			
Hubei Wanjia Real Estate Development Limited	8,000	15,130	—	—	10,000	(10,000)	15,130	40	40
Chun Wo-Henryvicy-CRCC-Queensland Rail Joint Venture	—	398	—	—	582	(524)	456	20	20
Chun Wo-Henryvicy-CRCC Joint Venture	—	1,294	—	—	135	(1,341)	88	25	25
CRCC-Tongguan Investment Co., Ltd.	1,200,000	1,000,000	200,000	—	—	—	1,200,000	50	50
PetroChina-CRCC Petroleum Marketing Co., Ltd.	50,000	49,673	—	—	9,901	—	59,574	50	50
China-Africa Lekkil Investment Co., Ltd.	130,000	118,213	—	—	(25,594)	—	92,619	65	65
China Railway Communications International Engineering and Technology Co., Ltd.	77,000	—	—	71,460	(2,880)	—	68,580	51.33	51.33
Others		8,467	(1,087)	—	—	(13)	7,367		
		1,193,175	198,913	71,460	(7,856)	(11,878)	1,443,814		

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Long-term equity investments (continued)

#### (2) Investments in associates

For the six months ended 30 June 2011:

Company name	Investment cost	Opening balance	Movements (Unaudited)					Closing balance (Unaudited)	Percentage of ownership in equity (%)	Percentage of voting rights (%)
			Increase	Transfer in	Share of profit/(loss)	Distribution of dividends	Transfer out			
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	2,450	2,580	—	—	—	(200)	—	2,380	49	49
Shekou Xinghua Enterprise Co., Ltd.	16,693	36,968	—	—	—	—	—	36,968	32.9	32.9
Chongqing Yurong Highway Co., Ltd.	195,950	195,950	195,950	—	—	—	—	391,900	40	40
Others		176,140	(24)	—	34	—	—	176,150		
		411,638	195,926	—	34	(200)	—	607,398		

2010:

Company name	Investment cost	Opening balance	Movements				Closing balance	Percentage of ownership in equity (%)	Percentage of voting rights (%)
			Increase	Share of profit/(loss)	Distribution of dividends	Transfer in/(out)			
China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	2,450	2,574	—	100	(94)	—	2,580	49	49
Shanghai Tunnel Yushchenko Bridge Strengthening Works Detection Technology Co., Ltd.	—	2,269	(1,600)	—	—	(669)	—	48	48
China Railway Communications International Engineering and Technology Co., Ltd.	—	71,460	—	—	—	(71,460)	—	—	—
Shekou Xinghua Enterprise Co., Ltd.	16,693	35,258	—	1,710	—	—	36,968	32.9	32.9
Chongqing Yurong Highway Co., Ltd.	195,950	—	195,950	—	—	—	195,950	40	40
Others		172,541	(1,460)	7,916	(2,864)	7	176,140		
		284,102	192,890	9,726	(2,958)	(72,122)	411,638		

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Long-term equity investments (continued)

(3) Equity investments under cost method

For the six months ended 30 June 2011:

Company name	Investment cost	Opening balance	Movements (Unaudited)	Closing balance (Unaudited)	Percentage of ownership in equity (%)	Percentage of voting rights (%)
Jilin Dong'ao Engineering Co. Ltd.	10,000	10,000	—	10,000	16.67	16.67
Zhuhai Baiyi Science and Technology- Yunnan Huaxing Resource Development Company	10,000	10,000	—	10,000	16.00	16.00
Railtech Zhuzhou Bridge Railway Fastening (Wuhan) Co., Ltd.	3,085	3,085	—	3,085	15.00	15.00
Wuhan Johnson Pearl Plaza Head Falcon Electric Appliance Co., Ltd.	60,000	60,000	—	60,000	12.00	12.00
Shanghai Zhouji Development Co., Ltd.	1,600	1,600	—	1,600	10.00	10.00
Beijing Railway Hotel Company Limited	3,123	3,123	—	3,123	7.00	7.00
Shijiazhuang-Taiyuan Passenger Railway Co., Ltd.	15,000	15,000	—	15,000	8.10	8.10
Hainan Yantai International Hotel Co., Ltd.	200,000	200,000	—	200,000	3.65	3.65
Zhuzhou Bridge Engineering Group Co., Ltd.	6,000	6,000	—	6,000	2.14	2.14
China Resources Land (Beijing) Co., Ltd.	592	592	—	592	9.37	9.37
Guotai Jun'an Securities Corporation Limited	5,485	5,485	—	5,485	0.42	0.42
Inner Mongolia Jitong Railway Co., Ltd.	7,660	7,660	—	7,660	0.16	0.16
Beijing-Guangzhou Passenger Railway Henan Company Limited	12,145	12,145	—	12,145	0.43	0.43
Essence Securities Co. Ltd.	1,500,000	1,500,000	—	1,500,000	5.00	5.00
Vossloh Fastening Systems (China) Co., Ltd.	251,500	251,500	—	251,500	2.09	2.09
Huizhou Jinfan Real Estate Co., Ltd.	56,969	56,969	—	56,969	16.20	16.20
Others	—	29,200	(29,200)	—	—	—
		189,887	1,538	191,425		
		2,362,246	(27,662)	2,334,584		

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Long-term equity investments (continued)

(3) Equity investments under cost method (continued)

2010:

Company name	Investment cost	Opening balance	Movements	Closing balance	Percentage of ownership in equity (%)	Percentage of voting rights (%)
Jilin Dong'ao Engineering Co., Ltd.	10,000	10,000	—	10,000	16.67	16.67
Zhuhai baiyi Science and Technology -Yunnan Huaxing Resource Development Company	10,000	10,000	—	10,000	16.00	16.00
Railtech Zhuzhou Bridge Railway Fastening (Wuhan) Co., Ltd.	3,085	3,085	—	3,085	15.00	15.00
Wuhan Johnson Pearl Plaza Head Falcon Electric Appliance Co., Ltd.	60,000	60,000	—	60,000	12.00	12.00
Shanghai Zhouji Development Co., Ltd.	1,600	1,600	—	1,600	10.00	10.00
Beijing Railway Hotel Company Limited	3,123	3,123	—	3,123	7.00	7.00
Shijiazhuang-Taiyuan Passenger Railway Co., Ltd.	15,000	15,000	—	15,000	8.10	8.10
Hainan Yantai General Plaza Co., Ltd.	200,000	200,000	—	200,000	3.65	3.65
Zhuzhou Bridge Engineering Group Co., Ltd.	6,000	6,000	—	6,000	2.14	2.14
China Resources Land (Beijing) Co.,Ltd.	592	592	—	592	9.37	9.37
Guotai Jun'an Securities Corporation Limited	5,485	5,485	—	5,485	0.42	0.42
Inner Mongolia Jitong Railway Co., Ltd.	7,660	7,660	—	7,660	0.16	0.16
Beijing-Guangzhou Passenger Railway He'nan Company Limited	12,145	11,115	1,030	12,145	0.43	0.43
Essence Securities Co. Ltd.	1,500,000	900,000	600,000	1,500,000	5.00	5.00
Vossloh Fastening Systems (China) Co., Ltd.	251,500	251,500	—	251,500	2.09	2.09
Others	56,969	—	56,969	56,969	16.20	16.20
		213,273	5,814	219,087		
		1,698,433	663,813	2,362,246		



# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Long-term equity investments (continued)

(4) Provision for impairment

Company name	For the six months ended 30 June 2011 (Unaudited)			
	Opening balance	Provision	Written off	Closing balance
<b>Jointly controlled entity:</b>				
VIP DEVELOPMENT LIMITED	1,571	—	(33)	1,538
<b>Associate:</b>				
China Railway Communications International Engineering and Technology Co., Ltd.	10,578	—	—	10,578
<b>Equity investment under the cost method:</b>				
Shiyan Rongzhou Vehicel Interior Decoration Co., Ltd.	4,000	—	—	4,000
Shanghai Zhouji Development Co., Ltd.	3,123	—	—	3,123
Zhuhai Baiyi Science and Technology-Yunnan Huaxing Resource Development Company	4,928	—	—	4,928
Others	1,757	—	—	1,757
	13,808	—	—	13,808
	25,957	—	(33)	25,924

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Long-term equity investments (continued)

(4) Provision for impairment (continued)

Company name	Opening balance	2010		Closing balance
		Provision	Written off	
<b>Jointly controlled entity:</b>				
VIP DEVELOPMENT LIMITED	1,618	—	(47)	1,571
<b>Associate:</b>				
China Railway Communications International Engineering and Technology Co., Ltd.	—	10,578	—	10,578
<b>Equity investment under the cost method:</b>				
Shiyan Rongzhou Vehicel Interior Decoration Co., Ltd.	4,000	—	—	4,000
Shanghai Zhouji Development Co., Ltd.	3,123	—	—	3,123
Zhuhai Baiyi Science and Technology- Yunnan Huaxing Resource Development Company	4,388	540	—	4,928
Others	1,757	—	—	1,757
	13,268	540	—	13,808
	14,886	11,118	(47)	25,957

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets

For the six months ended 30 June 2011:

	Opening balance	Additions (Unaudited)	Transferred from construction in progress (Unaudited) (Note V.14)	Disposals (Unaudited)	Closing balance (Unaudited)
<b>Gross carrying amount:</b>					
Buildings	8,629,818	112,233	472,947	(46,412)	9,168,586
Machinery	25,988,710	2,184,074	553,952	(410,600)	28,316,136
Vehicles	9,953,485	790,854	66,691	(252,596)	10,558,434
Production equipment	5,317,440	276,152	74,743	(159,293)	5,509,042
Measuring and testing equipment	2,199,801	217,620	2,141	(37,949)	2,381,613
Other equipment	8,383,180	1,968,784	17,440	(376,190)	9,993,214
<b>Total</b>	<b>60,472,434</b>	<b>5,549,717</b>	<b>1,187,914</b>	<b>(1,283,040)</b>	<b>65,927,025</b>
<b>Accumulated depreciation:</b>					
Buildings	(2,101,031)	(179,123)	—	14,391	(2,265,763)
Machinery	(10,229,367)	(1,509,867)	—	253,124	(11,486,110)
Vehicles	(5,309,628)	(846,782)	—	191,664	(5,964,746)
Production equipment	(1,803,422)	(274,310)	—	79,032	(1,998,700)
Measuring and testing equipment	(1,020,609)	(204,713)	—	28,871	(1,196,451)
Other equipment	(4,616,088)	(1,408,011)	—	261,166	(5,762,933)
<b>Total</b>	<b>(25,080,145)</b>	<b>(4,422,806)</b>	<b>—</b>	<b>828,248</b>	<b>(28,674,703)</b>
<b>Net carrying amount:</b>					
Buildings	6,528,787	(66,890)	472,947	(32,021)	6,902,823
Machinery	15,759,343	674,207	553,952	(157,476)	16,830,026
Vehicles	4,643,857	(55,928)	66,691	(60,932)	4,593,688
Production equipment	3,514,018	1,842	74,743	(80,261)	3,510,342
Measuring and testing equipment	1,179,192	12,907	2,141	(9,078)	1,185,162
Other equipment	3,767,092	560,773	17,440	(115,024)	4,230,281
<b>Total</b>	<b>35,392,289</b>	<b>1,126,911</b>	<b>1,187,914</b>	<b>(454,792)</b>	<b>37,252,322</b>

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets (continued)

For the six months ended 30 June 2011 (continued):

	Opening balance	Additions (Unaudited)	Transferred from construction in progress (Unaudited) (Note V.14)	Disposals (Unaudited)	Closing balance (Unaudited)
<b>Provision for impairment:</b>					
Buildings	(88,572)	—	—	3,165	(85,407)
Machinery	(86,847)	—	—	732	(86,115)
Vehicles	(9,529)	—	—	2,867	(6,662)
Production equipment	(9,846)	—	—	242	(9,604)
Measuring and testing equipment	(4,364)	—	—	—	(4,364)
Other equipment	(20,828)	—	—	144	(20,684)
<b>Total</b>	<b>(219,986)</b>	<b>—</b>	<b>—</b>	<b>7,150</b>	<b>(212,836)</b>
<b>Carrying amount:</b>					
Buildings	6,440,215	(66,890)	472,947	(28,856)	6,817,416
Machinery	15,672,496	674,207	553,952	(156,744)	16,743,911
Vehicles	4,634,328	(55,928)	66,691	(58,065)	4,587,026
Production equipment	3,504,172	1,842	74,743	(80,019)	3,500,738
Measuring and testing equipment	1,174,828	12,907	2,141	(9,078)	1,180,798
Other equipment	3,746,264	560,773	17,440	(114,880)	4,209,597
<b>Total</b>	<b>35,172,303</b>	<b>1,126,911</b>	<b>1,187,914</b>	<b>(447,642)</b>	<b>37,039,486</b>

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets (continued)

2010:

	Opening balance	Additions	Transferred from construction in progress (Note V.14)	Disposals	Closing balance
<b>Gross carrying amount:</b>					
Buildings	7,063,825	806,532	1,077,738	(318,277)	8,629,818
Machinery	20,977,944	4,899,410	1,040,482	(929,126)	25,988,710
Vehicles	7,741,882	2,545,350	127,337	(461,084)	9,953,485
Production equipment	4,081,259	1,304,893	168,896	(237,608)	5,317,440
Measuring and testing equipment	1,575,678	713,293	6,019	(95,189)	2,199,801
Other equipment	6,161,640	3,077,354	114,266	(970,080)	8,383,180
<b>Total</b>	<b>47,602,228</b>	<b>13,346,832</b>	<b>2,534,738</b>	<b>(3,011,364)</b>	<b>60,472,434</b>
<b>Accumulated depreciation:</b>					
Buildings	(1,823,898)	(388,759)	—	111,626	(2,101,031)
Machinery	(7,902,539)	(2,857,932)	—	531,104	(10,229,367)
Vehicles	(4,237,508)	(1,449,908)	—	377,788	(5,309,628)
Production equipment	(1,483,044)	(462,622)	—	142,244	(1,803,422)
Measuring and testing equipment	(799,234)	(290,077)	—	68,702	(1,020,609)
Other equipment	(3,247,270)	(2,158,680)	—	789,862	(4,616,088)
<b>Total</b>	<b>(19,493,493)</b>	<b>(7,607,978)</b>	<b>—</b>	<b>2,021,326</b>	<b>(25,080,145)</b>
<b>Net carrying amount:</b>					
Buildings	5,239,927	417,773	1,077,738	(206,651)	6,528,787
Machinery	13,075,405	2,041,478	1,040,482	(398,022)	15,759,343
Vehicles	3,504,374	1,095,442	127,337	(83,296)	4,643,857
Production equipment	2,598,215	842,271	168,896	(95,364)	3,514,018
Measuring and testing equipment	776,444	423,216	6,019	(26,487)	1,179,192
Other equipment	2,914,370	918,674	114,266	(180,218)	3,767,092
<b>Total</b>	<b>28,108,735</b>	<b>5,738,854</b>	<b>2,534,738</b>	<b>(990,038)</b>	<b>35,392,289</b>

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets (continued)

2010 (continued):

	Opening balance	Additions	Transferred from construction in progress (Note V.14)	Disposals	Closing balance
<b>Provision for impairment:</b>					
Buildings	(93,978)	—	—	5,406	(88,572)
Machinery	(99,060)	—	—	12,213	(86,847)
Vehicles	(9,857)	—	—	328	(9,529)
Production equipment	(9,935)	—	—	89	(9,846)
Measuring and testing equipment	(4,681)	—	—	317	(4,364)
Other equipment	(21,738)	—	—	910	(20,828)
<b>Total</b>	<b>(239,249)</b>	<b>—</b>	<b>—</b>	<b>19,263</b>	<b>(219,986)</b>
<b>Carrying amount:</b>					
Buildings	5,145,949	417,773	1,077,738	(201,245)	6,440,215
Machinery	12,976,345	2,041,478	1,040,482	(385,809)	15,672,496
Vehicles	3,494,517	1,095,442	127,337	(82,968)	4,634,328
Production Equipment	2,588,280	842,271	168,896	(95,275)	3,504,172
Measuring and testing equipment	771,763	423,216	6,019	(26,170)	1,174,828
Other equipment	2,892,632	918,674	114,266	(179,308)	3,746,264
<b>Total</b>	<b>27,869,486</b>	<b>5,738,854</b>	<b>2,534,738</b>	<b>(970,775)</b>	<b>35,172,303</b>

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets (continued)

As at 30 June 2011, except for the ownership titles of the Group's certain buildings with a net carrying amount of RMB66,435,000 were restricted (31 December 2010: RMB66,512,000) (Note V.18(c)), there was no other restrictions on titles of the Group's fixed assets.

Fixed assets that are temporarily idle are presented as follows:

	As at 30 June 2011 (Unaudited)			
	Gross carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery	230	(46)	—	184
Vehicles	126	(120)	—	6
Other equipment	1,335	(823)	—	512
Total	1,691	(989)	—	702

	As at 31 December 2010			
	Gross carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery	261	(76)	—	185
Other equipment	401	(152)	—	249
Total	662	(228)	—	434

Fixed assets held under finance leases are presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
Gross carrying amount	833,622	806,076
Accumulated depreciation	(177,631)	(140,805)
Carrying amount	655,991	665,271

The Group's fixed assets held under finance leases were construction machines as at 30 June 2011 and 31 December 2010.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets (continued)

As at 30 June 2011, the Group was in the process of applying for the title certificates for the following fixed assets:

Name of fixed assets	Carrying amount (Unaudited)	Reason for without the title certificates	Expected date of obtaining the title certificates
Office Building of Fuzhou Huaxing Real Estate Development Company - China Railway 17th Bureau 6th Engineering Co., Ltd.	25,479	Completed and in the process of applying for the title certificates	December 2011
South Annex Building of China Railway Construction Group Co., Ltd.	20,321	Completed and in the process of applying for the title certificates	December 2011
Laboratory Houses of China Railway 17th Bureau 4th Engineering Co., Ltd.	69	Completed and in the process of applying for the title certificates	December 2011
Total	45,869		

As at 30 June 2011, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of RMB45,869,000 (31 December 2010: RMB57,742,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The Company's management is also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2011.



# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress

	30 June 2011 (Unaudited)			31 December 2010		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
New Base Building of China Civil Engineering Construction Ltd.	—	—	—	44,487	—	44,487
Nigeria Lagos New Base of China Civil Engineering Construction Ltd.	26,256	—	26,256	18,559	—	18,559
Nigeria Equipment Installing Project of China Civil Engineering Construction Ltd.	285,815	—	285,815	212,295	—	212,295
Han Jiang Equipment Manufacturing Base of No.6 Engineering Co., Ltd. of China Railway 11th Bureau Group Co., Ltd.	47,390	—	47,390	44,030	—	44,030
Construction Training Building of Electrical Engineering Co., Ltd. of China Railway 11th Bureau Group Co., Ltd.	32,271	—	32,271	12,465	—	12,465
Office Building of Urban Mass Transit Engineering Co., Ltd. of China Railway 11th Bureau Group Co., Ltd.	—	—	—	25,153	—	25,153
Office-Building of China Railway 13th Bureau Group 1st Engineering Co., Ltd.	17,985	—	17,985	17,983	—	17,983
Earth Pressure Balance TBM of China Railway 14th Bureau Group Co., Ltd. (Huasuitong) 09 BVI CRCC 14 EPB 001	42,300	—	42,300	—	—	—
Earth Pressure Balance TBM of China Railway 14th Bureau Group Co., Ltd. (KOMATSU) 10 JP CRCC 14 EPB 004	44,167	—	44,167	—	—	—
Slurry Balance TBM of China Railway 14th Bureau Group Co., Ltd. (Herrenknecht) 10 DEC CRCC 14 MIX 001	33,112	—	33,112	—	—	—
9-meter Slurry Balance TBM 623 of China Railway 15th Bureau Group Co., Ltd.	81,021	—	81,021	70,721	—	70,721
9-meter Slurry Balance TBM 624 of China Railway 15th Bureau Group Co., Ltd.	70,721	—	70,721	70,721	—	70,721
Slurry Treatment Equipment of China Railway 15th Bureau Group Co., Ltd. for Guangshenggang Railway Project	36,050	—	36,050	15,450	—	15,450
Oil Depot of Materials Commercial Corp. of China Railway 15th Bureau Group Co., Ltd.	22,543	—	22,543	21,483	—	21,483
Coking Plant Project of Jiaodianjixian Corp. of China Railway 15th Bureau Group Co., Ltd.	145,333	(132,912)	12,421	145,330	(132,912)	12,418

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

	30 June 2011 (Unaudited)			31 December 2010		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Two Earth Pressure Balance TBM EPB8800 of China Railway 16th Bureau Group Co., Ltd. (Herrenknecht)	151,807	—	151,807	109,531	—	109,531
Two Earth Pressure Balance TBM EPB8800 of China Railway 16th Bureau Group Co., Ltd. (Japan AOCUN)	118,985	—	118,985	72,154	—	72,154
Two Earth Pressure Balance TBM EPB6250 Tunnel Boring Machines for construction of Kunming subway	—	—	—	14,398	—	14,398
Two Earth Pressure Balance TBM EPB6410 Tunnel Boring Machines for construction of Kunming subway	31,600	—	31,600	31,600	—	31,600
Hard Rock TBM of China Railway 18th Bureau Group Co., Ltd.	—	—	—	231,197	—	231,197
Annex Building of China Railway 18th Bureau Group Co., Ltd. Office Building	1,374	—	1,374	1,374	—	1,374
Earth Pressure Balance TBM ZTE6250 of China Railway 18th Bureau Group Co., Ltd.	1,075	—	1,075	27,720	—	27,720
Dormitory building of Construction and Installation Co., Ltd. of China Railway 18th Bureau Group Co., Ltd.	15,359	—	15,359	11,392	—	11,392
Compound TBM of China Railway 18th Bureau Group Co., Ltd.	58,518	—	58,518	—	—	—
The Office Building of No. 6 Engineering Corporation Ltd. of China Railway 20th Bureau Group Co., Ltd.	—	—	—	33,593	—	33,593
Technological Transformation Project of 2500T / D New Dry Clinker Cement Production Line of China Railway 23rd Bureau Group Co., Ltd.	—	—	—	323,213	—	323,213
Earth Pressure Balance TBM of China Railway 23rd Bureau Group Co., Ltd.	27,860	—	27,860	—	—	—

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

	30 June 2011 (Unaudited)			31 December 2010		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Earth Pressure Balance TBM of China Railway 25th Bureau Group Co., Ltd.	—	—	—	22,982	—	22,982
Kunming Industrial Base of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	262,708	—	262,708	206,050	—	206,050
Main Workplant Project of Beijing Ruiweitong Engineering Machinery Co., Ltd.	35,695	—	35,695	29,580	—	29,580
Plant, Office Building and Science Research Center of China Railway Construction Heavy Industry Co., Ltd.	32,363	—	32,363	32,363	—	32,363
Mobile Milling Machine, NC Drilling Machine and High- speed Rail Forging System of China Railway Construction Heavy Industry Co., Ltd.	1,085	—	1,085	1,085	—	1,085
Equipment Installation Project of Equipment Branch under China Railway Construction Heavy Industry Co., Ltd.	28,986	—	28,986	51,468	—	51,468
Housing Construction Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	200	—	200	2,019	—	2,019
Second-stage Housing Construction Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	77,676	—	77,676	20,914	—	20,914
Wall Building Project of Forging Plant of New High Manganese Steel Manufacturing and Capacity Expansion of China Railway Construction Heavy Industry Co., Ltd.	16,031	—	16,031	—	—	—
Others	475,935	—	475,935	403,641	—	403,641
Total	2,222,221	(132,912)	2,089,309	2,324,951	(132,912)	2,192,039

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

For the six months ended 30 June 2011:

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
New Base Building of China Civil Engineering Construction Ltd	50,000	44,487	3,868	(48,355)	—	—	Self-funding	97
Nigeria Lagos New Base of China Civil Engineering Construction Ltd.	30,000	18,559	7,697	—	—	26,256	Self-funding	88
Nigeria Equipment Installation Project of China Civil Engineering Construction Ltd.	435,030	212,295	218,245	(144,725)	—	285,815	Self-funding	99
Han Jiang Equipment Manufacturing Base of No.6 Engineering Co., Ltd. of China Railway 11th Bureau Group Co., Ltd.	159,000	44,030	3,360	—	—	47,390	Self-funding	30
Construction Training Building of Electrical Engineering Co., Ltd. of China Railway 11th Bureau Group Co., Ltd.	40,000	12,465	19,806	—	—	32,271	Self-funding	81
Office Building of Urban Mass Transit Engineering Co., Ltd. of China Railway 11th Bureau Group Co., Ltd.	40,000	25,153	8,178	(33,331)	—	—	Self-funding	83
Office-Building of China Railway 13th Bureau Group 1st Engineering Co., Ltd.	19,507	17,983	2	—	—	17,985	Self-funding	92
Earth Pressure Balance TBM of China Railway 14th Bureau Group Co., Ltd. (Huasuitong)	68,501	—	42,300	—	—	42,300	Self-funding	62

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

For the six months ended 30 June 2011 (continued):

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
Earth Pressure Balance TBM of China Railway 14th Bureau Group Co., Ltd. (KOMATSU) 10 JP CRCC 14 EPB 004	73,000	—	44,167	—	—	44,167	Self-funding	61
Slurry Balance TBM of China Railway 14th Bureau Group Co., Ltd. (Herrenknecht) 10 DEC CRCC 14 MIX 001	161,500	—	33,112	—	—	33,112	Self-funding	21
9-meter Slurry Balance TBM 623 of China Railway 15th Bureau Group Co., Ltd.	220,000	70,721	10,300	—	—	81,021	Self-funding	37
9-meter Slurry Balance TBM 624 of China Railway 15th Bureau Group Co., Ltd.	220,000	70,721	—	—	—	70,721	Self-funding	32
Slurry Treatment Equipment of China Railway 15th Bureau Group Co., Ltd. for Guangsheng Railway Project	80,000	15,450	20,600	—	—	36,050	Self-funding	45
Oil Depot of Materials Commercial Corp. of China Railway 15th Bureau Group Co., Ltd.	28,000	21,483	1,060	—	—	22,543	Self-funding	81
Coking Plant Project of JiaoDianJiXian Corp. of China Railway 15th Bureau Group Co., Ltd.	357,000	145,330	9	—	(6)	145,333	Self-funding	41
Two Earth Pressure Balance TBM EPB8800 of China Railway 16th Bureau Group Co., Ltd. (Herrenknecht)	192,755	109,531	42,276	—	—	151,807	Self-funding	79

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

For the six months ended 30 June 2011 (continued):

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
Two Earth Pressure Balance TBM EPB8800 of China Railway 16th Bureau Group Co., Ltd. (Japan AOCUN)	176,000	72,154	46,831	—	—	118,985	Self-funding	68
Two Earth Pressure Balance TBM EPB6250 Tunnel Boring Machines for construction of Kunming subway	70,900	14,398	55,360	(69,758)	—	—	Self-funding	98
Two Earth Pressure Balance TBM EPB64100 Tunnel Boring Machines for construction of Kunming subway	90,286	31,600	—	—	—	31,600	Self-funding	35
Hard rock TBM of China Railway 18th Bureau Group Co., Ltd.	269,874	231,197	39,249	(270,446)	—	—	Self-funding	100
Annex Office Building of China Railway 18th Bureau Group Co., Ltd.	8,673	1,374	—	—	—	1,374	Self-funding	16
Earth Pressure Balance TBM ZTE6250 of China Railway 18th Bureau Group Co., Ltd.	74,900	27,720	26,960	(53,605)	—	1,075	Self-funding	73
Dormitory Building of Construction and Installation Co. Ltd. of China Railway 18th Bureau Group Co., Ltd.	350,000	11,392	3,967	—	—	15,359	Self-funding	4
Compound TBM of China Railway 18th Bureau Group Co., Ltd.	128,000	—	58,518	—	—	58,518	Bank loans	46
Office Building of No. 6 Engineering Corporation Ltd. of China Railway 20th Bureau Group Co., Ltd.	35,915	33,593	—	(31,229)	(2,364)	—	Self-funding	94
Technological Transformation Project of 2500T / D New Dry Clinker Cement Production Line of China Railway 23rd Bureau Group Co., Ltd.	324,290	323,213	1,077	(324,290)	—	—	Bank loans	100
Earth Pressure Balance TBM of China Railway 23rd Bureau Group Co., Ltd.	92,867	—	27,860	—	—	27,860	Self-funding	30
Earth Pressure Balance TBM of China Railway 25th Bureau Group Co., Ltd.	42,882	22,982	19,900	(42,882)	—	—	Self-funding	100

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

For the six months ended 30 June 2011 (continued):

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
The Kunming industrial base of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	392,101	206,050	74,511	(17,828)	(25)	262,708	Bank loans	72
Project of Main Workplant of Beijing Ruiweitong Engineering Machinery Co., Ltd.	40,000	29,580	6,115	—	—	35,695	Self-funding	89
Plant, Office Building and Research Center of China Railway Construction Heavy Industry Co., Ltd.	125,000	32,363	—	—	—	32,363	Self-funding	26
Mobile Milling Machine, NC Drilling Machine and High-speed Rail Forging System of China Railway Construction Heavy Industry Co., Ltd.	56,637	1,085	—	—	—	1,085	Self-funding	2
Housing Construction Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	50,000	2,019	—	(1,819)	—	200	Self-funding	4
Equipment Installation Project of Equipment Branch under China Railway Construction Heavy Industry Co., Ltd.	110,000	51,468	22,984	(45,239)	(227)	28,986	Self-funding	68
Second-stage Housing Construction Project of Equipment Branch under China Railway Construction Heavy Industry Co., Ltd.	150,000	20,914	56,762	—	—	77,676	Self-funding	52
Casting Workplant Wall Project of New High Manganese Steel Manufacturing and Capacity Expansion of China Railway Construction Heavy Industry Co., Ltd.	16,031	15,700	331	—	—	16,031	Self-funding	100
Others		387,941	205,120	(104,407)	(12,719)	475,935		
Total		2,324,951	1,100,525	(1,187,914)	(15,341)	2,222,221		
Provision		(132,912)	—	—	—	(132,912)		
Carrying Amount		2,192,039	1,100,525	(1,187,914)	(15,341)	2,089,309		

(Note V.13)

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

2010:

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
The main production Base of Libyan Railway Project of China Civil Engineering Construction Ltd.	40,543	30,439	10,104	—	(40,543)	—	Self-funding	100
New Base Building of China Civil Engineering Construction Ltd.	50,000	11,120	33,367	—	—	44,487	Self-funding	89
Nigeria Lagos New Base of China Civil Engineering Construction Ltd.	20,000	2,313	16,246	—	—	18,559	Self-funding	93
Nigeria Equipment Installation Project of China Civil Engineering Construction Ltd.	568,323	194,839	373,484	(356,028)	—	212,295	Self-funding	99
Han Jiang Equipment Manufacturing Base of No.6 Engineering Co., Ltd. of China Railway 11th Bureau Group Co., Ltd.	159,000	—	44,030	—	—	44,030	Self-funding	28
Construction Training Building of Electrical Engineering Co., Ltd. of China Railway 11th Bureau Group Co., Ltd.	30,000	—	12,465	—	—	12,465	Self-funding	42
Office Building of Urban Mass Transit Engineering Co., Ltd. of China Railway 11th Bureau Group Co., Ltd.	39,000	10,078	15,075	—	—	25,153	Self-funding	64
Office-Building of China Railway 13th Bureau Group 1st Engineering Co.,Ltd.	19,507	17,410	573	—	—	17,983	Self-funding	92
The Xindu Production Base Project of No.4 Engineering Co., Ltd of China Railway 13th Bureau Group Co., Ltd.	97,000	93,816	12,589	—	(106,405)	—	Self-funding	100



# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

#### 2010 (continued):

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
Office Building of No.4 Engineering Co., Ltd of China Railway 14th Bureau Group Co., Ltd	23,000	22,081	815	(22,896)	—	—	Self-funding	100
Earth Pressure Balance TBM S292 of China Railway 15th Bureau Group Co., Ltd.	49,305	17,445	—	(3,716)	(13,729)	—	Bank loans	35
Earth Pressure Balance TBM S356 of China Railway 15th Bureau Group Co., Ltd.	133,000	10,336	74	(3,441)	(6,969)	—	Bank loans	8
Earth Pressure Balance TBM S416 of China Railway 15th Bureau Group Co., Ltd.	46,999	50,065	—	(50,065)	—	—	Self-funding	100
Earth Pressure Balance TBM S417 of China Railway 15th Bureau Group Co., Ltd.	54,572	54,579	—	(54,579)	—	—	Self-funding	100
Earth Pressure Balance TBM S550 of China Railway 15th Bureau Group Co., Ltd. for Guangshenggang Railway Project	303,988	126,866	128,647	(255,513)	—	—	Bank loans	84
Earth Pressure Balance TBM S526 of China Railway 15th Bureau Group Co., Ltd.	119,743	46,840	10,419	(57,259)	—	—	Bank loans	48
Earth Pressure Balance TBM S527 of China Railway 15th Bureau Group Co., Ltd.	119,743	46,840	10,419	(57,259)	—	—	Bank loans	48
The TM645PMM_1 of KOMATSU TBM Shield of China Railway 15th Bureau Group Co., Ltd.	107,899	7,900	31,572	(39,472)	—	—	Bank loans	37
The TM645PMM 2 of KOMATSU TBM of China Railway 15th Bureau Group Co., Ltd.	107,899	7,900	31,572	(39,472)	—	—	Bank loans	37
Ballastless Track Equipment of China Railway 15th Bureau Group Co., Ltd.	47,664	121	—	—	(121)	—	Self-funding	100
9-meter Slurry Balance TBM 623 of China Railway 15th Bureau Group Co., Ltd.	220,000	—	70,721	—	—	70,721	Self-funding	32
9-meter Slurry Balance TBM 624 of China Railway 15th Bureau Group Co., Ltd.	220,000	—	70,721	—	—	70,721	Self-funding	32

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

2010 (continued):

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
Slurry Treatment Equipment of China Railway 15th Bureau Group Co., Ltd. for Guangshengang Railway Project	80,000	—	15,450	—	—	15,450	Self-funding	19
Oil Depot of Materials Commercial Corp. of China Railway 15th Bureau Group Co., Ltd.	28,000	9,686	11,797	—	—	21,483	Self-funding	77
Coking Plant Project of JiaoDianJiXian Corp. of China Railway 15th Bureau Group Co., Ltd.	357,000	147,542	7,445	(9,657)	—	145,330	Self-funding	43
Two Earth Pressure Balance TBM EPB8800 of China Railway 16th Bureau Group Co., Ltd.(Herrenknecht)	192,755	—	109,531	—	—	109,531	Self-funding	57
Two Earth Pressure Balance TBM EPB8800 of China Railway 16th Bureau Group Co., Ltd. (Japan AOCUN)	176,000	—	72,154	—	—	72,154	Self-funding	41
Two Earth Pressure Balance TBM EPB6250 of China Railway 16th Bureau Group Co., Ltd	70,900	—	14,398	—	—	14,398	Self-funding	20
Two Earth Pressure Balance TBM EPB6410 of China Railway 16th Bureau Group Co., Ltd.	90,286	—	31,600	—	—	31,600	Self-funding	35
Hard rock TBM of China Railway 18th Bureau Group Co., Ltd.	269,874	3,475	227,722	—	—	231,197	Self-funding	86
Annex Office Building of China Railway 18th Bureau Group Co., Ltd. Office Building	8,673	1,374	—	—	—	1,374	Self-funding	16
Construction Equipment by Finance Lease for Jingqin Project of China Railway 18th Bureau Group Co., Ltd	52,015	52,015	—	(52,015)	—	—	Self-funding	100

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

#### 2010 (continued):

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
Earth Pressure Balance TBM ZET6250 of China Railway 18th Bureau Group Co., Ltd.	74,900	—	27,720	—	—	27,720	Self-funding	37
Office Building of No. 6 Engineering Corporation Ltd. of China Railway 20th Bureau Group Co., Ltd.	44,477	20,014	13,579	—	—	33,593	Self-funding	76
Technological Transformation Project of 2500T / D New Dry Clinker Cement Production Line of China Railway 23rd Bureau Group Co., Ltd.	323,214	315,394	7,819	—	—	323,213	Self-funding	100
Earth Pressure Balance TBM of China Railway 23rd Bureau Group Co., Ltd.	51,226	37,386	13,839	(51,225)	—	—	Bank loans	100
Earth Pressure Balance TBM of China Railway 25th Bureau Group Co., Ltd.	42,882	—	22,982	—	—	22,982	Self-funding	54
South Affiliated Building of China Railway Construction Bureau Group Co., Ltd.	22,710	18,333	2,982	(20,321)	—	994	Self-funding	94
Workplant Wall Construction of China Railway Construction Electrification Bureau Group Changzhou Mass Transit Equipment Co., Ltd.	63,843	11,810	24,226	(36,036)	—	—	Self-funding	56
Building of Beijing Headquarter of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	44,800	37,309	2,653	(39,945)	—	17	Self-funding	89
Kunming Industrial Base of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	950,000	361,624	215,786	(371,360)	—	206,050	Self-funding	61

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

2010 (continued):

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
Project of Main Workplant of Beijing Ruiweitong Engineering Machinery Co., Ltd.	20,237	—	29,580	—	—	29,580	Self-funding	100
Scientific Research Center for Nanning Base of China Railway Fourth Survey and Design Institute Group Co., Ltd.	389,690	164,627	224,208	(388,835)	—	—	Self-funding	100
Research and Production Building of China Railway Fourth Survey and Design Institute Group Co., Ltd.	36,122	36,122	—	(35,737)	(385)	—	Self-funding	100
Office Building of China Railway Goods and Materials Co., Ltd. Huanan Branch.	41,627	23,099	18,194	(41,293)	—	—	Self-funding	99
Plant, Office Building and Research Center of China Railway Rail System Group Co., Ltd.	125,000	25,827	12,401	(5,865)	—	32,363	Self-funding	31
Mobile Milling Machinery, NC Drilling Machinery and High-speed Rail Forging System of China Railway Rail System Group Co., Ltd.	56,637	1,085	—	—	—	1,085	Self-funding	2
Housing Construction Project of Equipment Branch of China Railway Rail System Group Co., Ltd.	50,000	42,328	4,215	(43,552)	(972)	2,019	Self-funding	93
Equipment Installation Project of Equipment Branch of China Railway Rail System Group Co., Ltd.	110,000	54,467	39,472	(42,471)	—	51,468	Self-funding	85
Second-stage Housing Construction Project of Equipment Branch of China Railway Rail System Group Co., Ltd.	150,000	—	20,914	—	—	20,914	Self-funding	14
Others		457,307	509,937	(457,276)	(95,946)	414,022		
Total		2,571,812	2,553,497	(2,535,288)	(265,070)	2,324,951		
Provision for impairment		(550)	(132,912)	550	—	(132,912)		
Carrying amount		2,571,262	2,420,585	(2,534,738)	(265,070)	2,192,039		

(Note V.13)

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

The amount of interest expenses capitalized in the balance of construction in progress and the capitalization rate are presented as follows:

(Unaudited)	For the six months ended 30 June 2011			
	Progress (%)	Accumulated amount of interest capitalized	Interest capitalized during the current period	Capitalization rate during the current period (%)
Kunming Industrial Base of Kunming China Railway Large Maintenance Machinery Co. Ltd.	72	76,035	13,879	5.04
Others		32,324	4,305	
Total		108,359	18,184	

	2010			
	Progress (%)	Accumulated amount of interest capitalized	Interest capitalized during the year	Capitalization rate during the year (%)
Kunming Industrial Base of Kunming China Railway Large Maintenance Machinery Co. Ltd.	61	62,156	21,770	3.96
Others		28,383	5,757	
Total		90,539	27,527	

Note: During the six months ended 30 June 2011, capitalized interest included in the balance of construction in progress with an amount of RMB364,000 (2010: RMB9,530,000) were transferred to fixed assets.

During the six-month ended 30 June 2011, no provision for impairment of construction in progress has been made or transferred out.

During the year ended 31 December 2010, provision for impairment of construction in progress with the amount of RMB132,912,000 were made the Group and provision of RMB550,000 were transferred out.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Intangible assets

	For the six months ended 30 June 2011			
	Opening balance	Additions (Unaudited)	Disposals (Unaudited)	Closing balance (Unaudited)
<b>Gross carrying amount:</b>				
Land use rights	5,533,825	68,598	(9,620)	5,592,803
Concession assets	1,128,205	218,709	(38,055)	1,308,859
Mining rights	170,689	—	—	170,689
Others	116,273	13,888	(31)	130,130
<b>Total</b>	<b>6,948,992</b>	<b>301,195</b>	<b>(47,706)</b>	<b>7,202,481</b>
<b>Accumulated amortization:</b>				
Land use rights	(424,267)	(64,134)	706	(487,695)
Concession assets	(85,990)	(13,642)	—	(99,632)
Mining rights	(7,768)	(2,107)	—	(9,875)
Others	(49,311)	(7,926)	31	(57,206)
<b>Total</b>	<b>(567,336)</b>	<b>(87,809)</b>	<b>737</b>	<b>(654,408)</b>
<b>Net carrying amount:</b>				
Land use rights	5,109,558	4,464	(8,914)	5,105,108
Concession assets	1,042,215	205,067	(38,055)	1,209,227
Mining rights	162,921	(2,107)	—	160,814
Others	66,962	5,962	—	72,924
<b>Total</b>	<b>6,381,656</b>	<b>213,386</b>	<b>(46,969)</b>	<b>6,548,073</b>
<b>Provision for impairment:</b>				
Land use rights	(9,044)	—	—	(9,044)
Concession assets	—	—	—	—
Mining rights	—	—	—	—
Others	—	—	—	—
<b>Total</b>	<b>(9,044)</b>	<b>—</b>	<b>—</b>	<b>(9,044)</b>
<b>Carrying amount:</b>				
Land use rights	5,100,514	4,464	(8,914)	5,096,064
Concession assets	1,042,215	205,067	(38,055)	1,209,227
Mining rights	162,921	(2,107)	—	160,814
Others	66,962	5,962	—	72,924
<b>Total</b>	<b>6,372,612</b>	<b>213,386</b>	<b>(46,969)</b>	<b>6,539,029</b>

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Intangible assets (continued)

		2010		
	Opening balance	Additions	Disposals	Closing balance
<b>Gross carrying amount:</b>				
Land use rights	5,380,924	246,300	(93,399)	5,533,825
Concession assets	571,678	556,527	—	1,128,205
Mining rights	170,689	—	—	170,689
Others	98,441	23,523	(5,691)	116,273
Total	6,221,732	826,350	(99,090)	6,948,992
<b>Accumulated amortization:</b>				
Land use rights	(327,441)	(148,142)	51,316	(424,267)
Concession assets	(58,045)	(27,945)	—	(85,990)
Mining rights	(3,636)	(4,132)	—	(7,768)
Others	(35,862)	(17,719)	4,270	(49,311)
Total	(424,984)	(197,938)	55,586	(567,336)
<b>Net carrying amount:</b>				
Land use rights	5,053,483	98,158	(42,083)	5,109,558
Concession assets	513,633	528,582	—	1,042,215
Mining rights	167,053	(4,132)	—	162,921
Others	62,579	5,804	(1,421)	66,962
Total	5,796,748	628,412	(43,504)	6,381,656
<b>Provision for impairment:</b>				
Land use rights	(9,044)	—	—	(9,044)
Concession assets	—	—	—	—
Mining rights	—	—	—	—
Others	—	—	—	—
Total	(9,044)	—	—	(9,044)
<b>Carrying amount:</b>				
Land use rights	5,044,439	98,158	(42,083)	5,100,514
Concession assets	513,633	528,582	—	1,042,215
Mining rights	167,053	(4,132)	—	162,921
Others	62,579	5,804	(1,421)	66,962
Total	5,787,704	628,412	(43,504)	6,372,612

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Intangible assets (continued)

As at 30 June 2011, titles of the Group's concession rights with the carrying amount of RMB448,180,000 were restricted (31 December 2010: RMB458,256,000) (Note V.18(d)). There were no other intangible assets whose titles were restricted as at 30 June 2011.

As at 30 June 2011, the Group was in the process of applying for the title certificates of certain of its land use rights in the PRC with an aggregate carrying amount of RMB18,799,000 (31 December 2010: RMB86,001,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned land, and also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2011.

The amount of interest capitalized in the balance of intangible assets and the capitalization rate are presented as follows:

	For the six months ended 30 June 2011 (Unaudited)			
	Progress (%)	Accumulated amount of interest capitalized	Interest capitalized during the current period	Capitalization rate during the current period (%)
Jiyang Guest-greeting Yellow River Bridge Concession rights	100	39,820	—	—

  

	2010			
	Progress (%)	Accumulated amount of interest capitalized	Interest capitalized during the year	Capitalization rate during the year (%)
Jiyang Guest-greeting Yellow River Bridge Concession rights	100	39,820	—	—



# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. Deferred tax assets and liabilities

Deferred tax assets and liabilities are presented without taking into account the offsetting of balances:

Recognized deferred tax assets and liabilities:

	30 June 2011 (Unaudited)	31 December 2010
<b>Deferred tax assets</b>		
Provision for early retirement benefits	1,083,962	1,144,229
Provision for impairment of assets	150,130	154,046
Deductible tax losses	57,057	46,232
Accruals and provisions	44,772	4,193
Additional tax deduction on assets revaluation surplus arising from a prior restructuring	586,897	661,275
Others	51,941	60,343
	1,974,759	2,070,318
<b>Deferred tax liabilities</b>		
Recognition of revenue on construction contracts	85,434	85,434
Others	182,478	184,320
	267,912	269,754

Unrecognized deferred tax assets are presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
Deductible tax losses	184,849	161,165
Others	4,572	10,970
	189,421	172,135

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. Deferred tax assets and liabilities (continued)

Deductible temporary differences and deductible tax losses that are not recognized as deferred tax assets will expire in the following years:

	30 June 2011 (Unaudited)
30 June 2012	49,343
30 June 2013	69,119
30 June 2014	106,599
30 June 2015	442,026
30 June 2016	147,303
	814,390
	31 December 2010
2011	4,385
2012	79,855
2013	76,934
2014	153,430
2015	458,959
	773,563

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17. Provision for impairment of assets

	For the six months ended 30 June 2011				Closing balance (Unaudited)
	Opening balance	Provision (Unaudited)	Reversal (Unaudited)	Written off (Unaudited)	
Provision for bad debt	709,211	40,102	(42,341)	(2,192)	704,780
Provision for decline in value of inventories	56,157	—	(1,206)	(10,334)	44,617
Provision for foreseeable contract losses	133,785	16,956	(9,232)	(22,527)	118,982
Provision for impairment of long-term equity investments	25,957	—	—	(33)	25,924
Provision for impairment of fixed assets	219,986	—	—	(7,150)	212,836
Provision for impairment of construction in progress	132,912	—	—	—	132,912
Provision for impairment of intangible assets	9,044	—	—	—	9,044
	1,287,052	57,058	(52,779)	(42,236)	1,249,095

  

	2010				Closing balance
	Opening balance	Provision	Reversal	Written off	
Provision for bad debts	677,896	200,334	(118,299)	(50,720)	709,211
Provision for decline in value of inventories	218,935	8,431	(164,721)	(6,488)	56,157
Provision for foreseeable contract losses	307,464	559,196	(14,963)	(717,912)	133,785
Provision for impairment of long-term equity investments	14,886	11,118	—	(47)	25,957
Provision for impairment of fixed assets	239,249	—	—	(19,263)	219,986
Provision for impairment of construction in progress	550	132,912	—	(550)	132,912
Provision for impairment of intangible assets	9,044	—	—	—	9,044
	1,468,024	911,991	(297,983)	(794,980)	1,287,052

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. Assets with restrictions on title

	For the six months ended 30 June 2011				
	Opening balance	Increase (Unaudited)	Decrease (Unaudited)	Closing balance (Unaudited)	
Pledged assets					
Accounts receivable	366,682	3,601,495	(294,990)	3,673,187	Note (a)
Inventories	6,806,666	3,836,094	(14,150)	10,628,610	Note (b)
Fixed assets	66,512	127	(204)	66,435	Note (c)
Intangible assets	458,256	-	(10,076)	448,180	Note (d)
Assets whose titles are restricted for other reasons:					
Cash — security deposit for acceptance bills	2,726,843	2,759,468	(2,748,239)	2,738,072	
Cash — security deposit for letters of credit	94,275	170,611	(156,114)	108,772	
Cash — security deposit for performance bonds	76,326	9,071	(68,765)	16,632	
Cash — security deposit for letters of guarantee	232,963	12,973	(78,807)	167,129	
Cash — other purposes	732,906	221,576	(256,813)	697,669	
	3,863,313	3,173,699	(3,308,738)	3,728,274	
	11,561,429	10,611,415	(3,628,158)	18,544,686	

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. Assets with restrictions on title (continued)

	Opening balance		2010 Increase Decrease	Closing balance	
Pledged assets					
Accounts receivable	—	366,682	—	366,682	Note (a)
Inventories	1,620,897	6,300,444	(1,114,675)	6,806,666	Note (b)
Fixed assets	616,445	23,036	(572,969)	66,512	Note (c)
Intangible assets	439,846	49,330	(30,920)	458,256	Note (d)
Assets whose titles are restricted for other reasons:					
Cash — security deposit for acceptance bills	1,887,370	5,764,168	(4,924,695)	2,726,843	
Cash — security deposit for letters of credit	179,272	116,514	(201,511)	94,275	
Cash — security deposit for performance bonds	68,696	43,118	(35,488)	76,326	
Cash — security deposit for letters of guarantee	315,555	193,241	(275,833)	232,963	
Cash — other purposes	131,162	1,535,893	(934,149)	732,906	
	2,582,055	7,652,934	(6,371,676)	3,863,313	
	5,259,243	14,392,426	(8,090,240)	11,561,429	

#### Notes:

- (a) As at 30 June 2011, the Group's accounts receivable of RMB3,673,187,000 (31 December 2010: RMB366,682,000) are pledged to obtain short-term loans of RMB2,833,088,000 (31 December 2010: RMB214,022,000) (Note V.19(a)).
- (b) As at 30 June 2011, the Group's inventories of RMB10,628,610,000, including land use rights under the properties under development of RMB10,625,988,000 and completed properties held for sale of RMB2,622,000, are mortgaged to obtain long-term loans of RMB5,262,458,000 (Note V.29 and V.30).  
  
As at 31 December 2010, the Group's inventories of RMB6,806,666,000, including land use rights under the properties under development of RMB6,804,044,000 and completed properties held for sale of RMB2,622,000, are mortgaged to obtain long-term loans of RMB3,262,549,000 (Note V.29 and V.30(c)).
- (c) As at 30 June 2011, certain of the Group's buildings of RMB66,435,000 (31 December 2010: RMB66,512,000) were mortgaged to obtain short-term loans of RMB67,500,000 (31 December 2010: RMB47,500,000) and long-term loans of RMB6,072,000 (31 December 2010: RMB6,551,000) (Note V.19(b)) and V.30(a)).
- (d) As at 30 June 2011, certain of the Group's concession assets of RMB448,180,000 (31 December 2010: RMB458,256,000) were mortgaged to obtain a long-term loan of RMB196,480,000 (31 December 2010: RMB196,480,000). The amount of accumulated amortization of such concession assets is RMB10,076,000 (31 December 2010: RMB20,814,000) (Note V.30(b)).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 19. Short-term loans

	30 June 2011 (Unaudited)	31 December 2010	
Secured loans	—	43,400	
Pledged loans	2,833,088	214,022	Note (a)
Mortgaged loans	67,500	47,500	Note (b)
Guaranteed loans	3,772,500	3,339,600	Note (c)
Loans on credit	25,890,447	12,598,149	
	32,563,535	16,242,671	

Notes:

- (a) As at 30 June 2011, certain short-term loans were secured by the pledge of the Group's accounts receivable with the amount of RMB3,673,187,000 (31 December 2010: RMB366,682,000) (Note V.18(a)).
- (b) As at 30 June 2011, certain short-term loans are were secured by the mortgages of the Group's buildings with the amount of RMB50,214,000 (31 December 2010: RMB50,087,000) (Note V.18(c)).
- (c) As at 30 June 2011, all guaranteed loans were internally guaranteed by the entities comprising the Group.

As at 30 June 2011, interest rates for the above loans ranged from 2.15% to 8% per annum (31 December 2010: from 1.83% to 6.84%).

As at 30 June 2011, there were no short-term loans due but have not been repaid (31 December 2010: nil).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 20. Short-term bonds payable

	Opening balance	Increase	Decrease	Closing balance
For the six months ended 30 June 2011 (Unaudited)	—	659,072	—	659,072
2010	402,370	12,629	(414,999)	—

On 20 June 2011, China Railway 14th Bureau Group Co., Ltd. a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.4 billion with a fixed interest rate of 4.5% per annum. The principal and the interests will be repaid at the end of the term.

On 17 May 2011, China Railway 15th Bureau Group Co., Ltd. a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.25 billion with a fixed interest rate of 4.85% per annum. The principal and the interests will be repaid at the end of the term.

Name of bonds	Principle	Issuance date	Interest rate per annum	Term	Accrued interest	Closing balance
China Railway 14th Bureau Group Co., Ltd. — 2011 first tranche	400,000	20 Jan 2011	4.5%	365 days	7,614	407,614
China Railway 15th Bureau Group Co., Ltd. — 2011 first tranche	250,000	17 May 2011	4.85%	365 days	1,458	251,458
	650,000				9,072	659,072

### 21. Bills payable

	30 June 2011 (Unaudited)	31 December 2010
Commercial acceptance bills	657,864	311,602
Bank acceptance bills	15,011,839	13,295,967
	15,669,703	13,607,569

As at 30 June 2011, bills with an amount of RMB15,669,703,000 are due in the following accounting period (31 December 2010: RMB13,607,569,000).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 22. Accounts payable

Accounts payable are non-interest-bearing.

	30 June 2011 (Unaudited)	31 December 2010
Within 1 year	131,240,784	124,615,926
1 to 2 years	3,197,324	3,547,448
2 to 3 years	511,725	607,484
More than 3 years	562,633	242,796
	135,512,466	129,013,654
Less: non-current portion (Note V.32)		
— project retention money	(1,518,344)	(1,425,048)
	133,994,122	127,588,606

As at 30 June 2011, significant accounts payable aged over one year are presented as follows:

	Relationship with the Group	30 June 2011 (Unaudited)	Reasons for not settled
Company 1	Third party	97,445	Land expropriation and relocation fees unsettled
Company 2	Third party	42,801	Construction costs unsettled
Company 3	Third party	25,087	Construction costs unsettled
Company 4	Third party	23,299	Construction costs unsettled
Company 5	Third party	20,233	Material procurement costs unsettled
		208,865	



## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 22. Accounts payable (continued)

	Relationship with the Group	31 December 2010	Reasons for not settled
Company 1	Third party	98,309	Land expropriation and relocation fees unsettled
Company 2	Third party	35,140	Material procurement costs unsettled
Company 3	Third party	29,079	Material procurement costs unsettled
Company 4	Third party	21,418	Construction costs unsettled
Company 5	Third party	18,998	Construction costs unsettled
		202,944	

As at 30 June 2011, there were no accounts payable to shareholders that held 5% or more of the Company's voting rights or to related parties (31 December 2010: nil).

#### 23. Advances from customers

	30 June 2011 (Unaudited)	31 December 2010
Within 1 year	42,656,136	40,215,839
1 to 2 years	6,766,697	1,331,529
2 to 3 years	69,410	44,422
More than 3 years	1,104,263	1,132,329
	50,596,506	42,724,119

As at 30 June 2011, advances of RMB10,366,000 were due to shareholders that held 5% or more of the Company's voting rights or from related parties (31 December 2010: nil).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 23. Advances from customers (continued)

Details of advances from customers of sale of properties are listed below:

Property name	30 June 2011 (Unaudited)	Percentage of accumulated sales in advance %	Estimated completion date
Beijing CRCC International City Project I	1,926,288	99	December 2011
CRCC Qing Xiu Ya Yuan Project I	1,284,553	38	November 2011
Xinran Jiayuan Project	1,268,843	79	October 2012
Hefei CRCC International City Project I	1,205,017	78	October 2011
Chengdu Longquanyi Project	1,127,769	93	September 2011
Guiyang CRCC International City Project I	999,253	95	October 2011
Kaiyuan Community Project	797,748	98	June 2012
CRCC Fengling Shanyu City Project II	687,530	63	September 2011
Xuzhou Rencai Jiayuan Project	654,656	65	November 2011
Changsha CRCC International City Project I	588,243	80	October 2011
CRCC Wutong Garden Project	587,798	72	December 2013
River Palace Project	529,319	100	December 2011
CRCC Jing Nan Yi Pin Project I	417,640	99	October 2011
CRCC Lingxiu City Project	320,597	88	December 2014
Jingjiang Xinyuan Garden Project II	273,505	80	October 2011
Tongjiing International City Project	174,344	61	December 2012
Changsha Shanyu City Project I	127,358	76	December 2011
Peony Garden Project III	117,993	100	August 2011
Tangshan Fengrun Shiliu Jiayuan Project	109,766	100	November 2011
CRCC Jingnan Yipin Project II	106,187	30	December 2012
Others	403,157		
	13,707,564		

## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 23. Advances from customers (continued)

Details of advances from customers of sale of properties are listed below (Continued):

Property name	31 December 2010	Percentage of accumulated sales in advance %	Estimated completion date
Beijing CRCC International City Project I	1,855,401	98	December 2011
Guiyang CRCC International City Project I	797,058	88	October 2011
Hefei CRCC International City Project I	784,640	58	October 2011
Fruit Shell City Project I	751,190	78	September 2011
Kaiyuan Community Project	718,488	46	June 2012
CRCC Qingxiu Yayuan Project I	493,545	14	November 2011
CRCC Jingnan Yipin Project I	409,527	98	October 2011
Fangshan Guangyang Garden	391,196	88	March 2011
Others	668,146		
	6,869,191		

As at 30 June 2011, significant advances aged over one year are presented as follows:

Relationship with the Group		30 June 2011 (Unaudited)	Reasons for being outstanding
Company 1	Third party	3,136,286	Value of work not yet certified
Company 2	Third party	698,890	Value of work not yet certified
Company 3	Third party	298,498	Value of work not yet certified
Company 4	Third party	85,736	Value of work not yet certified
Company 5	Third party	48,561	Value of work not yet certified
		4,267,971	

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 23. Advances from customers (continued)

	Relationship with the Group	31 December 2010	Reasons for being outstanding
Company 1	Third party	776,083	Value of work not yet certified
Company 2	Third party	304,947	Value of work not yet certified
Company 3	Third party	174,000	Value of work not yet certified
Company 4	Third party	34,690	Value of work not yet certified
Company 5	Third party	32,380	Value of work not yet certified
		1,322,100	

### 24. Employee benefits payable

	For the six months ended 30 June 2011			
	Opening balance	Accrued (Unaudited)	Paid (Unaudited)	Closing balance (Unaudited)
Salaries, bonuses, allowances and subsidies	3,225,455	9,365,908	(8,920,352)	3,671,011
Staff welfare	—	374,518	(374,518)	—
Social insurance	2,346,824	1,874,414	(1,532,614)	2,688,624
Including:				
Medical insurance	951,819	546,138	(380,633)	1,117,324
Basic pension insurance	1,045,366	1,009,940	(891,810)	1,163,496
Contribution to pension annuity	99,586	169,906	(132,093)	137,399
Unemployment insurance	119,651	75,624	(55,609)	139,666
Work injury insurance	82,453	47,483	(34,081)	95,855
Maternity insurance	47,949	25,323	(38,388)	34,884
Early retirement benefits (Current portion)	948,740	406,737	(425,477)	930,000
Housing funds	664,919	530,642	(401,015)	794,546
Union fund and employee education fund	501,936	239,761	(213,762)	527,935
Others	143,155	336,841	(208,434)	271,562
	7,831,029	13,128,821	(12,076,172)	8,883,678

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 24. Employee benefits payable (continued)

	2010			
	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	2,959,544	15,547,351	(15,281,440)	3,225,455
Staff welfare	—	667,606	( 667,606)	—
Social insurance	2,019,558	3,681,472	( 3,354,206)	2,346,824
Including:				
Medical insurance	797,888	1,070,577	( 916,646)	951,819
Basic pension insurance	876,559	2,061,031	( 1,892,224)	1,045,366
Contribution to pension annuity	129,400	271,789	( 301,603)	99,586
Unemployment insurance	111,058	130,072	( 121,479)	119,651
Work injury insurance	72,022	91,095	( 80,664)	82,453
Maternity insurance	32,631	56,908	( 41,590)	47,949
Early retirement benefits (Current portion)	956,060	981,665	( 988,985)	948,740
Housing funds	839,435	961,876	( 1,136,392)	664,919
Union fund and employee education fund	495,455	421,002	( 414,521)	501,936
Others	157,084	812,822	( 826,751)	143,155
	7,427,136	23,073,794	(22,669,901)	7,831,029
		30 June 2011 (Unaudited)		31 December 2010
Early retirement benefits obligations (Note)		5,006,778		5,295,705
Less: Current portion		( 930,000)		( 948,740)
Non-current portion		4,076,778		4,346,965

*Note:* Certain employees of the Group had completed their respective early retirement plans application. Early retirement benefits were recognized in the period in which the relevant entities of the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The specific terms vary among the terminated and early retired employees depending on various factors including their positions, length of services, salary levels at the time of application, minimum compensation levels set by the local regulatory authorities, and the district in which the employee is located.

As at 30 June 2011, there were no employee benefits payable in arrears (31 December 2010: nil).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 25. Taxes payable

	30 June 2011 (Unaudited)	31 December 2010
VAT	(400,003)	(402,695)
Business tax	3,994,571	4,133,062
Corporate income tax	572,765	950,488
Individual income tax	517,823	504,898
City construction tax	255,373	259,998
Resource tax	3,208	2,673
Others	81,542	219,729
	5,025,279	5,668,153

### 26. Interest payable

	Note V	30 June 2011 (Unaudited)	31 December 2010
Interest payable for corporate bonds	31	446,180	183,855
Interest payable for short-term borrowings		—	2,914
Interest payable for long-term borrowings		367	289
		446,547	187,058

### 27. Dividends payable

Company name		30 June 2011 (Unaudited)	31 December 2010
Payable to CRCCG	Note	378,312	378,312
Payable to public shareholders of A Shares	Note	122,500	122,500
Payable to public shareholders of H Shares	Note	94,377	94,377
Payable to Beijing Donghe Jiaye Real Estate Development Co., Ltd.		42,456	42,456
Payable to NSSF	Note	21,688	21,688
Payable to others		19,387	32,261
		678,720	691,594

Note: At the annual general meeting held on 31 May 2011, the Company's shareholders resolved to approve the final dividend for the year ended 31 December 2010 of RMB0.5 (including tax) per 10 shares, which amounted to RMB616,877,000 based on the total number of shares of 12,337,541,500. The dividend was paid on 22 July 2011.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 28. Other payables

	30 June 2011 (Unaudited)	31 December 2010
Guarantees and deposits	8,951,791	9,060,144
Payables for advances	7,622,098	7,051,262
Accrued business taxes and surcharges	2,827,126	2,550,257
Rental expenses payable	939,477	1,320,379
Payables for acquisition of fixed assets and construction in progress	475,464	254,627
Land expropriation and relocation compensation payable	401,097	252,590
Repairs and maintenance payable	200,776	207,738
Transportation charges payable	187,200	138,892
Property management and utilities payable	83,716	104,508
Others (Note)	9,318,004	8,585,336
	31,006,749	29,525,733

Note: In accordance with the notices "Notice Relating to the Allocation of State-owned Capital Operating Budget to CRCCG for 2008 (Cai Qi [2008] No. 260)" (財政部關於下達中國鐵建建築總公司2008年中央國有資本經營預算(撥款)的通知) (財企[2008]260號) and "Notice Relating to the Allocation of the Wenchuan Earthquake Reconstruction Funds to State-owned Enterprises for 2008 (Cai Qi [2008] No. 399)" (財政部關於撥付2008年中央企業汶川地震災後恢復重建基金的通知) (財企[2008]399號) issued by the Ministry of Finance, the Ministry of Finance injected an amount of RMB189,660,000 to CRCCG for the reconstruction work in relation to the earthquake in Wenchuan County of Sichuan Province in the PRC in 2008. Thereafter, CRCCG contributed the fund received from the Ministry of Finance into the Company and the Company has recorded such amount in other payables as at 30 June 2011 and 31 December 2010 accordingly (Note VI.6(f)).

Other payables to shareholders that held 5% or more of the Company's voting rights or to related parties are presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
CRCCG	200,276	198,370

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 28. Other payables (continued)

At the balance sheet date, significant other payables aged over one year are presented as follows:

Relationship with the Group		30 June 2011 (Unaudited)	Reasons for not being settled
CRCCG	Ultimate holding company	189,660	Reconstruction funds
Company 1	Third party	47,878	Payables not settled
Company 2	Third party	45,138	Payables not settled
Company 3	Third party	30,302	Payables not settled
Company 4	Third party	20,000	Deposit not due
		332,978	

Among the significant other payables aged over one year as at 30 June 2011, an aggregate amount of RMB9,540,000 has been repaid after the balance sheet date.

Relationship with the Group		31 December 2010	Reasons for not being settled
CRCCG	Ultimate holding company	189,660	Reconstruction funds
Company 1	Third party	33,288	Payables not settled
Company 2	Third party	30,302	Payables not settled
Company 3	Third party	18,800	Deposit not due
Company 4	Third party	8,000	Deposit not due
		280,050	

Among the significant other payables aged over one year as at 31 December 2010, an aggregate amount of RMB8,000,000 was repaid after 31 December 2010.



## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 29. Non-current liabilities due within one year (continued)

	30 June 2011 (Unaudited)	31 December 2010
Long-term loans due within one year	1,185,546	955,513
Long-term payables due within one year	293,775	229,516
	1,479,321	1,185,029

Long-term loans due within one year are presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
Pledged loans	21,950	21,950
Mortgaged loans	360,000	110,000
Guaranteed loans	374,790	653,729
Loans on credit	428,806	169,834
	1,185,546	955,513

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 29. Non-current liabilities due within one year (continued)

As at 30 June 2011, the top five long-term loans due within one year are presented as follows:

Term		Currency	Interest rate (%)	30 June 2011 (Unaudited)		31 December 2010	
				Foreign currency	RMB equivalent	Foreign currency	RMB equivalent
Company 1	From 2010-3-26 to 2012-6-30	RMB	5.13	—	250,000	—	250,000
Company 2	From 2009-10-28 to 2011-8-31	RMB	3.84	—	150,000	—	150,000
Company 3	From 2010-9-29 to 2011-12-31	RMB	5.40	—	100,000	—	100,000
Company 4	From 2006-11-27 to 2011-12-31	EUR	4.40	8,922	83,520	8,922	78,180
Company 5	From 2009-6-18 to 2012-6-17	RMB	3.42	—	67,150	—	—
				650,670		578,180	

As at 31 December 2010, the top five long-term loans due within one year are presented as follows:

Term		Currency	Interest rate (%)	31 December 2010		31 December 2009	
				Foreign currency	RMB equivalent	Foreign currency	RMB equivalent
Company 1	From 2009-10-28 to 2011-8-31	RMB	3.84	—	150,000	—	40,000
Company 2	From 2010-9-29 to 2011-12-31	RMB	5.40	—	100,000	—	—
Company 3	From 2006-11-27 to 2011-12-31	EUR	4.40	8,922	78,180	—	—
Company 4	From 2009-6-28 to 2011-3-20	RMB	3.51	—	75,000	—	75,000
Company 5	From 2006-11-8 to 2011-12-31	RMB	3.78	—	60,000	—	60,000
				463,180		175,000	

As at 30 June 2011, there were no long-term loans due within one year defaulted by the Group (31 December 2010: nil).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 29. Non-current liabilities due within one year (continued)

As at 30 June 2011, the top five long-term payables due within one year are presented as follows:

	Term	Initial amount	Annual interest rate (%)	Accrued interest	Closing balance	Conditions and terms
Company 1	From 2008-7-17 to 2012-7-17	242,264	Benchmark interest rate of four-year bank loans	3,438	59,640	Nil
Company 2	From 2011-5-27 to 2016-5-27	291,355	5% upward on benchmark interest rate of over-five-year loans	16,805	48,000	Nil
Company 3	From 2010-8-27 to 2013-8-27	96,734	15% downward on benchmark interest rate of three-year bank loans	1,726	27,736	Nil
Company 4	From 2009-6-30 to 2012-3-30	108,072	10% downward on benchmark interest rate of three-year bank loans	729	26,407	Nil
Company 5	From 2009-4-30 to 2016-4-30	213,286	Benchmark interest rate of over-five-year bank loans	4,317	22,547	Nil
		951,711		27,015	184,330	

As at 31 December 2010, the top five long-term payables due within one year are presented as follows:

	Term	Initial amount	Annual interest rate (%)	Accrued interest	Closing balance	Conditions and terms
Company 1	From 2008-7-17 to 2012-7-17	242,264	Benchmark interest rate of four-year bank loans	5,904	79,344	Nil
Company 2	From 2009-6-30 to 2012-3-30	108,072	10% downward on benchmark rate of three-year bank loans	1,539	34,533	Nil
Company 3	From 2010-8-27 to 2013-8-27	96,734	15% downward on benchmark rate of three-year bank loans	3,922	31,395	Nil
Company 4	From 2009-4-30 to 2016-4-30	213,286	Benchmark interest rate of over-five-year bank loans	5,043	30,639	Nil
Company 5	From 2009-10-19 to 2012-10-19	54,036	10% downward on benchmark rate of three-year bank loans	1,393	16,643	Nil
		714,392		17,801	192,554	

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 30. Long-term loans

	30 June 2011 (Unaudited)	31 December 2010
Pledged loans (Note (b))	174,530	174,530
Mortgaged loans (Note (a) and Note (c))	4,908,530	3,159,100
Guaranteed loans (Note (d))	1,830,631	1,062,740
Loans on open credit	7,958,422	3,088,434
	14,872,113	7,484,804

Notes:

- (a) As at 30 June 2011, certain long-term bank loans were secured by mortgages of the Group's buildings with the carrying amount of RMB16,221,000 (31 December 2010: RMB16,425,000) (Note V.18(c)).
- (b) As at 30 June 2011, certain long-term bank loans were secured by pledge of the Group's concession assets of the BOT project of Jiyang Guest-greeting Yellow River Bridge with the carrying amount of RMB448,180,000 (31 December 2010: RMB458,256,000) (Note V.18(d)).
- (c) As at 30 June 2011, certain long-term bank loans were secured by mortgages of the Group's inventories with the carrying amount of RMB10,628,610,000 (31 December 2010: RMB6,804,044,000), which included carrying values of land use rights under the properties under development of RMB10,625,988,000 and completed properties held for sale of RMB2,622,000 (Note V.18(b)).
- (d) As at 30 June 2011, the guaranteed long-term loans were all internally guaranteed by the entities comprising the Group.
- (e) As at 30 June 2011, there were no long-term loans defaulted by the Group (31 December 2010: nil).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 30. Long-term loans (continued)

As at 30 June 2011, the top five long-term loans are presented as follows:

	Starting date	Maturity date	Currency	Interest rate (%)	30 June 2011 (Unaudited)		31 December 2010	
					Foreign currency	RMB equivalent	Foreign currency	RMB equivalent
Loan 1	2010.2.4	2013.2.3	RMB	4.86	—	1,553,608	—	1,258,608
Loan 2	2010.9.1	2012.8.31	USD	3.54	216,000	1,397,865	216,000	1,428,147
Loan 3	2011.6.30	2013. 6.28	USD	5.34	136,000	880,138	—	—
Loan 4	2010.9.30	2015.9.30	RMB	5.47	—	700,000	—	700,000
Loan 5	2011.6.30	2013.6.27	USD	3.90	250,000	1,617,900	—	—
					6,149,511		3,386,755	

### 31. Bonds payable

(Unaudited)	For the six months ended 30 June 2011		
	Opening balance	Additions	Closing balance
Medium-term corporate bonds	14,930,359	5,670	14,936,029

  

	2010		
	Opening balance	Additions	Closing balance
Medium-term corporate bonds	10,000,000	4,930,359	14,930,359

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 31. Bonds payable (continued)

As at 30 June 2011, bonds payable are as follows:

	Face value	Issuing date	Maturity	Amount issued	Rate (%)	Interest accrued in current period	Interest payable at period end	Closing balance
First issue of medium-term notes in 2009	10,000,000	2009-8-24	Three years	10,000,000	3.4	168,603	288,768	9,970,247
First issue of medium-term notes in 2010	5,000,000	2010-8-27	Five years	5,000,000	3.78	93,723	157,413	4,965,782
				15,000,000		262,326	446,181 (Note V.26)	14,936,029

As at 31 December 2010, bonds payable are as follows:

	Face value	Issuing date	Maturity	Amount issued	Rate (%)	Interest accrued in the year	Interest payable at the year end	Closing balance
First issue of medium-term notes in 2009	10,000,000	2009-8-24	Three years	10,000,000	3.4	340,000	120,165	9,966,057
First issue of medium-term notes in 2010	5,000,000	2010-8-27	Five years	5,000,000	3.78	63,690	63,690	4,964,302
				15,000,000		403,690	183,855 (Note V.26)	14,930,359

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 32. Long-term payables

	30 June 2011 (Unaudited)	31 December 2010
Retention money payables (Note V.22)	1,518,344	1,425,048
Finance lease payables	764,174	262,291
Others	82,356	103,458
	2,364,874	1,790,797

As at 30 June 2011, the top five long-term payables are presented as follows (unaudited):

Term	Initial amount	Annual interest rate (%)	Accrued interest	Closing balance	Borrowing terms
Company 1 From 2011-5-27 to 2016-5-27	291,355	5% upward on benchmark rate of over-five-year bank loans	33,739	192,000	Nil
Company 2 From 2009-4-30 to 2016-4-30	213,286	5% downward on benchmark rate of over-five-year bank loans	9,920	99,693	Nil
Company 3 From 2011-6-28 to 2018-6-28	98,241	Benchmark rate of over-five-year bank loans	18,151	87,888	Nil
Company 4 From 2011-6-15 to 2017-3-15	70,000	Benchmark rate of over-five-year bank loans	11,530	60,455	Nil
Company 5 From 2011-7-1 to 2018-7-1	109,246	Benchmark rate of over-five-year bank loans	16,797	85,737	Nil
	782,128		90,137	525,773	

As at 31 December 2010, the top five long-term payables are presented as follows:

Term	Initial amount	Annual interest rate (%)	Accrued interest	Closing balance	Borrowing terms
Company 1 From 2009-4-30 to 2016-4-30	213,286	5% downward on benchmark rate of over-five-year bank loans	12,824	112,156	Nil
Company 2 From 2010-8-27 to 2013-8-27	96,734	15% downward on benchmark rate of three-year bank loans	2,262	48,721	Nil
Company 3 From 2008-7-17 to 2012-7-17	242,264	Benchmark rate of four-year bank loans	1,003	36,812	Nil
Company 4 From 2009-10-19 to 2012-10-19	54,036	10% downward on benchmark rate of three-year bank loans	556	17,488	Nil
Company 5 From 2010-3-23 to 2013-3-23	40,331	5.85	716	16,177	Nil
	646,651		17,361	231,354	

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 32. Long-term payables (continued)

As at 30 June 2011, no independent third party has provided guarantee for the Group's finance leases (31 December 2010: nil)

As at 30 June 2011 and 31 December 2010, the Group's finance lease payables were for purchasing machinery and equipments and measured in RMB.

### 33. Special payables

	For the six months ended 30 June 2011			Closing balance (Unaudited)
	Opening balance	Additions (Unaudited)	Decrease (Unaudited)	
Research and development funds	49,921	38,190	( 992)	87,119
Specific projects funds	194,836	7,820	(13,732)	188,924
Others	1,318	—	(90)	1,228
	246,075	46,010	(14,814)	277,271

  

	2010			Closing balance
	Opening balance	Additions	Decrease	
Research and development funds	69,233	5,729	(25,041)	49,921
Specific projects funds	127,356	77,752	(10,272)	194,836
Others	16,338	165	(15,185)	1,318
	212,927	83,646	(50,498)	246,075

The decrease of special payables was mainly due to payments for the relevant projects.



# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 34. Deferred income

	30 June 2011 (Unaudited)	31 December 2010
Government grants related to assets	173,277	176,423
Government grants related to income	210	2,510
	173,487	178,933
Less: deferred income due within one year	( 18,896)	( 22,710)
	154,591	156,223

### 35. Share capital

For the six months ended 30 June 2011:

	Movements in the current period (Unaudited)						Closing balance (Unaudited)
	Opening balance	New shares issued	Bonus shares	Transferred from capital reserve	Others	Subtotal	
Restricted shares							
– State-owned shares	7,566,245	–	–	–	–	–	7,566,245
– NSSF	245,000	–	–	–	–	–	245,000
Unrestricted shares							
– RMB ordinary shares (A shares)	2,450,000	–	–	–	–	–	2,450,000
– Overseas listed foreign shares (H shares)	2,076,297	–	–	–	–	–	2,076,297
	12,337,542	–	–	–	–	–	12,337,542

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 35. Share capital (continued)

2010:

	Opening balance	Movements in the period				Subtotal	Closing balance
		New shares issued	Bonus shares	Transferred from capital reserve	Others		
Restricted shares							
– State-owned shares	7,566,245	–	–	–	–	–	7,566,245
– NSSF	245,000	–	–	–	–	–	245,000
Unrestricted shares							
– RMB ordinary shares (A shares)	2,450,000	–	–	–	–	–	2,450,000
– Overseas listed foreign shares (H shares)	2,076,297	–	–	–	–	–	2,076,297
	12,337,542	–	–	–	–	–	12,337,542

### 36. Capital reserve

For the six months ended 30 June 2011:

	Opening balance	Accrued (Unaudited)	Decrease (Unaudited)	Closing balance (Unaudited)
Share premium	34,746,711	–	–	34,746,711
Others	( 760,477)	425	( 3,604)	( 763,656)
Total	33,986,234	425	( 3,604)	33,983,055

2010

	Opening balance	Accrued	Decrease	Closing balance
Share premium	34,746,711	–	–	34,746,711
Others	( 3,226,610)	2,788,714	(322,581)	( 760,477)
Total	31,520,101	2,788,714	(322,581)	33,986,234

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 37. Special reserve

The Group provided for and unutilized safety production expenses according to the Circular on Printing and Issuing the Interim Measures for the Financial Management of Production Safety Expenses of Enterprises in High-risk Industries and the Interim Measures for the Financial Management of Production Safety Expenses of Enterprises in High-risk Industries and Production Safety Expenses Financial Management Temporary Regulation in High-Risk Industries and Enterprises, issued by the Ministry of Finance and the State Administration of Work Safety. For details please refer to Note II.30.

### 38. Surplus reserve

For the six months ended 30 June 2011:

		Opening balance	Increase (Unaudited)	Decrease (Unaudited)	Closing balance (Unaudited)
Statutory surplus reserve	Note	855,536	—	—	855,536

2010:

		Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	Note	617,274	238,262	—	855,536

Note: In accordance with the Company Law and the Company's Articles of Association, the Company appropriated 10% of the net profit to the surplus reserve. Where the accumulated amount of surplus reserve reaches 50% or more of the Company's registered capital, additional appropriation will not be needed.

After the appropriation to the statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserves. When approved, the discretionary surplus reserves can be used to make up for the accumulated losses or to increase share capital.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 39. Retained earnings

	For the six months ended 30 June 2011 (Unaudited)	For the year 2010
Retained earnings at beginning of the period/year	10,101,077	8,684,002
Net profit attributable to the owners	3,639,152	4,246,221
Less: appropriation to statutory surplus reserve	—	( 238,262)
ordinary share cash dividends declared	( 616,877)	( 2,590,884)
Retained earnings at the period/year end	13,123,352	10,101,077

### 40. Revenue and cost of sales

The operating revenue is listed below:

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Revenue from principal operations	210,457,949	178,388,274
Other operating revenue	948,146	932,073
	211,406,095	179,320,347

The operating cost is as follow:

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Cost of sales	190,752,891	162,246,884

## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 40. Revenue and cost of sales (continued)

An analysis of the Group's operating revenue and costs by sector is listed as follows:

For the six months ended 30 June

(Unaudited)	2011		2010	
	Revenue	Costs	Revenue	Costs
Sectors				
Construction operations	189,442,655	171,977,756	160,624,432	146,575,226
Survey, design and consultancy operations	3,267,368	2,171,302	3,589,041	2,607,239
Manufacturing operations	4,082,998	3,293,026	4,099,159	3,404,137
Other business operations	14,613,074	13,310,807	11,007,715	9,660,282
Total	211,406,095	190,752,891	179,320,347	162,246,884

Information related to the Group's operating revenue and costs is analyzed by region as follows:

(Unaudited)	2011		2010	
	Revenue	Costs	Revenue	Costs
Regions				
Mainland China	204,896,087	184,818,845	171,643,723	155,062,372
Outside Mainland China	6,510,008	5,934,046	7,676,624	7,184,512
	211,406,095	190,752,891	179,320,347	162,246,884

For the six months ended 30 June 2011, operating revenue from the top five customers is presented as follows:

	Amount (Unaudited)	Percentage of total operating revenue (%)
Customer 1	4,001,411	1.89
Customer 2	3,825,292	1.81
Customer 3	3,814,876	1.80
Customer 4	3,160,649	1.50
Customer 5	3,099,568	1.47
	17,901,796	8.47

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 40. Revenue and cost of sales (continued)

For the six months ended 30 June 2010, operating revenue from the top five customers is presented as follows:

	Amount (Unaudited)	Percentage of total operating revenue (%)
Customer 1	4,317,337	2.41
Customer 2	2,247,694	1.25
Customer 3	2,105,842	1.17
Customer 4	1,996,502	1.11
Customer 5	1,960,197	1.09
	12,627,572	7.03

### 41. Business tax and surcharges

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Business tax	5,672,880	4,792,984
City maintenance and construction surtax	262,295	243,711
Others	310,527	249,726
	6,245,702	5,286,421

Refer to Note III Taxes for details of applicable tax rates of business tax and surcharges.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 42. Selling and distribution expenses

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Employee compensation costs	271,559	196,918
Transportation expenses	187,207	104,666
Business development expenses	99,058	95,195
Advertising expenses	68,013	33,605
Agency service fees	49,975	52,563
Repair and maintenance expenses	29,266	18,812
Others	71,054	48,384
	776,132	550,143

### 43. General and administrative expenses

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Research and development expenses	3,467,825	2,249,552
Employee compensation costs	2,857,212	2,283,770
Entertainment expenses	434,437	391,382
Depreciation expenses	367,859	359,088
Traveling expenses	286,098	287,785
Office expenses	264,424	264,618
Others	924,396	923,660
	8,602,251	6,759,855

### 44. Financial expenses

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Interest expenses	1,366,235	717,327
Less: Interest income	( 633,520)	(450,084)
Capitalized interest	( 225,281)	(156,699)
Exchange gains	( 69,179)	( 41,121)
Bank charges and others	196,952	196,503
	635,207	265,926

The amount of capitalized interest has been included in the construction in progress (Note V.14), intangible assets (Note V.15) and properties under development (Note V.7(a)).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 45. Impairment losses of assets

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Reversal of provisions for bad debt	(2,239)	(11,204)
Reversal of provisions for decline in value of inventories	(1,206)	( 13)
Provisions for foreseeable contract losses	7,724	71,955
	4,279	60,738

### 46. Loss arising from fair value changes

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Financial assets held for trading	(9,089)	(29,291)

### 47. Investment income

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Share of net profits of associates	34	10
Share of net profits/(losses) of jointly controlled entities	3,208	( 4,094)
Investment income from disposal of other long-term equity investments	16,600	3,269
Gains on holding funds	7,043	14,695
Investment income gained during the period in which the Company held available-for-sale financial assets	603	3,279
Dividend income received from other long-term equity investments	55,279	1,654
Income on disposal of available-for-sale financial assets	—	10,680
Others	—	240
	82,767	29,733



# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 47. Investment income (continued)

Among the above income from long-term equity investments under the equity method, investees with investment income which accounted for more than 5% of the Group's total profit or the top two investees in terms of proportion of their investment income to the Group's total profit are presented as follows:

	For the six months ended 30 June		Reason for fluctuation
	2011 (Unaudited)	2010 (Unaudited)	
Hubei Wanjia Real Estate Development Co., Ltd.	3,890	5,000	Decrease in profits
PetroChina-CRCC Petroleum Marketing Co., Ltd.	13,328	—	Increase in profits

As at 30 June 2011, the remittance of the Group's investment income was not subject to significant restrictions.

### 48. Non-operating income

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Gains on disposal of non-current assets	39,619	46,561
Including:		
Gains on disposal of fixed assets	39,432	46,090
Gains on disposal of intangible assets	187	471
Government grants	52,198	37,410
Gains on compensation, penalties and fines	33,297	6,651
Gains on debt restructuring	14,632	8,386
Others	54,315	67,655
	194,061	166,663

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 48. Non-operating income (continued)

Government grants credited to profit or loss for the current period are presented as follows:

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Refund of taxes	18,270	10,497
Enterprise development funding	13,462	8,204
Equipment funding from Ministry of Railways	8,150	8,000
Relocation compensation	7,017	—
Others	5,299	10,709
	52,198	37,410

### 49. Non-operating expenses

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Losses on disposal of non-current assets	109,125	28,683
Including:		
Losses on disposal of fixed assets	108,830	28,683
Losses on disposal of intangible assets	295	—
Losses on compensation, penalties and fines	21,331	15,417
Donations	1,576	9,722
Others	13,473	12,135
	145,505	65,957

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 50. Income tax expenses

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Current tax expenses - Mainland China	771,885	694,812
Current tax expenses - Hong Kong	387	2,081
Current tax expenses - Others	19,777	11,444
Deferred tax expenses	94,142	118,020
	886,191	826,357

A reconciliation of the income tax expense applicable to total profit at the statutory income tax rate to the income tax expense at the Group's effective tax rate is as follows:

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Total profit	4,511,867	4,251,528
Income tax at the statutory income tax rate (Note (a))	1,127,967	1,062,882
Tax effect of lower tax rates for some subsidiaries	( 212,253)	( 201,465)
Tax effect of share of profits and losses of jointly controlled entities and associates	3,503	368
Income not subject to tax	( 8,477)	( 19,908)
Expenses not deductible for tax	85,269	60,431
Utilization of prior period deductible tax losses	( 16,757)	( 9,687)
Income tax benefits on locally purchased machinery and research and development expenses	( 111,373)	( 96,429)
Tax losses not recognized	46,789	23,890
Adjustments in respect of current income tax of previous periods	( 28,477)	6,275
Tax expense at the Group's effective tax rate	886,191	826,357

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 50. Income tax expenses (continued)

Notes:

- (a) The income tax of the Group is calculated based on the estimated taxable profit gained in China and the applicable tax rate. Tax arising from the taxable income in other regions is calculated at the applicable tax rate according to existing laws, interpretations and practices of the country/jurisdiction in which the Group operates.
- (b) The share of tax attributed to jointly controlled entities and associates amounting to RMB1,640,000 (30 June 2010: 2,647,000) and RMB98,000 (30 June 2010: RMB706,000) respectively, is included in the "share of profits and losses of associates and jointly controlled entities" on the face of the consolidated income statement.

### 51. Earnings per share

The basic earnings per share is calculated based on the net profit of the current period attributable to the ordinary shareholders of the Company and the weighted average number of outstanding ordinary shares during the period.

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Earnings		
Net profit of current period attributable to ordinary shareholders of the Company	3,639,152	3,378,096
Shares		
Weighted average number of the outstanding ordinary shares of the Company (Note)	12,337,541,500	12,337,541,500
Basic earnings per share (RMB/share)	0.29	0.27

Note: As disclosed in Note I to these financial statements, after the issuance of A shares and H shares in 2008, the Company has issued an aggregate of 12,337,541,500 outstanding ordinary shares.

The Company holds no potential ordinary shares that are dilutive.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 52. Other comprehensive income/(loss)

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Losses from available-for-sale financial assets	( 3,604)	(113,479)
Less:tax effects of available-for-sale financial assets	425	23,297
	( 3,179)	( 90,182)
Exchange differences on foreign currency translation	65,631	( 28,474)
	62,452	(118,656)

### 53. Notes to consolidated cash flow statement

Significant cash flows are listed below:

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
<b>Cash paid relating to other operating activities:</b>		
Deposits	1,004,711	260,459
Entertainment expenses	464,878	376,216
Traveling expenses	284,867	280,048
Office expenses	242,114	269,556
Transportation costs	203,879	128,967
Business development expenses	154,711	87,467
Energy costs	132,719	235,654
Repair and maintenance costs	111,706	148,766
Consulting fees	103,638	74,851
Agency service fees	88,749	49,260
Insurance fees	47,858	73,601
Others	305,762	2,192
	3,145,592	1,987,037

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 54. Supplementary information to the consolidated cash flow statement

#### (1) Supplementary information to the consolidated cash flow statement

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Reconciliation of net profit to cash flows from/(used in) operating activities		
Net profit	3,625,676	3,425,171
Plus:		
Provision for impairment of assets	4,279	60,738
Depreciation of fixed assets	4,422,806	3,577,089
Amortization of intangible assets	87,809	73,365
Losses/(Gains) from disposal of fixed assets, intangible assets and other long-term assets	69,506	(17,878)
Losses from changes in fair value	9,089	29,291
Financial expenses	438,255	69,423
Investment income	(82,767)	(29,733)
Decrease in deferred tax assets	95,559	122,889
Decrease in deferred tax liabilities	(1,417)	(4,869)
Increase in inventories	(14,209,094)	(11,624,440)
Net increase in construction contracts	(6,206,593)	(4,137,151)
Increase in operating receivables	(17,033,532)	(10,778,127)
Increase in operating payables	16,210,409	20,654,759
Net cash flows from/(used in) operating activities	(12,570,015)	1,420,527

Changes in cash and cash equivalents:

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Cash at the end of year	57,727,864	47,442,720
Less: opening balance of cash	(54,141,998)	(46,525,957)
Plus: closing balance of cash equivalents	5,341,567	8,033,286
Less: opening balance of cash equivalents	(1,781,146)	(8,544,093)
Net increase in cash and cash equivalents	7,146,287	405,956

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 54. Supplementary information to the consolidated cash flow statement (continued)

#### (2) Cash and cash equivalents

	30 June 2011 (Unaudited)	31 December 2010
Cash	57,727,864	54,141,998
Including: cash on hand	647,528	586,116
bank deposits on demand	57,080,336	53,555,882
Cash equivalents	5,341,567	1,781,146
Closing balance of cash and cash equivalents	63,069,431	55,923,144

### 55. Net current assets

	30 June 2011 (Unaudited)	31 December 2010
Current assets	333,632,938	291,924,783
Less: current liabilities	(297,328,231)	(262,737,618)
Net current assets	36,304,707	29,187,165

### 56. Total assets less current liabilities

	30 June 2011 (Unaudited)	31 December 2010
Total assets	395,613,107	350,194,015
Less: current liabilities	(297,328,231)	(262,737,618)
Total assets less current liabilities	98,284,876	87,456,397

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Parent

Company name	Nature of enterprise	Place of registration	Legal representative	Business scope	Registered capital	Percentage of ownership interest in the Company (%)	Percentage of voting rights in the Company (%)	Organization code
CRCCG	State-owned enterprise in the PRC	Beijing	Mr. MENG Fengchao	Construction and management	5,969,888	61.33	61.33	10001066-0

### 2. Subsidiaries

Refer to note IV - Consolidation scope of consolidated financial statements.

### 3. Jointly controlled enterprises and associates

Company name (Note)	Related party relationship	Organization code
Nanchang Railway 2 <sup>nd</sup> Construction Engineering Co., Ltd.	Associate	15826465-5
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	77846939-5
Nanchang Xinlong Real Estate Co., Ltd.	Associate	78145661-6
Shaanxi Jiuzheng Medical Technology Co., Ltd.	Associate	66411483-6
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	Associate	66268036-7
Shanghai Tunnel Yushchenko Bridge Strengthening Works and Detection Technology Co., Ltd.	Associate	78055700-1
Chongqing Yurong Highway Co., Ltd.	Associate	55675000-X
Gansu China Railway Construction and Estate Investment Co., Ltd.	Associate	55627243-1
China Railway Communications International Engineering and Technology Co., Ltd.	Jointly controlled entity	79748689-5
CRCC-Tongguan Investment Co., Ltd.	Jointly controlled entity	69896533-X
PetroChina-CRCC Petroleum Marketing Co., Ltd.	Jointly controlled entity	697727508
Groupment CITIC-CRCC Joint Venture	Jointly controlled entity	N/A
Hubei Wanjia Real Estate Development Co., Ltd.	Jointly controlled entity	74179508-2
China-Africa Lekkil Investment Co., Ltd.	Jointly controlled entity	78550080-5
HK ACE Joint Venture	Jointly controlled entity	N/A
CLPE-CRCC-HG Joint Venture	Jointly controlled entity	N/A
Chun Wo-Henryvicy-CRCC Joint Venture	Jointly controlled entity	N/A
Chun Wo-Henryvicy-CRCC-Queensland Rail Joint Venture	Jointly controlled entity	N/A
CRCC-HC-CR15G Joint Venture	Jointly controlled entity	N/A



# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 4. Other related parties

Company name	Related party relationship	Organization code
China Civil (Hong Kong) Building Limited	Fellow subsidiary	N/A
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary	76141766-0
Chongqing Tiefa Suiyu Highway Co., Ltd.	Fellow subsidiary	76593295-0
Same Fast Limited	Fellow subsidiary	N/A
Xi'an Tianchuang Real Estate Co., Ltd.	Fellow subsidiary	73506582-5
China Railway Construction (Hong Kong) Co., Ltd.	Fellow subsidiary	N/A
Jinli Assets Management Center	Fellow subsidiary	71093514-2

### 5. Related party transactions

#### For the six months ended 30 June

	2011 (Unaudited)		2010 (Unaudited)	
	Amount	Percentage (%)	Amount	Percentage (%)
(1) Construction operations revenue (Note (a))				
Chongqing Yurong Highway Co., Ltd.	853,200	0.45	—	—
Groupement CITIC-CRCC Joint Venture CRCCG	154,058	0.08	452,380	0.28
Chongqing Monorail Transportation Engineering Co., Ltd.	126,766	0.07	1,597	—
Chongqing Tiefa Suiyu Highway Co., Ltd.	82,297	0.04	181,328	0.11
Beijing Tongda Jingcheng Highway Co., Ltd.	772	—	—	—
Nanjing Changjiang Tunnel Co., Ltd.	58	—	66	—
	—	—	428,582	0.27
	1,217,151	0.64	1,063,953	0.66

#### For the six months ended 30 June

	2011 (Unaudited)		2010 (Unaudited)	
	Amount	Percentage (%)	Amount	Percentage (%)
(2) Survey, design and consultancy operations revenue (Note (b))				
Nanjing Changjiang Tunnel Co., Ltd.	—	—	237	0.01
CRCCG	238	0.01	2,962	0.08
	238	0.01	3,199	0.09

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

	For the six months ended 30 June			
	2011 (Unaudited)		2010 (Unaudited)	
(3) Other income (Note (c))	Amount	Percentage (%)	Amount	Percentage (%)
CRCCG	26,626	0.14	—	—
Groupement CITIC-CRCC Joint Venture	—	—	63,523	0.42
Chongqing Monorail Transportation Engineering Co., Ltd.	—	—	2,856	0.02
CRCC-Tongguan Investment Co., Ltd.	—	—	56	—
	26,626	0.14	66,435	0.44

	For the six months ended 30 June			
	2011 (Unaudited)		2010 (Unaudited)	
(4) Purchase of goods and services (Note (d))	Amount	Percentage (%)	Amount	Percentage (%)
PetroChina-CRCC Petroleum Marketing Co., Ltd.	374,690	0.20	—	—
Groupement CITIC-CRCC Joint Venture	11,624	0.01	—	—
Shanghai Tunnel Yushchenko Bridge Strengthening Works and Detection Technology Co., Ltd.	—	—	100	—
	386,314	0.21	100	—

	For the six months ended 30 June			
	2011 (Unaudited)		2010 (Unaudited)	
(5) Other expenses (Note (c))	Amount	Percentage (%)	Amount	Percentage (%)
CRCCG	15,000	0.01	15,000	0.01
Jinli Assets Management Center	227	—	1,352	—
China-Africa Lekkil Investment Co., Ltd.	—	—	184	—
	15,227	0.01	16,536	0.01

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (6) Related party guarantee

Guarantee issued and granted to a related party

#### 30 June 2011 (Unaudited)

	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	1,067,204	25 May 2010	25 May 2015	No

#### 31 December 2010

	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	1,067,204	25 May 2010	25 May 2015	No

#### (7) Others

	For the six months ended 30 June			
	2011 (Unaudited)		2010 (Unaudited)	
	Amount	Percentage (%)	Amount	Percentage (%)
Compensation of key management personnel	3,151	100.00	2,343	100.00

Notes:

- The terms of the construction service agreements entered into by the Group and related parties were mutually agreed by the parties.
- The terms of the survey, design and consultancy service agreements entered into by the Group and related parties were mutually agreed by the parties.
- The terms of the agreements relating to rendering or receiving other services entered into by the Group and related parties were mutually agreed by the parties.
- The terms of the purchase of goods and services agreements entered into by the Group and related parties were mutually agreed by the parties.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties

	30 June 2011 (Unaudited)		31 December 2010	
	Gross carrying amount	Provision for bad debt	Gross carrying amount	Provision for bad debt
<b>Accounts receivable (Note (a))</b>				
CRCCG (Note (b))	55,650	—	79,905	—
Chongqing Yurong Highway Co., Ltd.	84,937	—	—	—
Chongqing Monorail Transportation Engineering Co., Ltd.	55,401	—	37,026	—
Beijing Tongda Jingcheng Highway Co., Ltd.	5,721	—	9,393	—
Chongqing Tiefa Suiyu Highway Co., Ltd.	4,044	—	4,433	—
Xi'an Tianchuang Real Estate Co., Ltd.	2,155	—	2,155	—
CRCC-HC-CR15G Joint Venture	1,296	—	1,400	—
Nanchang Railway 2 <sup>nd</sup> Construction Engineering Co., Ltd.	715	—	715	—
	209,919	—	135,027	—
<b>Amounts due from customers for contract work (Note (a))</b>				
Groupment CITIC-CRCC Joint Venture	251,621	—	218,270	—
CRCCG (Note (c))	116,085	—	61,671	—
Chongqing Monorail Transportation Engineering Co., Ltd.	33,474	—	18,806	—
	401,180	—	298,747	—
<b>Advances to suppliers (Note (a))</b>				
PetroChina-CRCC Petroleum Marketing Co., Ltd.	—	—	11,440	—

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

	30 June 2011 (Unaudited)		31 December 2010	
	Gross carrying amount	Provision for bad debt	Gross carrying amount	Provision for bad debt
<b>Other receivables (Note (a))</b>				
China-Africa Lekkil Investment Co., Ltd.	219,337	—	208,605	—
Groupement CITIC-CRCC Joint Venture	201,068	—	162,232	—
Nanchang Xinlong Real Estate Co., Ltd.	26,631	475	26,599	475
Nanchang Railway 2 <sup>nd</sup> Construction Engineering Co., Ltd.	6,129	—	7,079	—
CRCC-HC-CR15G Joint Venture	3,742	—	26,804	—
CRCC-Tongguan Investment Co., Ltd.	2,108	—	2,056	—
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	1,855	—	2,083	—
Shaanxi Jiuzheng Medical Technology Co., Ltd.	1,352	—	1,352	—
Chongqing Monorail Transportation Engineering Co., Ltd.	469	—	443	—
Chongqing Yurong Highway Co., Ltd.	169	—	169	—
Gansu China Railway Construction and Estate Investment Co., Ltd.	125	—	99,000	—
CLPE-CRCC-HG Joint Venture	—	—	460	—
Hubei Wanjia Real Estate Development Co., Ltd.	—	—	430	—
	462,985	475	537,312	475

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

	30 June 2011 (Unaudited)		31 December 2010	
	Gross carrying amount	Provision for bad debt	Gross carrying amount	Provision for bad debt
<b>Non-current assets due within one year</b>				
CRCCG (Note (d))	500,000	—	577,000	—
<b>Long-term receivables</b>				
CRCCG (Note (d))	1,000,000	—	1,500,000	—

  

	30 June 2011 (Unaudited)	31 December 2010
<b>Accounts payable (Note (a))</b>		
Nanchang Railway 2 <sup>nd</sup> Construction Engineering Co., Ltd.	131	131
PetroChina-CRCC Petroleum Marketing Co., Ltd.	—	301
	131	432
<b>Amount due to customers for contract work (Note (a))</b>		
CRCCG	—	2,398
<b>Advance from Customers (Note (a))</b>		
CRCCG (Note (e))	10,366	—
Groupement CITIC-CRCC Joint Venture Chongqing Monorail Transportation Engineering Co., Ltd.	50,368	70,698
Chongqing Yurong Highway Co., Ltd.	28,184	25,141
CRCC-HC-CR15G Joint Venture	—	2,000
	—	64
	88,918	97,903
<b>Dividends payable (Note (a))</b>		
CRCCG	378,312	378,312

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

	30 June 2011 (Unaudited)	31 December 2010
<b>Other payables (Note (a))</b>		
Groupement CITIC-CRCC Joint Venture	2,103,225	2,074,951
CRCCG (Note (f))	200,276	198,370
China-Africa Lekkil Investment Co., Ltd.	21,279	—
Chongqing Monorail Transportation Engineering Co., Ltd.	7,634	3,531
Hubei Wanjia Real Estate Development Co., Ltd.	5,538	5,052
China Railway Communications International Engineering and Technology Co., Ltd.	930	930
HK ACE Joint Venture	707	723
Shaanxi Jiuzheng Medical Technology Co., Ltd.	450	450
Nanchang Railway 2 <sup>nd</sup> Construction Engineering Co., Ltd.	150	150
Jinli Assets Management Center	—	2,638
CRCC-HC-CR15G Joint Venture	—	383
	2,340,189	2,287,178

Notes:

- (a) The amounts due from/to the related parties were interest-free, unsecured, and with no fixed terms of repayment.
- (b) The accounts receivable from CRCCG mainly arose from the following transactions: China Railway Construction Group Ltd., one of the Group's subsidiaries, constructed the Research Building for CRCCG; and China Railway 14th Bureau Group Co., Ltd.; one of the Group's subsidiaries, provide construction service for Nanjing Changjiang Tunnel Project to CRCCG.
- (c) The gross amount due from contract customers - CRCCG, mainly arose from the following transactions: China Railway Construction Group Ltd., one of the Group's subsidiaries, constructed the Office Building for CRCCG; and China Railway 14th Bureau Group Co., Ltd.; one of the Group's subsidiaries, provide construction service for Nanjing Changjiang Tunnel Project to CRCCG.
- (d) The long-term receivables represented the balance due from the CRCCG in regard to the transfer consideration of Mecca Light Rail Project. On 21 January 2011, the Company entered into the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project. Pursuant to the Agreement, the Company transferred all the rights and obligations of the Company under and arising from the Mecca Light Rail Project to CRCCG starting from 31 October 2010. In consideration of the aforesaid arrangement, CRCCG shall pay RMB2,077,000,000 to the Company. As at 30 June 2011, an amount of RMB500,000,000 shall be paid within one year and the remaining amount of RMB1,000,000,000 shall be paid in following two years by CRCCG.
- (e) The advances from CRCCG mainly arose from the transactions that China Railway Construction (H.K.) Co., Ltd., one of the Group's subsidiaries, sold raw materials to CRCCG.
- (f) The amount due to CRCCG mainly represented the fund contributed by CRCCG for the reconstruction work in relation to the earthquake in Wenchuan County of Sichuan Province in the PRC in 2008, which was funded to CRCCG by the Ministry of Finance of the PRC (Note V.28).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## VII. CONTINGENCIES

1. The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

### 2. Guarantees

The Group and the Company had issued guarantees to banks in respect of the banking facilities granted to the following parties:

The Group	30 June 2011 (Unaudited)	31 December 2010
Jointly controlled entity	1,067,204	1,067,204
An investee of the Company	117,600	117,600
	1,184,804	1,184,804
The Company	30 June 2011 (Unaudited)	31 December 2010
Subsidiaries	1,999,322	4,213,576
Jointly controlled entity	1,067,204	1,067,204
An investee of the Company	117,600	117,600
	3,184,126	5,398,380

In addition, certain interest-bearing bank and other loans of the Company of approximately RMB70,581,000 (2010: RMB82,263,000 ) were guaranteed by the subsidiaries of the Company as at 30 June 2011.



## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### VIII. COMMITMENTS

	30 June 2011 (Unaudited)	31 December 2010
Capital commitment		
Contracted, but not provided for	544,389	757,602
Authorized by the board, but not contracted	239,500	320,846
	783,889	1,078,448
Investment commitment		
Contracted, but not fulfilled	—	195,950
Authorized by the board, but not contracted	1,000,000	1,000,000
	1,000,000	1,195,950

### IX. EVENTS AFTER THE BALANCE SHEET DATE

- Pursuant to the resolution approved by the Board of Directors on 23 June 2011, the Group planned to invest RMB1 billion in the form of cash to establish a wholly-owned subsidiary, China Railway Construction and Waterway Bureau Co., Ltd. ("CRCWBC"). On 8 August 2011, the Company contributed RMB1 billion to CRCWBC, and the company was formally established.
- Except for the above event, no significant events took place subsequent to 30 June 2011.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS

### 1. Leases

#### As the lessee

Finance leases: As at 30 June 2011, the balance of unrecognized financing charges was RMB184,374,000 (31 December 2010: RMB38,214,000), which was amortized using the effective interest rate method over the lease terms. The future minimum lease payments under non-cancellable finance leases are presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
Less than 1 year (including 1 year)	343,509	243,926
1 to 2 years (including 2 years)	257,427	156,738
2 to 5 years (including 5 years)	498,914	113,335
Over 5 years	136,632	10,002
	1,236,482	524,001

For fixed assets leased under finance leases, refer to Note V.13.

Significant operating leases: According to the leases entered into with the lessors, the minimum lease payments under non-cancellable leases are presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
Less than 1 year (including 1 year)	73,277	67,119
1 to 2 years (including 2 years)	42,626	49,016
2 to 3 years (including 3 years)	5,012	38,702
Over 3 years	—	458
	120,915	155,295

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 2. Assets and liabilities measured at fair value

For the six months ended 30 June 2011:

	Opening balance	Profit and loss from changes in fair value in the current period (Unaudited)	Accumulated changes in fair value charged to equity (Unaudited)	Closing balance (Unaudited)
Financial assets				
Financial assets at fair value through profit or loss	75,490	(9,089)	—	65,699
Available-for-sale financial assets	273,773	—	(3,604)	270,183
	349,263	(9,089)	(3,604)	335,882

2010:

	Opening balance	Profit and loss from changes in fair value in the current period	Accumulated changes in fair value charged to equity	Closing balance
Financial assets				
Financial assets at fair value through profit or loss	97,339	(20,410)	—	75,490
Available-for-sale financial assets	367,948	—	(115,192)	273,773
	465,287	(20,410)	(115,192)	349,263

### 3. Segment reporting

#### Operating segments

For management purposes, the Group's is organized into the following four business segments based on their products and services:

- (1) the construction operations segment engages in the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- (2) the survey, design and consultancy operations segment engages in the provision of survey, design and consultancy services, as well as technology and equipment research and development services;
- (3) the manufacturing operations segment engages in the design, research and development, production and sale of large track maintenance machinery as well as the manufacturing of components for railway construction; and
- (4) the other business operations segment mainly comprises real estate development and logistics businesses.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 3. Segment reporting (continued)

#### Operating segments (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss. The Group does not manage income tax based on operating segments and hence income tax has not been allocated to the operating segments.

Segment assets exclude deferred tax assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Inter-segment transfers are transacted with reference to the fair values used in the transactions carried out with third parties.

#### For the six months ended 30 June 2011 (Unaudited):

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Other business operations	Eliminations and adjustments	Total
Revenue from external customers	189,442,655	3,267,368	4,082,998	14,613,074	—	211,406,095
Inter-segment sales	1,777,764	—	310,396	2,750,102	(4,838,262)	—
	191,220,419	3,267,368	4,393,394	17,363,176	(4,838,262)	211,406,095
Share of profits and losses of jointly controlled entities and associates	(10,086)	—	—	13,328	—	3,242
Impairment losses recognized/(reversed)	4,240	2,316	(1,420)	(857)	—	4,279
Depreciation and amortization	4,240,550	78,589	122,256	69,220	—	4,510,615
Profit before tax	3,293,289	410,806	324,494	483,278	—	4,511,867
Segment assets (i)	313,497,506	10,725,590	13,300,834	83,009,780	(24,920,603)	395,613,107
Segment liabilities (ii)	274,733,590	8,165,775	9,278,623	67,822,187	(25,722,376)	334,277,799
Other segment information						
Investments in jointly controlled entities and associates	1,951,597	7,305	7,000	75,906	—	2,041,808
Increase in non-current assets other than long-term equity investment	6,166,513	129,101	342,745	313,078	—	6,951,437

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 3. Segment reporting (continued)

Operating segments (Continued)

For the six months ended 30 June 2010 (Unaudited):

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Other business operations	Eliminations and adjustments	Total
Revenue from external customers	160,624,432	3,589,041	4,099,159	11,007,715	—	179,320,347
Inter-segment sales	595,385	6,793	193,284	2,090,492	(2,885,954)	—
	161,219,817	3,595,834	4,292,443	13,098,207	(2,885,954)	179,320,347
Share of profits and losses of jointly controlled entities and associates	9,094	(10)	—	(5,000)	—	4,084
Impairment losses recognized/(reversed)	58,751	15	(514)	2,486	—	60,738
Depreciation and amortization	3,329,077	74,547	156,405	90,425	—	3,650,454
Profit before tax	2,817,108	432,342	303,677	698,401	—	4,251,528

- (i) Segment assets do not include deferred tax assets of RMB1,974,759,000 (31 December 2010: RMB2,070,318,000) as the Group does not manage these assets based on operating segments. In addition, inter-segment receivables of RMB26,895,362,000 (31 December 2010: RMB31,043,463,000) are eliminated on consolidation.
- (ii) Segment liabilities do not include deferred tax liabilities of RMB267,912,000 (31 December 2010: RMB269,754,000) and corporate income tax payable of RMB572,765,000 (31 December 2010: RMB950,488,000) as the Group does not manage these liabilities based on operating segments. In addition, inter-segment payables of RMB26,563,053,000 (31 December 2010: RMB31,043,463,000) are eliminated on consolidation.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 3 Segment reporting (continued)

#### Group Information

#### Geographical information

#### Revenue from external customers

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Mainland China	204,896,087	171,643,723
Outside Mainland China	6,510,008	7,676,624
	211,406,095	179,320,347

#### Non-current assets (i)

	30 June 2011 (Unaudited)	31 December 2010
Mainland China	44,421,484	42,280,117
Outside Mainland China	3,379,143	3,372,014
	47,800,627	45,652,131

In the geographical information above, revenue from external customers is based on the location of the customers. Non-current assets information above is based on the location of the non-current assets.

- (i) Non-current assets consist of property, plant and equipment, construction in progress, intangible assets, long-term prepaid expenses and investments in jointly controlled entities and associates.

#### Information about major customers

The Group did not derive more than 10% of its total revenue from any single customer during the six months period ended 30 June 2011 and during the year of 2010.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 4. Financial instruments and their risks

#### Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, bonds payable, short-term corporate bonds, finance lease liabilities, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The senior management of the Company meets at least four times a year to analyze and formulate measures to manage the Group's exposure to these risks. In addition, the Board of Directors of the Company holds meetings at least two times a year to analyze and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum level, the Group did not use any derivatives and other instruments for hedging purposes and the Group did not hold or issue derivative financial instruments for trading purposes for the period ended 30 June 2011.

#### Financial instruments by category

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

#### 30 June 2011 (Unaudited)

Financial assets	Financial assets at fair value through profit or loss	Held-to- maturity investments	Loans and receivables	Available-for- sale financial assets	Total
Held-to-maturity investments	—	1,267	—	—	1,267
Available-for-sale financial assets	—	—	—	270,183	270,183
Long-term equity investments					
under cost method	—	—	—	2,320,776	2,320,776
Bills receivable	—	—	410,590	—	410,590
Accounts receivable	—	—	54,259,123	—	54,259,123
Interest receivable	—	—	2,463	—	2,463
Dividends receivable	—	—	46,844	—	46,844
Other receivables	—	—	24,934,523	—	24,934,523
Long-term receivables	—	—	9,612,557	—	9,612,557
Non-current assets due within one year	—	—	10,492,443	—	10,492,443
Financial assets held for trading	65,699	—	—	—	65,699
Cash and cash equivalents	—	—	70,724,426	—	70,724,426
	65,699	1,267	170,482,969	2,590,959	173,140,894

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 4. Financial instruments and their risks (continued)

#### Financial instruments by category (continued)

#### 30 June 2011 (Unaudited) (continued)

Financial liabilities	Financial liabilities at amortized cost
Short-term borrowings	32,563,535
Short-term bonds payable	659,072
Bills payable	15,669,703
Accounts payable	133,994,122
Interest payable	446,547
Dividends payable	678,720
Other payables	31,006,749
Non-current liabilities due within one year	1,479,321
Long-term borrowings	14,872,113
Bonds payable	14,936,029
Long-term payables	2,364,874
	248,670,785

#### 31 December 2010

Financial assets	Financial assets at fair value through profit or loss	Held-to- maturity investments	Loans and receivables	Available-for- sale financial assets	Total
Held-to-maturity investments	—	1,295	—	—	1,295
Available-for-sale financial assets	—	—	—	273,773	273,773
Long-term equity investments under cost method	—	—	—	2,348,438	2,348,438
Bills receivable	—	—	483,446	—	483,446
Accounts receivable	—	—	56,047,982	—	56,047,982
Interest receivable	—	—	200	—	200
Other receivables	—	—	21,995,143	—	21,995,143
Long-term receivables	—	—	7,923,277	—	7,923,277
Financial assets held for trading	75,490	—	—	—	75,490
Cash and cash equivalents	—	—	65,206,592	—	65,206,592
	75,490	1,295	151,656,640	2,622,211	154,355,636



## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### X. OTHER SIGNIFICANT EVENTS (continued)

#### 4. Financial instruments and their risks (continued)

##### Financial instruments by category (continued)

31 December 2010 (Continued)

Financial liabilities	Financial liabilities at amortized cost
Short-term loans	16,242,671
Bills payable	13,607,569
Accounts payable	127,588,606
Interest payable	187,058
Dividends payable	691,594
Other payables	29,525,733
Non-current liabilities due within one year	1,185,029
Long-term loans	7,484,804
Bonds payable	14,930,359
Long-term payables	1,790,797
	213,234,220

##### Credit risk

Credit risk is the risk of financial loss on one party of a financial instrument due to the failure of another party to meet its obligations.

The Group trades only with recognized and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, other receivables, arising from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note VII.2 to the financial statements. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 4. Financial instruments and their risks (continued)

#### Credit risk (Continued)

As the Group's major customers are the PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

As at 30 June 2011 and 31 December 2010, further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable, other receivables and long-term receivables which are neither past due nor impaired or past due but not impaired is disclosed in Note V.4, 6 and 10 respectively to the financial statements.

#### Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with financial liabilities.

The Group monitors its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and expected cash flows from the Group's operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities with several PRC banks of up to an amount of RMB518,317 million as at 30 June 2011, of which an amount of approximately RMB201,308 million has been utilized.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases and other interest-bearing borrowings. The Group's policy is that not more than 75% of borrowings shall mature in the following 12 months period based on the carrying amount of borrowings reflected in the financial statements. As at 30 June 2011, 53.6% (31 December 2010: 43.4%) of the Group's borrowings would mature in less than one year.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 4. Financial instruments and their risks (continued)

#### Liquidity risk (Continued)

The table below summarizes the maturity profile of the Group's financial assets and liabilities as at the balance sheet date, based on the undiscounted contractual cash flows:

	30 June 2011 (Unaudited)					
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Short-term loans	—	32,563,535	—	—	—	32,563,535
Short-term bonds payable	—	659,072	—	—	—	659,072
Bills payable	—	15,669,703	—	—	—	15,669,703
Accounts payable	—	133,994,122	—	—	—	133,994,122
Interest payable	—	446,547	—	—	—	446,547
Dividends payable	—	678,720	—	—	—	678,720
Other payables	—	31,006,749	—	—	—	31,006,749
Non-current liabilities due within one year	—	1,479,321	—	—	—	1,479,321
Long-term loans	—	—	10,344,638	3,781,761	745,714	14,872,113
Bonds payable	—	—	—	14,936,029	—	14,936,029
Long-term payables	—	—	1,435,658	772,398	156,818	2,364,874
Unrecognized financing charges in connection with finance leases	—	55,575	46,320	73,198	9,281	184,374
Interest payments on financial liabilities	—	2,225,163	1,006,841	950,583	346,039	4,528,626
Guarantees given to banks in connection with facilities granted to a jointly controlled entity, and other investee	1,184,804	—	—	—	—	1,184,804
	1,184,804	218,778,507	12,833,457	20,513,969	1,257,852	254,568,589

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 4. Financial instruments and their risks (continued)

#### Liquidity risk (Continued)

	31 December 2010					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	—	16,242,671	—	—	—	16,242,671
Bills payable	—	13,607,569	—	—	—	13,607,569
Accounts payable	—	127,588,606	—	—	—	127,588,606
Interest payable	—	187,058	—	—	—	187,058
Dividends payable	—	691,594	—	—	—	691,594
Other payables	—	29,525,733	—	—	—	29,525,733
Non-current liabilities						
due within one year	—	1,185,029	—	—	—	1,185,029
Long-term loans	—	—	3,727,250	2,983,304	774,250	7,484,804
Bonds payable	—	—	—	14,930,359	—	14,930,359
Long-term payables	—	—	1,219,693	526,260	44,844	1,790,797
Unrecognized financing charges in connection with finance leases	—	20,430	9,893	7,891	—	38,214
Interest payments on financial liabilities	—	1,142,215	582,314	790,393	70,475	2,585,397
Guarantees given to banks in connection with facilities granted to a jointly controlled entity and other investee	1,184,804	—	—	—	—	1,184,804
	1,184,804	190,190,905	5,539,150	19,238,207	889,569	217,042,635

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. It mainly includes interest rate risk and currency risk.

## X. OTHER SIGNIFICANT EVENTS (continued)

### 4. Financial instruments and their risks (continued)

#### Market risk (Continued)

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Interest-bearing borrowings, cash and short term deposits are stated at amortised cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the consolidated income statement as earned/incurred.

Management does not anticipate any significant impact resulting from the changes in interest rates because most of the Group's borrowings as at 30 Jun 2011 were at fixed interest rates which have no significant impact on cash flow interest rate risk.

If there would be a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by one percentage point, with all other variables held constant, the consolidated operating results would have decreased/increased by approximately RMB174,298,000 for the period (for the six months ended 30 June 2010: RMB78,200,000), and there is no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at 30 June 2011 and has applied the exposure to interest rate risk to those financial instruments in existence at that date. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

##### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB, the aforesaid currency is defined as the Group's functional currency. The RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 90% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rate of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions for the period ended 30 June 2011 and the year ended 31 December 2010 in order to reduce the Group's exposure to foreign currency risk in this regard.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar, Euro, Nigerian Naira, Algerian Dinar, and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's net profit.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 4. Financial instruments and their risks (continued)

#### Market risk (Continued)

Effect on net profit

		Increase/ (decrease) in net profit For the six months ended 30 June	
		2011 (Unaudited)	2010 (Unaudited)
Increase in the United States Dollar rate	2%	(55,300)	5,000
Decrease in the United States Dollar rate	(2%)	55,300	(5,000)
Increase in the Euro rate	4%	(31,700)	(38,000)
Decrease in the Euro rate	(4%)	31,700	38,000
Increase in the Nigerian Naira rate	2%	12,000	31,300
Decrease in the Nigerian Naira rate	(2%)	(12,000)	(31,300)
Increase in the Algerian Dinar rate	3%	4,200	24,500
Decrease in the Algerian Dinar rate	(3%)	(4,200)	(24,500)
Increase in the Hong Kong Dollar rate	2%	1,800	5,500
Decrease in the Hong Kong Dollar rate	(2%)	(1,800)	(5,500)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 30 June 2011 and has applied the exposure to foreign currency risk to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the period until the end of the next annual reporting period.

#### Capital management

The Group's primary objectives for managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing services and products commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the periods ended 30 June 2011 and 30 June 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes short-term loans, long-term loans, short-term bonds payable, bills payable, accounts payable, employee benefits payable (excluded provision for early retirement benefits), interest payable, dividends payable, other payables, bonds payable, long-term payables and non-current liabilities due within one year less cash and cash equivalents. Total equity comprises equity attributable to owners of the Company and minority interests stated in the consolidated statement of financial position.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 4. Financial instruments and their risks (continued)

#### Market risk (Continued)

##### Capital management (Continued)

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios at the end of the reporting periods are as follows:

	30 June 2011 (Unaudited)	31 December 2010
Short-term loans	32,563,535	16,242,671
Long-term loans	14,872,113	7,484,804
Short-term bonds payable	659,072	—
Bills payable	15,669,703	13,607,569
Accounts payable	133,994,122	127,588,606
Employee benefits payable (excluded provision for early retirement benefits) (Note V.24)	7,953,678	6,882,289
Interest payable	446,547	187,058
Dividends payable	678,720	691,594
Other payables	31,006,749	29,525,733
Non-current liabilities due within one year	1,479,321	1,185,029
Bonds payable	14,936,029	14,930,359
Long-term payables	2,364,874	1,790,797
Less: cash and cash equivalents	( 70,724,426)	(65,206,592)
Net debt	185,900,037	154,909,917
Total equity	61,335,308	58,231,420
Total equity and net debt	247,235,345	213,141,337
Gearing ratio	75%	73%

#### Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The following methods and assumptions were used to estimate fair values:

The fair values of cash and cash equivalents, bills receivable, accounts receivable, bills payable, accounts payable and similar instruments approximate to their carrying amounts due to the short term maturities of these instruments.

The fair values of unlisted held-to-maturity investments, long-term receivables, short-term loans, bills payable and similar instruments are calculated by discounting the expected future cash flows using rates currently available for other instruments with substantially equivalent terms and characteristics.

The fair values of listed financial instruments are determined based on the quoted market prices.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS (continued)

### 4. Financial instruments and their risks (continued)

Fair value (Continued)

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

	Carrying amounts		Fair values	
	30 June 2011 (Unaudited)	31 December 2010	30 June 2011 (Unaudited)	31 December 2010
<b>Financial assets</b>				
Held-to-maturity investments	1,267	1,295	1,267	1,295
Available-for-sale financial assets	270,183	273,773	270,183	273,773
Long-term equity Investments				
under cost method	2,320,776	2,348,438	2,320,776	2,348,438
Bills receivable	410,590	483,446	410,590	483,446
Accounts receivable	54,259,123	56,047,982	54,259,123	56,047,982
Interest receivable	2,463	200	2,463	200
Dividends receivable	46,844	—	46,844	—
Other receivables	24,934,523	21,995,143	24,934,523	21,995,143
Non-current assets due				
within one year	10,492,443	—	10,492,443	—
Long-term receivables	9,612,557	7,923,277	9,466,784	7,735,219
Financial assets held for trading	65,699	75,490	65,699	75,490
Cash and cash equivalents	70,724,426	65,206,592	70,724,426	65,206,592
	173,140,894	154,355,636	172,995,121	154,167,578
<b>Financial liabilities</b>				
Short-term loans	32,563,535	16,242,671	32,563,535	16,242,671
Short-term bonds payable	659,072	—	659,072	—
Bills payable	15,669,703	13,607,569	15,669,703	13,607,569
Accounts payable	133,994,122	127,588,606	133,994,122	127,588,606
Interest payable	446,547	187,058	446,547	187,058
Dividends payables	678,720	691,594	678,720	691,594
Other payables	31,006,749	29,525,733	31,006,749	29,525,733
Non-current liabilities due				
within one year	1,479,321	1,185,029	1,479,321	1,185,029
Long-term loans	14,872,113	7,484,804	14,788,435	7,392,788
Bills payable	14,936,029	14,930,359	14,936,029	14,930,359
Long-term payables	2,364,874	1,790,797	2,359,188	1,630,207
	248,670,785	213,234,220	248,581,421	212,981,614



## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### **X. OTHER SIGNIFICANT EVENTS (continued)**

#### **5. Progress of the non-public issuance and placing of A Shares**

The Proposal on the Non-public Issuance and Placing of A Shares was considered and passed at the 2009 annual general meeting, the first 2010 A shareholders' class meeting and the first 2010 H shareholders' class meeting held by the Company, whereby the Company proposed to offer no more than RMB1.035 billion A shares under non-public issuance and placing of A shares to not more than ten target subscribers, which will raise money of not more than RMB8 billion. This included CRCCG, which will subscribe for no more than RMB518 million shares by some assets and cash, and the subscription amount is not more than RMB 4 billion. The resolution was valid for 12 months from the date of approval at the above shareholders' meetings and has expired on 17 June 2011. The Company filed its application for Non-public Issuance and Placing of A Shares to China Securities Regulatory Commission (the "CSRC") after the aforesaid meetings and the application was duly accepted by the CSRC on 5 July 2010.

Since real estate development is one of the principal businesses of the Company, it is subject to specific examination in the course of review. As at the date on which these financial statements were approved and authorized for issue, the application for the Non-public Issuance and Placing of A Shares is still under review by the CSRC.

#### **6. Comparative amounts**

Some comparative amounts have been restated to conform with the current period's presentation.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

### 1. Accounts receivable

An ageing analysis of accounts receivable is presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
Within 1 year	418,582	—
2 to 3 years	—	1,211
Over 3 years	500	6,195
	419,082	7,406

Accounts receivable by category is presented as follows:

	30 June 2011 (Unaudited)			
	Amount	Percentage (%)	Provision for bad debt	Percentage (%)
Individually significant and subject to separate provision for bad debt	418,582	99.88	—	—
Individually not significant but subject to separate provision for bad debt	500	0.12	—	—
	419,082	100.00	—	—

	31 December 2010			
	Amount	Percentage (%)	Provision for bad debt	Percentage (%)
Individually not significant but subject to separate provision for bad debt	7,406	100.00	—	—
	7,406	100.00	—	—

As at 30 June 2011, within the aforesaid balance of accounts receivable, there was no amount due from shareholders that held 5% or more of the Company's voting rights (31 December 2010: nil).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 1. Accounts receivable (continued)

As at 30 June 2011, significant accounts receivable are presented as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total accounts receivable (%)
Company 1	Third party	333,645	Within 1 year	79.61
Company 2	Third party	58,579	Within 1 year	13.98
Company 3	Third party	26,358	Within 1 year	6.29
Others		500	Over 3 years	0.12
		419,082		100.00

As a 31 December 2010, significant accounts receivables are presented as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total accounts receivable (%)
Company 1	Third party	5,206	Over 3 years	70.30
Company 2	Third party	1,211	2 to 3 years	16.35
Company 3	Third party	789	Over 3 years	10.65
Others		200	Over 3 years	2.70
		7,406		100.00

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 2. Other receivables

An ageing analysis of other receivables is presented as follows

	30 June 2011 (Unaudited)	31 December 2010
Within 1 year	24,275,049	29,716,764
1 to 2 years	25	128,732
2 to 3 years	128,326	3,636
Over 3 years	156,253	152,648
	24,559,653	30,001,780

Other receivables by category are presented as follows:

	30 June 2011 (Unaudited)			
	Amount	Percentage (%)	Provision for bad debt	Percentage (%)
Individually significant and subject to separate provision for bad debt	23,892,106	97.28	—	—
Individually not significant but subject to separate provision for bad debt	667,547	2.72	—	—
	24,559,653	100.00	—	—

	31 December 2010			
	Amount	Percentage (%)	Provision for bad debt	Percentage (%)
Individually significant and subject to separate provision for bad debt	29,783,945	99.27	—	—
Individually not significant but subject to separate provision for bad debt	217,835	0.73	—	—
	30,001,780	100.00	—	—

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 2. Other receivables (continued)

As at 30 June 2011, the top five other receivables are presented as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total other receivables (%)
Company 1	Subsidiary	16,515,000	Within 1 year	67.24
Company 2	Subsidiary	1,230,000	Within 1 year	5.01
Company 3	Subsidiary	1,099,197	Within 1 year	4.48
Company 4	Subsidiary	681,064	Within 1 year	2.77
Company 5	Subsidiary	671,588	Within 1 year	2.74
		20,196,849		82.24

As at 31 December 2010, the top five other receivables are presented as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total other receivables (%)
Company 1	Subsidiary	21,515,251	Within 1 year	71.71
Company 2	Subsidiary	1,297,500	Within 1 year	4.32
Company 3	Subsidiary	1,108,949	Within 1 year	3.70
Company 4	Subsidiary	635,046	Within 1 year	2.12
Company 5	Subsidiary	617,554	Within 1 year	2.06
		25,174,300		83.91

As at 30 June 2011, within the aforesaid balance of other receivables, there was no amount due from shareholders that held 5% or more of the Company's voting rights (31 December 2010: nil).

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 2. Other receivable (continued)

As at 30 June 2011, other receivables from related parties are presented as follows:

	30 June 2011 (Unaudited)	31 December 2010
Subsidiaries	24,013,865	29,770,868
Jointly controlled entities	213,252	197,885
Associates	169	169
	24,227,286	29,968,922

### 3. Long-term equity investments

	30 June 2011 (Unaudited)	31 December 2010
Cost method		
— Equity investment in entities with no joint control or significant influence (i)	1,586,444	1,586,444
— Subsidiaries (ii)	45,763,415	33,722,567
Equity method		
— Jointly controlled entities (iii)	1,243,143	1,250,466
— Associates (iv)	391,900	195,950
	48,984,902	36,755,427

#### (i) Equity investment in entities with no joint control or significant influence

Company name	Investment cost	Opening balance	Increase/Decrease	Closing balance	Percentage of ownership %	Percentage of voting rights %
Guotai Jun'an Securities Corporation Limited	8,652	8,652	—	8,652	0.16	0.16
Beijing Railway Hotel Company Limited	7,791	7,791	—	7,791	4.11	4.11
Beijing Guangzhou Passenger Railway He'nan Company Limited	1,500,000	1,500,000	—	1,500,000	5.00	5.00
Others		70,001	—	70,001		
		1,586,444	—	1,586,444		

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments (continued)

#### (ii) Subsidiaries

Company name	30 June 2011 Percentage of equity interest attributable to the Company	30 June 2011 Carrying amount	31 December 2010 Carrying amount
China Civil Engineering Construction Ltd.	100.00	2,265,071	2,094,869
China Railway 11th Bureau Group Co., Ltd.	100.00	1,893,912	1,620,428
China Railway 12th Bureau Group Co., Ltd.	100.00	2,075,868	1,633,455
China Railway 13th Bureau Group Co., Ltd.	100.00	1,396,621	1,262,078
China Railway 14th Bureau Group Co., Ltd.	100.00	2,130,105	2,031,822
China Railway 15th Bureau Group Co., Ltd.	100.00	1,446,941	1,307,569
China Railway 16th Bureau Group Co., Ltd.	100.00	1,405,744	1,235,995
China Railway 17th Bureau Group Co., Ltd.	100.00	1,653,322	1,358,529
China Railway 18th Bureau Group Co., Ltd.	100.00	1,103,234	1,015,179
China Railway 19th Bureau Group Co., Ltd.	100.00	1,454,638	1,290,674
China Railway 20th Bureau Group Co., Ltd.	100.00	1,594,294	1,331,838
China Railway 21st Bureau Group Co., Ltd.	100.00	1,357,251	1,302,635
China Railway 22nd Bureau Group Co., Ltd.	100.00	1,256,558	1,186,585
China Railway 23rd Bureau Group Co., Ltd.	100.00	1,411,847	1,360,627
China Railway 24th Bureau Group Co., Ltd.	100.00	1,424,517	1,370,784
China Railway 25th Bureau Group Co., Ltd.	100.00	1,107,177	1,101,535
China Railway Construction Group Ltd.	100.00	2,140,101	1,941,944
China Railway Electrification Bureau (Group) Co., Ltd.	100.00	1,105,530	1,017,110
China Railway Real Estate Group Co., Ltd.	100.00	7,062,941	2,000,000
China Railway First Survey and Design Institute Group Co., Ltd.	100.00	623,730	540,301
China Railway Fourth Survey and Design Institute Group Co., Ltd.	100.00	1,015,309	804,283
China Railway Fifth Survey and Design Institute Group Co., Ltd.	100.00	291,811	233,220
China Railway Shanghai Design Institute Group Co., Ltd.	100.00	267,624	225,464
China Railway Goods and Materials Co., Ltd.	100.00	1,014,805	758,955
Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	100.00	1,349,792	1,205,196
China Railway Construction Heavy Industry Co., Ltd.	100.00	1,234,810	854,591

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments (continued)

#### (ii) Subsidiaries (continued)

Company name	30 June 2011 Percentage of equity interest attributable to the Company	30 June 2011 Carrying amount	31 December 2010 Carrying amount
Beijing Tiecheng Construction Supervision Co., Ltd.	80.02	26,385	20,763
China Railway Construction (HK) Limited	100.00	5,898	5,898
Chenghe Insurance Broker (Beijing) Co., Ltd.	100.00	53,290	20,000
China Railway Construction Shandong Jinghu Highway Jile Co., Ltd.	65.00	554,800	554,800
China Railway Construction (Beijing) Business Management Co., Ltd.	100.00	18,313	14,264
China Railway Construction (Caribbean) Co., Ltd.	100.00	1,168	1,168
CRCC China-Africa Construction Limited	100.00	1,000,000	1,000,000
China Railway Construction USA Co., Ltd.	100.00	20,008	20,008
China Railway Construction Investment Co., Ltd	100.00	3,000,000	—
		45,763,415	33,722,567



# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments (continued)

#### (iii) Investments in jointly controlled entities

For the six months ended 30 June 2011:

Company name	Investment cost	Opening balance	Movements			Closing balance	Percentage of equity (%)	Percentage of voting rights (%)
			Increase/(Decrease) of investments	Share of the loss	Distribution of cash dividends			
CRCC - Tongguan Investment Co., Ltd.	1,200,000	1,200,000	—	—	—	1,200,000	50	50
China - Africa Lekkil Investment Co., Ltd.	49,554	49,554	—	(6,814)	—	42,740	35	35
Others	—	912	—	(13)	(496)	403		
		1,250,466	—	(6,827)	(496)	1,243,143		

2010:

Company name	Investment cost	Opening balance	Movements			Closing balance	Percentage of equity (%)	Percentage of voting rights (%)
			Increase/(Decrease) of investments	Share of the loss	Distribution of cash dividends			
CRCC - Tongguan Investment Co., Ltd.	1,200,000	1,000,000	200,000	—	—	1,200,000	50	50
China - Africa Lekkil Investment Co., Ltd.	49,554	63,064	—	(13,510)	—	49,554	35	35
Others	—	2,072	—	718	(1,878)	912		
		1,065,136	200,000	(12,792)	(1,878)	1,250,466		

#### (iv) Investments in associates

For the six months ended 30 June 2011:

Company name	Investment cost	Opening balance	Increase	Closing balance	Percentage of equity (%)	Percentage of voting rights (%)
Chongqing Yurong Highway Co., Ltd.	391,900	195,950	195,950	391,900	40	40

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 4. Revenue and cost of sales

The operating revenue is listed as follows:

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Operating revenue from principal operations	3,149,562	2,735,718
Other operating revenue	7,304	7,029
	3,156,866	2,742,747

The operating cost is listed as follows:

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Operating cost	3,029,692	2,637,782

Information related to the Company's operating revenue by sector is listed as follows:

Sectors	For the six months ended 30 June			
	2011 (Unaudited)		2010 (Unaudited)	
	Revenue	Cost	Revenue	Cost
Construction operations	3,149,562	3,028,120	2,735,718	2,637,087
Others	7,304	1,572	7,029	695
	3,156,866	3,029,692	2,742,747	2,637,782

For the six months ended 30 June 2011, operating revenue from the top five customers is presented as follows:

	Amount (Unaudited)	Percentage of total operating revenue (%)
Chongqing Yurong Highway Co., Ltd.	853,200	27.03
Customer 2	849,974	26.92
Customer 3	721,719	22.86
Customer 4	381,593	12.09
Customer 5	309,211	9.80
	3,115,697	98.70

## Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### 4. Revenue and cost of sales (continued)

For the six months ended 30 June 2010, operating revenue from the top five customers is presented as follows:

	Amount (Unaudited)	Percentage of total operating revenue (%)
Customer 1	2,021,382	73.70
Customer 2	365,307	13.32
Customer 3	142,359	5.19
Customer 4	112,856	4.11
Customer 5	86,101	3.14
	2,728,005	99.46

#### 5. Investment income

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Share of net profit/(loss) of the jointly controlled entities	( 6,827)	( 6,468)
Gains on holding funds	7,043	14,695
Others	—	1,994
	216	10,221

As at 30 June 2011, the remittance of the Company's investment income was not subject to significant restriction.

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 6. Supplementary information to the cash flow statement

#### (1) Supplement information to cash flow statement

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Reconciliation of net profit to cash flows from operating activities		
Net profit/(loss)	93,480	(220,033)
Plus:		
Provision for impairment of assets	—	73,935
Depreciation of fixed assets	7,246	8,925
Amortization of intangible assets	19	—
Losses from disposal of fixed assets	19	24
Losses from changes in fair value	5,651	17,870
Financial (income)/expenses	( 188,374)	50,431
Investment income	( 216)	( 10,221)
Decrease in deferred tax liabilities	( 1,413)	( 4,335)
Decrease in inventories	814	18,436
Net decrease/(Increase) in construction contract	663,859	( 670,821)
Increase in operating receivables	(1,305,845)	(5,121,698)
(Decrease)/Increase in operating payables	(1,654,144)	1,735,808
Net cash flows from operating activities	(2,378,904)	(4,121,679)

Significant investing and financing activities not involving cash:

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Investment income from subsidiaries transferred into capital	3,660,630	1,974,007
Debts of subsidiaries transferred into capital	5,147,218	—
	8,807,848	1,974,007

# Notes To Financial Statements (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 6. Supplementary information to the cash flow statement (continued)

#### (2) Cash and cash equivalents

	30 June 2011 (Unaudited)	31 December 2010
Cash	6,663,483	2,828,086
Including: Cash on hand	2,329	5,302
Bank deposits on demand	6,661,154	2,822,784
Cash equivalents	4,400,560	1,461,197
Closing balance of cash and cash equivalents	11,064,043	4,289,283

### 7. Net Current assets

	30 June 2011 (Unaudited)	31 December 2010
Current assets	43,451,008	47,837,931
Less: Current liabilities	(20,543,339)	(16,517,626)
Net current assets	22,907,669	31,320,305

### 8. Total assets less current liabilities

	30 June 2011 (Unaudited)	31 December 2010
Total assets	97,994,065	89,554,703
Less: Current liabilities	(20,543,339)	(16,517,626)
Total assets less current liabilities	77,450,726	73,037,077

# Supplementary Information

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

## 1. SUMMARY OF NON-RECURRING PROFIT OR LOSS

(Unaudited)	For the six months ended 30 June	
	2011	2010
Losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	69,506	(17,878)
Gains from disposal of long-term equity investment	(16,600)	(3,269)
Government grants recognized through profit or loss (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or quantity)	(42,048)	(29,260)
Gains from debt restructuring	(14,632)	(6,354)
Losses from changes in fair value of financial assets held for trading	9,089	29,291
Investment gains from disposal of financial assets held for trading and available-for-sale financial assets	—	(25,375)
Reversal of impairment for accounts receivable for which impairment was tested individually	(42,341)	(37,560)
Other non-operating income and expenses other than the above items	(51,232)	(47,214)
Impact on income tax	22,065	34,405
Impact on minority interests (after tax)	(246)	1,418
Non-recurring profit or loss, net	(66,439)	(101,796)

Non-recurring profit or loss items included in non-operating income and non-operating expenses for the six months ended 30 June 2011 and 30 June 2010 are presented as follows:

### Non-operating income

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Gains on disposal of non-current assets	39,619	46,561
Including:		
Gains on disposal of fixed assets	39,432	46,090
Gains on disposal of intangible assets	187	471
Gains on compensation, penalties and fines	33,297	6,651
Gains on debt restructuring	14,632	8,386
Government grants	42,048	37,410
Others	54,315	67,655
	183,911	166,663

## Supplementary Information (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### 1. SUMMARY OF NON-RECURRING PROFIT OR LOSS (continued)

#### Non-operating expenses

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Losses on disposal of non-current assets	109,125	28,683
Including:		
Losses on disposal of fixed assets	108,830	28,683
Losses on disposal of intangible assets	295	—
Donations	1,576	9,722
Losses on compensation, penalties and fines	21,331	15,417
Others	13,473	12,135
	145,505	65,957

### 2. RETURN ON NET ASSETS AND EARNINGS PER SHARE ("EPS")

#### Group

For the six months ended 30 June 2011 (Unaudited)	Weighted average return on net assets (%)	EPS (RMB) Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	6.17	0.29	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	6.06	0.29	N/A

For the six months ended 30 June 2010 (Unaudited)	Weighted average Return on net assets (%)	EPS (RMB) Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	6.25	0.27	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	6.06	0.27	N/A

The Company holds no potential ordinary shares that are dilutive.

The above return on Equity and Earnings Per Share are calculated in accordance with Compilation Rules No.9 for Information Disclosure by Companies Offering Securities to the Public - Calculation and Disclosure of Return on Equity and Earnings Per Share (Revised in 2010).

## Supplementary Information (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### 3. ANALYSIS ON CHANGES OF MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

Major items in the consolidated financial statements which are (a) with fluctuation of 30% or above, (b) representing 5% or above of the Group's total assets at the balance sheet date, (c) 10% or above of the total profits of the reporting period, (d) accounts not designated by the Accounting Standards for Business Enterprises, or (e) accounts of nature or content which could not be reflected by its name, are analyzed as follows:

- (1) As at 30 June 2011, cash and cash equivalents increased by 8.5% from 31 December 2010 to RMB70,724,426,000, as a result of the continued expansion of the Group's business operations and increase in revenue.
- (2) As at 30 June 2011, accounts receivable increased by 9.5% from 31 December 2010 to RMB54,259,123,000, as a result of the continued expansion of the Group's business operations and increase in receivables for construction work performed.
- (3) As at 30 June 2011, advances to suppliers increased by 15.7% from 31 December 2010 to RMB32,552,614,000, as a result of the continued expansion of the Group's business operations and increase in the number of new construction projects that require prepayment for purchasing materials and equipment.
- (4) As at 30 June 2011, other receivables increased by 13.4% from 31 December 2010 to RMB24,934,523,000, as a result of the continued expansion of the Group's business operations and increase in bidding deposits, performance bonds and various deposits required for the operations.
- (5) As at 30 June 2011, inventories increased by 25.8% from 31 December 2010 to RMB74,982,179,000, mainly due to (a) the expansion of the Group's real estate development business operations and increase in the costs of property under development, and (b) purchase of larger quantities of raw materials, turnover materials, finished goods to meet the need for continued expansion of the Group's business operations.
- (6) As at 30 June 2011, amount due from customers for contract work increased by 8.4% from 31 December 2010 to RMB65,162,034,000, as a result of the continued expansion of the Group's construction operations.
- (7) As at 30 June 2011, non-current assets due within one year increased by 54.8% from 31 December 2010 to RMB10,492,443,000, mainly due to increase of retention money receivables within one year and "Build-Transfer" project receivables as a result of the continued expansion of the Group's construction operations.
- (8) As at 30 June 2011, fixed assets increased by 5.3% from 31 December 2010 to RMB37,039,486,000, mainly due to purchase of machinery and facilities for construction work during the period.
- (9) As at 30 June 2011, short-term loans increased by 100.5% from 31 December 2010 to RMB32,563,535,000, mainly due to the increase in demands for financing as a result of the continued expansion of the Group's business operations.
- (10) As at 30 June 2011, accounts payable increased by 5.0% from 31 December 2010 to RMB133,994,122,000, as a result of the continued expansion of the Group's business operations and increase in the number of new construction projects that require purchase of materials and equipment.
- (11) As at 30 June 2011, advances from customers increased by 18.4% from 31 December 2010 to RMB50,596,506,000 which is in line with the increase in the construction projects undertaken by the Group as a result of the continued expansion of the Group's business operations.
- (12) As at 30 June 2011, interest payable increased by 138.7% from 31 December 2010 to RMB446,547,000, mainly due to the accrued interest expenses for the corporate bonds issued by the Group.



## Supplementary Information (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

### 3. ANALYSIS ON CHANGES OF MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (13) As at 30 June 2011, other payables increased by 5.0% from 31 December 2010 to RMB31,006,749,000, mainly due to the result of the continued expansion of the Group's business operations.
- (14) As at 30 June 2011, long-term loans increased by 98.7% from 31 December 2010 to RMB14,872,113,000, mainly due to the increase in bank loans due to demands for financing as a result of the continued expansion of the Group's business operations.
- (15) As at 30 June 2011, long-term payables increased by 32.1% from 31 December 2010 to RMB2,364,874,000, mainly due to the increase in finance lease of machinery and equipment for construction works as result of expansion of construction operation.
- (16) For the six months ended 30 June 2011, revenue increased by 17.9% to RMB211,406,095,000, as a result of the continued expansion of the Group's construction operations.
- (17) For the six months ended 30 June 2011, cost of sales increased by 17.6% to RMB190,752,891,000, as a result of the continued expansion of the Group's construction operations.
- (18) For the six months ended 30 June 2011, business tax and surcharges increased by 18.1% to RMB6,245,702,000, which was mainly due to the increase in construction revenue.
- (19) For the six months ended 30 June 2011, selling and distribution expenses increased by 41.1% to RMB776,132,000, mainly due to the continuous expansion of the Group's construction operations.
- (20) For the six months ended 30 June 2011, general and administrative expenses increased by 27.3% to RMB8,602,251,000, mainly due to the relatively greater increase in research and development expense.
- (21) For the six months ended 30 June 2011, finance expenses increased by 138.9% to RMB635,207,000, which was mainly due to increase in interest expenses over the same period of 2010.
- (22) For the six months ended 30 June 2011, impairment losses of assets decreased by 93.0% to RMB4,279,000, which was mainly due to the Group recognized provision for foreseeable losses for the Saudi Arabia Mecca Light Rail project of RMB73,935,000 during the six months ended 30 June 2010. However, there was no such impact in current period.
- (23) For the six months ended 30 June 2011, loss from fair value changes decreased by 69.0% to RMB9,089,000, mainly due to decrease in market price of financial assets held for trading held by the Group in current period.
- (24) For the six months ended 30 June 2011, the investment income increased by 178.4% to RMB82,767,000, mainly due to dividend received from the long-term equity investments held by the Group.
- (25) For the six months ended 30 June 2011, non-operating expenses increased by 120.6% to RMB145,505,000, mainly due to the greater losses from disposal of fixed assets.
- (26) For the six months ended 30 June 2011, income tax expenses increased by 7.2% to RMB 886,191,000, mainly due to the increase in taxable income for the period.

# Documents for Inspection

The following documents will be available for inspection at the headquarters of the Company in Beijing by regulatory authorities and shareholders in accordance with the laws and regulations as well as the Articles of Association:

1. full text of the interim report signed by the legal representative;
2. full text of financial report signed and sealed by the person-in-charge of the Company, person-in-charge of accounting and head of the accounting department;
3. original copies of all documents and announcements of the Company which had been disclosed to the public on the newspapers designated by CSRC and the website of Shanghai Stock Exchange;
4. Articles of Association.



**中国铁建**

中國鐵建股份有限公司

China Railway Construction Corporation Limited