

2012 Interim Report



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



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Definitions

“Company”	means China Railway Construction Corporation Limited (中國鐵建股份有限公司)
“Group”	means China Railway Construction Corporation Limited and its wholly-owned and non-wholly-owned subsidiaries
“Controlling Shareholder” or “CRCCG”	means China Railway Construction Corporation (中國鐵道建築總公司)
“Board”	means the board of directors of the Company
“reporting period”	means the period from January to June 2012
“end of the reporting period”	means 30 June 2012
“corresponding period last year”	means the period from January to June 2011
“end of last year”	means 31 December 2011
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Shanghai Listing Rules”	means the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“CSRC”	means China Securities Regulatory Commission
“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
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Articles of Association”	means the Articles of Association of China Railway Construction Corporation Limited

Important Notice

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. All of the nine directors who were eligible to attend the Board meeting of the Company attended the meeting.
3. 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.
4. The 2012 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.
5. There was no appropriation of funds of the Company by the Controlling Shareholder and its related parties for purposes other than business.
6. There were no guarantees granted to external parties by the Company which are against the prescribed decision-making procedures.
7. 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 is 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 of the Company : YU Xingxi
Joint Company Secretaries : YU Xingxi, LAW Chun Bui
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
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

Basic Corporate Information (continued)

7. Name of the auditors appointed by the Company : Ernst & Young Hua Ming Certified Public Accountants
Level 16, Ernst & Young Tower,
Oriental Plaza, No.1, East Chang
An Ave., Dong Cheng District, Beijing
8. 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
9. 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
10. 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

Basic Corporate Information (continued)

(II) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

	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>)	442,449.02	422,982.84	4.60
Equity attributable to shareholders of the Company (<i>million</i>)	66,490.85	64,748.34	2.69
Net assets per share attributable to shareholders of the Company (<i>yuan</i>)	5.39	5.25	2.67
	Reporting period	Corresponding period last year	Change as compared to the corresponding period last year (%)
Revenue (<i>million</i>)	184,531.91	211,406.10	-12.71
Total profit (<i>million</i>)	4,010.10	4,511.87	-11.12
Net profit attributable to shareholders of the Company (<i>million</i>)	3,188.44	3,639.15	-12.39
Net profit excluding non-recurring profit or loss attributable to shareholders of the Company (<i>million</i>)	2,981.47	3,572.71	-16.55
Basic earnings per share (<i>yuan</i>)	0.26	0.29	-10.34
Diluted earnings per share (<i>yuan</i>)	N/A	N/A	N/A
Basic earnings per share after deduction of non-recurring profit or loss (<i>yuan</i>)	0.24	0.29	-17.24
Weighted average return on net assets (%)	4.86	6.17	Decreased by 1.31 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	4.54	6.06	Decreased by 1.52 percentage points
Net cash flows used in operating activities (<i>million</i>)	-3,317.65	-12,570.02	Increased by 9,252.37 million
Net cash flows per share used in operating activities (<i>yuan</i>)	-0.27	-1.02	Increased by 0.75 yuan

Basic Corporate Information (continued)

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

Unit: million

Item	For the six months ended 30 June 2012	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Net profit attributable to ordinary shareholders of the Company	3,188.44	3,639.15	3,378.10
Add/(less): non-recurring profit or loss items			
(Gains)/losses from disposal of fixed assets, intangible assets and other long-term assets	-6.78	69.51	-17.88
Gains from disposal of long-term equity investment	-86.89	-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)	-90.69	-42.05	-29.26
Net gains from debt restructuring	-1.85	-14.63	-6.35
(Gains)/losses from changes in fair value of financial assets held for trading	-1.75	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	-71.08	-42.34	-37.56
Other non-operating income and expenses other than the above items	-19.88	-51.23	-47.21
Sub-total	-278.92	-88.25	-137.62
Impact on income tax of non-recurring profit or loss, net	69.73	22.06	34.40
Impact of non-recurring profit or loss attributable to minority interests (after tax)	2.22	-0.25	1.42
Net effect of non-recurring profit or loss	-206.97	-66.44	-101.80
Net profit excluding non-recurring profit or loss items attributable to ordinary shareholders of the Company	2,981.47	3,572.71	3,276.30

(IV) DIFFERENCES BETWEEN THE PRC GAAP AND IFRSs

Not applicable.

Changes in Share Capital and Particulars of Shareholders

(I). SHARE CAPITAL STRUCTURE AND CHANGES IN SHAREHOLDING

1. **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 2012, 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 ^{Note 1}	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 ^{Note 2}	2,076,296,000	16.83
Total		12,337,541,500	100.00

Notes:

1. Lock-up period will expire 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 Particulars of Shareholders (continued)

(II) PARTICULARS OF SHAREHOLDERS AND ACTUAL CONTROLLER

1. Total Number of Shareholders

As at 30 June 2012, the total number of shareholders of the Company was 282,295, of which 257,783 were holders of A shares and 24,512 were holders of H shares.

2. Particulars of shareholdings of the top ten shareholders

(1) Particulars of shareholdings of the top ten shareholders

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	16.64%	2,053,538,881	356,000	–	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
UBS AG	Others	0.60%	73,703,866	70,143,034	–	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	–	–	Unknown
MERRILL LYNCH INTERNATIONAL	Others	0.41%	51,084,168	50,924,168	–	Unknown
Changjiang Securities Company Limited (長江證券股份有限公司)	Others	0.27%	33,397,054	12,200	–	Unknown
Gao Hua—HSBC—GOLDMAN, SACHS & CO.	Others	0.25%	31,251,252	31,166,543	–	Unknown
Industrial and Commercial Bank of China Limited—Fullgoal CSI 300 Enhanced Index Fund (中國工商銀行股份有限公司—富國滬深300增強證券投資基金)	Others	0.18%	22,110,004	19,384,464	–	Unknown
CITIGROUP GLOBAL MARKETS LIMITED	Others	0.16%	19,125,660	19,023,072	–	Unknown

Changes in Share Capital and Particulars of Shareholders (continued)

(2) Particulars of shareholdings of the top ten shareholders not subject to trading moratorium

Unit: Share

Name of shareholder	Number of shares held not subject to trading moratorium	Class of shares
CRCCG	7,566,245,500	A
HKSCC NOMINEES LIMITED	2,053,538,881	H
UBS AG	73,703,866	A
National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)	60,999,870	A
MERRILL LYNCH INTERNATIONAL	51,084,168	A
Changjiang Securities Company Limited (長江證券股份有限公司)	33,397,054	A
Gao Hua—HSBC—GOLDMAN, SACHS & CO.	31,251,252	A
Industrial and Commercial Bank of China Limited — Fullgoal CSI 300 Enhanced Index Fund (中國工商銀行股份有限公司 — 富國滬深300增強證券投資基金)	22,110,004	A
CITIGROUP GLOBAL MARKETS LIMITED	19,125,660	A
Yulong Investment Fund (裕隆證券投資基金)	18,628,614	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 Particulars of Shareholders (continued)

(3) Number of shares held by the top ten shareholders subject to trading moratorium and particulars of such trading moratorium

Unit: share

No.	Name of shareholder subject 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)

Changes in Share Capital and Particulars of Shareholders (continued)

(4) Particulars of substantial shareholders subject to disclosure in accordance with the SFO

So far as the directors of the Company are aware, as at 30 June 2012, the persons other than directors, supervisors or chief executive of the Company who had 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	Number of shares held ^{Note 7}	Percentage in issued share capital of the relevant class of shares	Percentage in total issued share capital
CRCCG	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%
	A shares	Beneficial owner	245,000,000	2.39%	1.98%
Deutsche Bank Aktiengesellschaft ^{Note 2}	H shares	Beneficial owner, investment manager, person having a security interest in shares and custodian	190,548,185(L)	9.17%	1.54%
		corporation/approved lending agent	1,457,500(P)	0.07%	0.01%
HSBC Global Asset Management (Hong Kong) Limited	H shares	Investment manager	126,391,882(L)	6.08%	1.02%
Iain McCombie ^{Note 3}	H shares	Interest of corporation controlled by the substantial shareholder	111,418,500(L)	5.37%	0.90%
Elaine Morrison	H shares	Interest of corporation controlled by the substantial shareholder	105,064,500(L)	5.06%	0.85%
Charles Plowden					
Anthony Tait					
Andrew Telfer					
Alison Warden ^{Note 4}					
JPMorgan Chase & Co. ^{Note 5}	H shares	Beneficial owner, investment manager and custodian	104,002,138(L)	5.01%	0.84%
		corporation/approved lending agent	9,783,300(S)	0.47%	0.08%
			72,586,031(P)	3.50%	0.59%

Changes in Share Capital and Particulars of Shareholders (continued)

Notes:

1. L — long position; S — short position; P — lending pool.
2. Deutsche Bank Aktiengesellschaft held long positions in 190,548,185 H shares and short positions in 175,356,424 H shares of the Company through certain corporations under its control.
3. Iain McCombie indirectly held long positions in 111,418,500 H shares of the Company through Baillie Gifford & Co under its joint control with Elaine Morrison, Charles Plowden, Anthony Tait, Andrew Telfer and Alison Warden.
4. Elaine Morrison, Charles Plowden, Anthony Tait, Andrew Telfer and Alison Warden indirectly held long positions in 105,064,500 H shares of the Company through Baillie Gifford & CO under their joint control.
5. JPMorgan Chase & Co. held long positions in 104,002,138 H shares and short positions in 9,783,300 H shares of the Company through certain corporations under its control.

3. Changes in Controlling Shareholder and actual controller

During the reporting period, there was no change in the controlling shareholder or actual controller.

(III) CONVERTIBLE CORPORATE BONDS

Not applicable.

Directors, Supervisors and Senior Management

(I) CHANGES TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In February 2012, as considered and approved at the ninth meeting of the second session of the Board of the Company, Mr. ZHOU Zhiliang no longer served as a Vice President of the Company due to job rearrangement.

As confirmed by the directors of the second session of the Board and the supervisors of the second session of the supervisory committee of the Company, save as disclosed above, there were no changes in other directors, supervisors and senior management of the Company and their biographies since the disclosure in the 2011 annual report 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 recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (b) 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, supervisors 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.

Report of Directors

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

Since the beginning of this year, with a change towards more active fixed asset investment by the State, together with improved capital liquidity following interest rate cuts, it is hopeful that the domestic infrastructure investment will enter into a new platform with a structural improvement in the industry sentiments. Under the circumstances, we will proactively shift the strategic focus of our operations, grasp the opportunities arising from off-railway markets and strive to gain steady progress in terms of our operational scale, efficiency and profitability.

1. *New contract value*

During the reporting period, the value of new contracts signed by the Company amounted to RMB280,074.2 million, representing an increase of 36.55% as compared to the corresponding period last year, of which the value of new contracts for the core business of the Group, that is, the construction segment, amounted to RMB232,736.4 million, accounting for 83.1% of the new contract total value.

The value of new domestic contracts amounted to RMB246,804.1 million, representing an increase of 23.36% as compared to the corresponding period last year, primarily attributable to a surge in new contracts from projects for real estate construction, municipal construction as well as water and power generation engineering. In the first half of the year, new contracts for domestic real estate constructions amounted to RMB68,654.4 million, representing an increase of 112.87% as compared to the corresponding period last year; new contracts for municipal constructions amounted to RMB33,150.5 million, representing an increase of 128.11% as compared to the corresponding period last year; new contracts for water and power generation engineering projects amounted to RMB10,395.7 million, representing an increase of 133.2% as compared to the corresponding period last year. Apart from the above, and hampered by the slack domestic investment conditions, the value of new contracts for railway, road and urban rail projects recorded a slight year-on-year decrease. In particular, the value of new contracts for domestic railway construction amounted to RMB18,393.7 million, representing a decrease of 9.43% as compared to the corresponding period last year; the value of new contracts of domestic road projects amounted to RMB37,514.7 million, representing a year-on-year decrease of 30.23%; the value of new contracts for domestic urban rail projects amounted to RMB11,056.9 million, representing a year-on-year decrease of 6.23%. As for real estate development, the Group acquired four additional real estate development projects in four cities such as Beijing at a total consideration of RMB1,071 million, with newly added land area for construction of 253,200 m² and an additional gross floor area of 798,000 m². As at the end of the reporting period, the Group had 63 real estate development projects in 33 cities, with total land area for construction of 7,490,000 m² and total planned gross floor area of 24,260,000 m². (Details are set out in the table below)

Report of Directors (continued)

Unit: '00 million

	Value of new contracts			Value of outstanding contracts		
	Reporting period	Corresponding period last year	Increase (%)	The end of the reporting period	The end of last year	Increase (%)
Construction operations	2,327.364	1,573.023	47.95%	11,969.963	11,278.947	6.13%
Survey, design and consultancy operations	35.718	31.906	11.95%	26.249	18.532	41.64%
Manufacturing operations	38.770	42.503	-8.78%	24.924	26.896	-7.33%
Logistics and materials trading operations	344.294	335.159	2.73%	734.747	544.842	34.86%
Real estate operations	50.324	65.244	-22.87%	125.818	89.096	41.22%
Other businesses	4.272	3.255	31.24%	17.200	24.190	-28.90%
Total	2,800.742	2,051.090	36.55%	12,898.901	11,982.503	7.65%

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

During the reporting period, the Group achieved a revenue of RMB184,532 million, representing a year-on-year decrease of 12.71%, and a net profit of RMB3,223 million, representing a year-on-year decrease of 11.12%. The decrease in revenue and net profit was mainly attributable to the slowdown in national economic growth and a slower pace in infrastructure construction, especially in railway construction.

Unit: million

	Reporting period	Corresponding period last year	Changes during the reporting period as compared with the corresponding period last year (%)
Revenue	184,531.91	211,406.10	-12.71%
Cost of sales	165,292.99	190,752.89	-13.35%
Operating profit	3,882.75	4,463.31	-13.01%
Operating margin	2.10%	2.11%	Decreased by 0.01 percentage point
Net profit	3,222.66	3,625.68	-11.12%

3. Analysis on industry trends

In general and from a macroeconomic perspective, opportunities and challenges co-exist for the Company in the second half of 2012. On one hand, although the world's economy continues with a prolonged recovery since 2011, the growth of the global economy is still confronted with great uncertainties and China's economic data presents a decline trend. The economic doldrums have significantly curtailed the development of the construction industry. In the meantime, the State has enforced real estate control policies in a strict manner, which will further affect investments in the construction industry. On the other hand, under the principle of "progress with stability", China has maintained sustainable growth in its economic development. As China's urbanization deepens, demand for municipal construction, housing construction, water conservancy construction, highway construction, railway construction and airport construction remain robust. Over the recent months, active signals in the macroeconomic policy have continuously been released and the monetary policy may further relax, which will help stimulate investments in the above construction sectors. At the same time, in overseas markets, investments in infrastructure in developing countries including the oil-producing countries in the Middle East, Africa, Southeast Asia and South America have been steadily on the rise. Based on the above circumstances, although the rate of increase in investments in national fixed assets has slowed down, its growth is still within a reasonable range. The total volume of infrastructure construction has kept on increasing, except that the areas of investments and modes of operation have changed. The railway and road markets have slowly picked up. Project approval for municipal, water and power generation engineering as well as urban rail infrastructure construction projects have speeded up and together with the increased momentum in local construction and fastened pace of implementation of investment and planning, there is still great market prospects ahead.

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

Impacted by interwoven domestic and international economic influences, there are still considerable uncertainties facing economic recovery. Based on an analysis of the Company's overall production and operation, the problems and difficulties facing the Group are: firstly, a bleak outlook on the business development environment in the domestic railway and road infrastructure construction businesses; secondly, further adjustment has to be made to the business structure given the uneven development of business segments; and thirdly, further improvements have to be made to the business operation systems and mechanisms.

To address these problems and difficulties, the Group will adopt the following key measures in the second half of the year: to persist in the transformation and upgrading as the fundamentals of the Group's business development, to proactively seize business opportunities arising from the off-railway markets and, at the same time, to quicken the pace of development of non-construction contracting business; to persist on strengthening the Company's business operations as a basis for steady development with a view to ensuring an appropriate development scale; to foster the optimization of the Company's assets as the foundation for steady development of the Company with a view to enhancing the quality and efficiency of the Company; and to use technological innovation as a principal support for the Company's solid development, with a view to enhancing the Company's core competitiveness.

Report of Directors (continued)

(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	163,634.85	191,220.42	147,690.92	173,755.52	15,943.93	17,464.90	9.74%	9.13%
Survey, design and consultancy operations	2,800.18	3,267.37	1,831.00	2,171.30	969.18	1,096.07	34.61%	33.55%
Manufacturing operations	4,074.09	4,393.39	3,282.41	3,603.42	791.68	789.97	19.43%	17.98%
Other businesses	17,925.23	17,363.18	16,428.78	16,060.91	1,496.45	1,302.27	8.35%	7.50%
Including:								
real estate development	1,360.17	1,214.30	907.49	792.33	452.68	421.97	33.28%	34.75%
logistics and materials trading	15,438.92	15,200.73	14,801.83	14,515.91	637.09	684.82	4.13%	4.51%
Inter-segment elimination	-3,902.44	-4,838.26	-3,940.12	-4,838.26	37.68	—	—	—
Total	184,531.91	211,406.10	165,292.99	190,752.89	19,238.92	20,653.21	10.43%	9.77%

Report of Directors (continued)

(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 in 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, the revenue and gross profit from construction operations decreased by 14.43% and 8.71%, respectively, as compared with the corresponding period last year. Such decrease was mainly due to the further contraction of the railway industry and the further decrease in business scale as compared with the corresponding period last year.

Construction operations (before elimination of inter-segment transaction)

Unit: million

Item	Reporting period	Corresponding period last year	Growth rate
Revenue	163,634.85	191,220.42	-14.43%
Cost of sales	147,690.92	173,755.52	-15.00%
Gross profit	15,943.93	17,464.90	-8.71%
Gross profit margin	9.74%	9.13%	Increased by 0.61 percentage point
Selling and distribution expenses	149.10	185.55	-19.64%
General and administrative expenses	6,533.65	7,481.76	-12.67%
Total profit	2,772.71	3,293.29	-15.81%

Report of Directors (continued)

(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 RMB2,800 million, representing a decrease of 14.30% as compared with the corresponding period last year, while gross profit decreased by 11.58% as compared with the corresponding period last year. The decrease was mainly due to downsized survey and design businesses relating to the Group's railway projects 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	2,800.18	3,267.37	-14.30%
Cost of sales	1,831.00	2,171.30	-15.67%
Gross profit	969.18	1,096.07	-11.58%
Gross profit margin	34.61%	33.55%	Increased by 1.06 percentage point
Selling and distribution expenses	186.33	218.10	-14.57%
General and administrative expenses	390.45	375.52	3.98%
Total profit	344.55	410.81	-16.13%

Report of Directors (continued)

(3) Manufacturing operations

The manufacturing operations 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 crosstie and track system.

During the reporting period, revenue of the Group's manufacturing operations amounted to RMB4,074 million, representing a decrease of 7.27% as compared to the corresponding period last year, while gross profit increased by 0.22% as compared with the corresponding period last year.

Manufacturing operations (before elimination of inter-segment transaction)

Unit: million

Item	Reporting period	Corresponding period last year	Growth rate
Revenue	4,074.09	4,393.39	-7.27%
Cost of sales	3,282.41	3,603.42	-8.91%
Gross profit	791.68	789.97	0.22%
Gross profit margin	19.43%	17.98%	Increased by 1.45 percentage point
Selling and distribution expenses	68.92	91.44	-24.63%
General and administrative expenses	351.79	293.38	19.91%
Total profit	309.47	324.49	-4.63%

Report of Directors (continued)

(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	17,925.23	17,363.18	3.24%
Including:			
real estate development	1,360.17	1,214.30	12.01%
logistics and materials trading	15,438.92	15,200.73	1.57%
Cost of sales	16,428.78	16,060.91	2.29%
Gross profit	1,496.45	1,302.27	14.91%
Gross profit margin	8.35%	7.50%	Increased by 0.85 percentage point
Selling and distribution expenses	262.24	281.04	-6.69%
General and administrative expenses	613.46	451.58	35.85%
Total profit	545.69	483.28	12.91%

2. Revenue by geographical areas

Unit: million

Item	Reporting period	Corresponding period last year	Growth rate
Domestic	176,613.38	204,896.09	-13.80%
Overseas	7,918.53	6,510.01	21.64%
Total	184,531.91	211,406.10	-12.71%

During the reporting period, the revenue from overseas operations of the Group amounted to RMB7,919 million, representing an increase of 21.64% as compared with the corresponding period last year.

Report of Directors (continued)

(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 flow from operating activities	-3,317.65	-12,570.02	9,252.37
Net cash flow from investing activities	-3,532.16	-3,328.66	-203.50
Net cash flow from financing activities	2,539.21	23,073.07	-20,533.86

During the reporting period, the net cash outflow from operating activities of the Group was RMB3,317.7 million, representing a decrease of RMB9,252.4 million as compared to the net outflow of RMB12,570.0 million for the corresponding period last year. Such decrease was mainly attributable to a decrease of RMB14,783.1 million in cash received from selling commodities and providing services, while cash paid for buying commodities and receiving services decreased by RMB23,140.7 million as compared with the corresponding period last year.

During the reporting period, the net cash outflow from investing activities of the Group amounted to RMB3,532.2 million, representing an increase of RMB203.5 million as compared to the net outflow of RMB3,328.7 million for the corresponding period last year. The net cash outflow from investing activities of the Group mainly includes: (1) cash paid for purchasing and constructing fixed assets, intangible assets, and other long-term assets of RMB3,834.7 million; (2) cash paid for investment of RMB641.1 million; (3) cash paid for the acquisition of minority stakeholders' equity of RMB165.0 million.

During the reporting period, the Group's net cash inflow from financing activities was RMB2,539.2 million, representing a decrease of RMB20,533.9 million as compared to the net inflow of RMB23,073.1 million for the corresponding period last year, which was mainly attributable to a decrease of RMB5,251.3 million in cash received from borrowings as compared with the corresponding period last year, and an increase of RMB16,836.2 million in cash repaid for debt as compared with the corresponding period last year.

Report of Directors (continued)

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. The Group's capital expenditures were RMB6,951.4 million and RMB4,383.6 million for the six months period ended 30 June 2011 and 2012, 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 2011 and 2012:

Unit: million

	For the six months period ended	
	30 June 2012	2011
Construction operations	3,849.7	6,166.5
Survey, design and consultancy operations	48.7	129.1
Manufacturing operations	378.1	342.7
Other businesses	107.1	313.1
Total	4,383.6	6,951.4

3. Working capital

(a) Construction contracts in progress

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

Unit: million

	30 June 2012	31 December 2011
Contract costs incurred to date	1,509,153.67	1,402,495.87
Recognized gross profit less recognized losses	110,911.41	96,976.07
Less: progress billings	1,550,933.09	1,439,361.79
	69,131.99	60,110.15

Report of Directors (continued)

Construction contracts at the end of the period/year:

	30 June 2012	31 December 2011
		<i>Unit: million</i>
Gross amount due from contract customers	82,437.51	74,175.97
Less: gross amount due to contract customers	13,305.52	14,065.82
	69,131.99	60,110.15

The Group's construction contracts in progress increased to RMB69,132.0 million as at 30 June 2012 from RMB60,110.2 million as at 31 December 2011.

(b) 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:

	30 June 2012	31 December 2011
Turnover days of receivable	59	45
Turnover days of payable	160	123

- (1) 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 2012 by revenue and then by multiplying 180 days (calculated by multiplying 365 days for the year ended 31 December 2011).
- (2) 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 2012 by operating costs and then by multiplying 180 days (calculated by multiplying 365 days for the year ended 31 December 2011).

Report of Directors (continued)

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

Unit: million

Accounts receivable	30 June 2012	31 December 2011
Less than one year	52,297.31	59,145.05
One to two years	3,000.18	2,640.29
Two to three years	1,151.78	870.59
More than three years	911.03	697.07
	57,360.30	63,353.00
Less: provision for bad debts	485.04	434.17
	56,875.26	62,918.83

The directors of the Company 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

	30 June 2012	31 December 2011
Less than one year	139,471.79	143,150.13
One to two years	3,735.95	4,864.24
Two to three years	876.98	848.55
More than three years	613.58	536.05
	144,698.30	149,398.97

As at 30 June 2012, the Group's accounts payable decreased to RMB144,698.3 million from RMB149,399.0 million as of 31 December 2011.

Report of Directors (continued)

4. **Prepayments and other receivables**

The Group's prepayments and other receivables increased to RMB65,065.4 million as at 30 June 2012 from RMB51,411.5 million as at 31 December 2011.

5. **Other payables and accruals**

Other payables and accruals include advances from customers, other payables, employee benefits payable and tax payable. As at 31 December 2011 and 30 June 2012, other payables and accruals amounted to RMB92,024.8 million and RMB102,690.8 million, respectively.

6. **Indebtedness**

(a) **Loans**

The short-term loans of the Group as of 31 December 2011 and 30 June 2012 were as follows:

	30 June 2012	31 December 2011
		<i>Unit: million</i>
Pledged loans	2,375.41	3,267.42
Mortgaged loans	122.00	103.50
Guaranteed loans	6,255.93	5,650.57
Credit loans	24,818.80	25,138.50
	33,572.14	34,159.99

The short-term financing bonds of the Group as of 31 December 2011 and 30 June 2012 were as follows:

	30 June 2012	31 December 2011
		<i>Unit: million</i>
Short-term financing bonds	9,547.56	7,504.78

Report of Directors (continued)

The bonds payable of the Group that would fall due within one year as at 31 December 2011 and 30 June 2012 were as follows:

	30 June 2012	<i>Unit: million</i> 31 December 2011
Bonds payable that fall due within one year	9,996.71	9,988.06

The long-term loans of the Group that would fall due within one year as at 31 December 2011 and 30 June 2012 were as follows:

	30 June 2012	<i>Unit: million</i> 31 December 2011
Pledged loans	24.76	24.76
Mortgaged loans	2,913.46	678.00
Guaranteed loans	1,521.20	693.92
Credit loans	6,274.15	2,077.30
	10,733.57	3,473.98

The long-term loans of the Group as at 31 December 2011 and 30 June 2012 were as follows:

	30 June 2012	<i>Unit: million</i> 31 December 2011
Pledged loans	149.77	149.77
Mortgaged loans	4,393.77	5,174.34
Guaranteed loans	3,427.82	3,861.15
Credit loans	6,357.10	9,033.55
	14,328.46	18,218.81

Report of Directors (continued)

The bonds payable of the Group as at 31 December 2011 and 30 June 2012 were as follows:

	30 June 2012	31 December 2011
Medium-term notes	12,400.84	12,392.52

Unit: million

(b) Commitments

	30 June 2012	31 December 2011
Capital commitments		
Contracted, but not provided for Authorized by the Board	825.75	932.05
but not contracted	105.58	72.67
	931.33	1,004.72
Investment commitments		
Contracted, but not fulfilled	625.00	625.00
Authorized by the Board but not contracted	2,500.00	3,000.00
	3,125.00	3,625.00

Unit: million

(c) Contingent liabilities

During the reporting period, the Group did not have material contingent liabilities.

7. Pledge of assets

Please refer to Item 19 under note V 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 2012, the Group did not use foreign currency contract to hedge foreign exchange risks.

Report of Directors (continued)

(IV) INVESTMENTS OF THE COMPANY

1. Overall use of proceeds

All proceeds raised from the offering of A shares by the Company had been used up by 31 December 2011, and all proceeds raised from the offering of H shares had been used up by 31 December 2010. For details, please refer to the 2011 annual report and the 2011 annual results announcement published by the Company on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 30 March 2012, respectively.

2. Investments in substantial projects not funded by raised proceeds

(1) BOT Project for Construction of Chengyu Expressway Double-line (Chongqing Section) (成渝高速公路複線(重慶境))

The total investment of the project was RMB8,539.78 million. In the first half of 2012, the Company invested RMB195.95 million in the project and the aggregated investment amounted to RMB587.85 million by the end of June.

(2) The Slender West Lake Tunnel Works BT Project in Yangzhou (揚州市瘦西湖隧道工程BT項目)

The total consideration of the project was approximately RMB1,690.00 million. In the first half of 2012, the Company invested RMB145.00 million in the project and the aggregated investment amounted to RMB165.00 million by the end of June.

(3) The Taicang Harbour BT Project in Jiangsu (江蘇太倉港區BT項目)

The total investment of this project was RMB1,770.00 million. In the first half of 2012, the Company invested RMB70.00 million in the project and the aggregated investment amounted to RMB1,410.00 million by the end of June. In the first half of this year, the Company received the repurchase payment of RMB89.86 million and the aggregated repurchase payment amounted to RMB1,242.16 million.

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

The total investment of this project was RMB1,200.00 million. In the first half of 2012, the Company invested RMB104.58 million in this project and the aggregated investment amounted to RMB444.97 million by the end of June. In the first half of this year, the Company received the repurchase payment of RMB260.00 million and the aggregated repurchase payment amounted to RMB403.00 million.

(5) The Relocation Housing BT Project in Wanli District of Nanchang (南昌市灣區安置房BT項目)

The total investment of this project is temporarily determined to be RMB570.00 million. In the first half of 2012, the Company invested RMB8.25 million in this project and the aggregated investment amounted to RMB8.25 million by the end of June.

Report of Directors (continued)

(6) The Liangjiang New District Public Rental Housing BT project in Liangjiang New District of Chongqing (重慶市兩江新區公共租賃房BT項目)

The total investment of this project was RMB940.00 million. In the first half of 2012, the Company invested RMB189.52 million in this project and the aggregated investment amounted to RMB197.17 million by the end of June.

(7) The Zhenggong Road BT project in Tianfu New District of Chengdu (成都天府新區正公路BT項目)

The total investment of this project was RMB4,727.00 million. In the first half of 2012, the Company invested RMB617.00 million in this project and the aggregated investment amounted to RMB617.00 million by the end of June.

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

(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 new contract value of the Group amounted to RMB280.074 billion, representing 50.92% of the annual target set for the year of RMB550 billion; the revenue amounted to RMB184.532 billion, representing 42.91% of the target set for the year of RMB430 billion.

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

Not applicable.

(VII) PROFIT WARNING AND EXPLANATION OF ANTICIPATED LOSS ON THE CUMULATIVE NET PROFITS FROM THE BEGINNING OF THE YEAR TO THE END OF THE NEXT REPORTING PERIOD OR SIGNIFICANT CHANGES OVER CORRESPONDING PERIOD LAST YEAR.

Not applicable.

(VIII) THE BOARD'S EXPLANATION REGARDING AUDITORS' NON-STANDARD AUDIT OPINION FOR THE REPORTING PERIOD

Not applicable.

Report of Directors (continued)

(IX) THE BOARD'S EXPLANATION REGARDING ANY SUBSEQUENT CHANGES AND FOLLOW UP ACTIONS OF THE MATTERS IN CONNECTION WITH THE AUDITORS' NON-STANDARD AUDIT OPINION FOR LAST YEAR

Not applicable.

(X) INDEBTEDNESS, CHANGES IN CREDIT FACILITIES AND CASH REPAYMENT ARRANGEMENT OF THE COMPANY FOR THE FUTURE YEARS (ONLY APPLICABLE TO LISTED COMPANIES ISSUING CORPORATE CONVERTIBLE BONDS)

Not applicable.

(XI) THE FORMULATION AND IMPLEMENTATION OF THE CASH DIVIDEND POLICY IN 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) shares. While ensuring sufficient funds for its normal production, operations and development, the Company shall distribute cash dividends in an appropriate proportion."

Please refer to sub-sections (I) and (II) of section IX for details of implementation of the cash dividend policy during the reporting period.

Pursuant to the relevant provisions of CSRC and Beijing Securities Regulatory Bureau, the Company has proposed relevant revision in the profit distribution section of the Articles of Association. For details, please refer to the sub-section (XV) of section IX in this report.

(XII) 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 2011 annual report was disclosed.

Corporate Governance

1. BASIC CORPORATE GOVERNANCE OF THE COMPANY

During the reporting period, in strict compliance with the regulatory provisions and listing rules of the places where the Company's shares are listed, the Company enhanced its corporate governance structure and standardized corporate operations and corporate governance practices. In an effort to improve the communications with investors, the Company standardized and refined the practices system and procedures for information disclosure and improved the transparency of the Company's operation, and the investors' rights, especially ensuring the minority investors' rights of equal access to the Company's information. During the reporting period, the Company convened one general meeting, one extraordinary general meeting and five Board meetings. The Company revised relevant rules and regulations on a timely basis and ensured its cooperate governance complied with laws and regulations. The Board considered and approved the Proposal in Relation to the Amendments to the Articles of Association, the Proposal in Relation to the Amendments to the Rules of Procedure of the Board, the Proposal in Relation to the Change of Members of Certain Special Committees of the Board, the Proposal in Relation to the Amendments to the Working Rules for the Nomination Committee of the Board, the Proposal in Relation to the Amendments to the Working Rules for the Remuneration and Evaluation Committee of the Board, the Proposal in Relation to the Amendments to the Working Rules for the Audit and Risk Management Committee of the Board, the Proposal in Relation to the Amendments to the Working Rules for the Strategy and Investment Committee of the Board, the Proposal in Relation to the Amendments to the Working Rules for the Secretary to the Board and the Proposal in Relation to the Interim Measures for Management of Internal Control Assessment of the Company. During the reporting period, the directors and supervisors of the Company performed their tasks with diligence and fulfilled their duties faithfully. The managerial level discharged their duties and safeguarded the interests of the Company and all shareholders in strict compliance with the authorization of the Board.

During the reporting period, according to the requirement of self-examination and self-rectification for regulated operation of listed companies by the Beijing Securities Regulatory Bureau under CSRC, the supervisory committee conducted comprehensive and detailed self-examination. The self-examination is divided into four parts comprising the performance of duties of the supervisory committee, the performance of duties of the Board, the performance of duties of the senior management, and information disclosure, covering work in 21 aspects.

During the reporting period, the Company also standardized its operations in strict compliance with the requirements of modern enterprise systems and the actual situation of its corporate governance was in compliance with the relevant requirements stipulated by the relevant regulatory institutions. Going forward, the Company will 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.

Corporate Governance (continued)

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 internal control and risk planning. An implementation plan for risk control for 2012 was devised and strictly exercised according to the requirements of the Audit and Risk Management Committee. Based on the self-evaluation for the last year, the Company promulgated the Administrative Measures for Internal Control Evaluation of China Railway Construction Corporation Limited (Interim) and the Notification in Relation to Conducting Internal Control Weakness Rectification in the Whole System, with a view to further improving the Company's internal control and risk management ability. In accordance with the Company's arrangement with regard to risk management and internal control planning, the Company selected its internal control auditor for year 2012.

3. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Articles of Association, the terms of reference of each of the Audit and Risk Management Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy and Investment Committee, the terms of reference of the supervisory committee of the Company and the Code of Conduct on Directors and Relevant Employees' Securities Transactions together constitute the bases of the Company's code on corporate governance. The Board had reviewed its corporate governance rules and was of the view that the Company had complied with the code provisions set in the original Code on Corporate Governance Practices from the beginning of the reporting period to 31 March 2012; and from 1 April 2012 to the end of the reporting period, the Company had complied with the code provisions set in the revised Corporate Governance Code.

Review of Audit and Risk Management Committee

The Audit and Risk Management Committee under the Board of the Company has reviewed the interim financial statements of the Group for the six months ended 30 June 2012, which have been reviewed by Ernst & Young Hua Ming Certified Public Accountants, and has also discussed issues such as the accounting policies and practices and internal control of the Company with its senior management.

Significant Events

(I) IMPLEMENTATION OF THE PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

It was resolved at the 11th meeting of the second session of the Board convened by the Company on 28 March to 29 March 2012 that a cash dividend for the year 2011 of RMB1.0 (tax inclusive) per 10 shares based on the total share capital of 12,337,541,500 shares as at 31 December 2011 was declared, totaling RMB1,223,754,150. The profit distribution plan had been considered and passed at the 2011 general meeting convened on 12 June 2012. Before 10 August 2012, the distribution of the above cash dividend was completed.

(II) 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 2012.

(III) MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, there were no new material litigations or arbitrations of the Group.

(IV) EVENTS REGARDING BANKRUPTCY AND RESTRUCTURING

During the reporting period, there was no event regarding bankruptcy or restructuring of the Group.

(V) 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

Unit: '000

	Type of No. securities	Stock code	Abbreviated stock name	Amount of initial investment	Number of securities held (share)	Carrying value at the end of the period	Percentage over total securities investment at the end of the period (%)	Gain/loss during the reporting period
1	Stock	601618	MCC	59,265	10,600,000	14,258	29.25	-951
2	Fund	184692	Yulong Fund (基金裕隆)	20,570	20,090,700	17,801	36.51	2,170
3	Fund	500009	Anshun Fund (基金安顺)	11,882	15,300,000	13,326	27.33	101
4	Fund	500011	Jinxin Fund (基金金鑫)	3,350	3,600,000	2,977	6.11	428
5	Stock	600028	Sinopec	533	135,000	390	0.80	—
Total				95,600		48,752		1,748

Significant Events (continued)

2. Shareholdings in other listed companies

Unit: '000

Stock code	Abbreviated stock name	Amount of initial investment	Percentage of interests in the investee	Carrying value at the end of the period	Gain/loss during the reporting period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
601328	Bank of Communications (交通銀行)	49,892	0.07%	197,409	—	2,609	Available-for-sale financial assets	Original issue stock
002159	Sante Cableway (三特索道)	3,000	0.99%	16,624	—	-919	Available-for-sale financial assets	Original issue stock
000759	Wuhan Zhongbai (武漢中百)	1,058	0.14%	7,129	—	-968	Available-for-sale financial assets	Original issue stock
600885	Linuo Solar (力諾太陽)	1,440	0.71%	12,285	—	4,324	Available-for-sale financial assets	Original issue stock
600809	Shanxi Fenjiu (山西汾酒)	708	0.05%	15,076	—	2,448	Available-for-sale financial assets	Original issue stock
601169	Bank of Beijing (北京銀行)	2	—	788	—	40	Available-for-sale financial assets	Original issue stock
600322	Tianjin Reality Development	160	0.01%	350	—	30	Available-for-sale financial assets	Original issue stock
Total		56,260		249,661		7,564		

3. Shareholdings in non-listed financial enterprises

Unit: '000

Name of investees	Amount of initial investment	Number of shares held (share)	Percentage of interests in the investee	Carrying value at the end of the period	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	Initiator
Essence Securities Co. Ltd. (安信證券有限公司)	260,615	59,115,000	2.09%	260,615	—	—	Long-term equity investments	Initiator
Total	268,275			268,275	—	—		

Significant Events (continued)

(VI) ASSETS TRANSACTION

1. Acquisition of assets

Not applicable.

2. Disposal of assets

Not applicable.

3. Replacement of assets

Not applicable.

4. Business combinations not involving entities under common control

On 29 March 2012, in order to acquire 100% equity of Guangdong Province Hangsheng Construction Group Co., Ltd. ("Hangsheng Company"), the Company and Guangdong Railway Construction Investment Group Co., Ltd. ("Guangdong Railway Investment") (hereinafter referred to as the "Transferor") entered into an equity transfer agreement, for the transfer of 100% equity of Hangsheng Company held by the Transferor to the Company at a consideration of RMB300 million. As approved by a Board resolution, the Company also approved the deregistration of Hangsheng Company and consolidation of all its assets and liabilities into China Railway Construction and Waterway Bureau Co., Ltd., a wholly-owned subsidiary of the Company. In February 2012, the Company paid the consideration of RMB300 million in accordance with the equity transfer agreement, and appointed its representatives as directors, management and financial personnel in March. Hangsheng Company completed the registration procedures for changes in equity upon shareholders' approval on 13 April 2012 and completed the deregistration procedures on 20 June 2012. As at the date hereof, the Company completed the merger of Hangsheng Company and determined 13 April 2012 as the acquisition date.

(VII) 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.

Significant Events (continued)

(VIII) MATERIAL RELATED PARTY TRANSACTIONS AND MATERIAL CLAIMS AND LIABILITIES WITH RELATED PARTIES

1. Related party transactions in relation to daily operations:

Pursuant to the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.3 - The Contents and Formats of Interim Report (《公開發行證券的公司信息披露內容與格式準則第3號—半年度報告的內容和格式》) issued by the CSRC, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》) and the Implementation Guidelines for Related Party Transactions for Companies Listed on the Shanghai Stock Exchange (《上海證券交易所上市公司關聯交易實施指引》), the connected persons involved in the connected transactions of the Company were mainly CRCCG and its controlled subsidiaries.

Pursuant to relevant requirements of the securities regulatory authorities in China, the following is the major connected transactions of the Group for the first half of 2012:

Unit: million

Related party transactions	Type of related party transactions	Content of related party transactions	Pricing principle of related party transaction	Amount of related party transaction	Percentage of the amount of similar type of transactions (%)
CRCCG	Revenue from provision of construction and relevant services	Revenue from engineering construction	Pricing on an agreed basis	59.79	0.04

2. Non-competition agreement

CRCCG stated that during the first half of 2012, it had not breached its undertakings under the non-competition agreement entered into with the Company on 5 November 2007.

3. Related party transactions in relation to acquisition and disposal of assets

During the reporting period, there was no related party transaction in relation to acquisition or disposal of assets of the Company.

Significant Events (continued)

4. **Related party transactions in relation to joint external investment**

During the reporting period, there was no related party transaction in relation to joint external investment of the Company.

5. **Major claims and liabilities with related parties**

Unit: million

Related parties	Connected relationship	Funding provided by the Company to related parties Balance	Funding provided by related parties to the Company Balance
CRCCG	Controlling Shareholder	1,016.58 ^{Note 1}	1,841.73 ^{Note 2}

Reasons for claims and liabilities with related parties Claims and liabilities between the Group and related parties are entirely for business purposes (arising from transactions)

Notes:

1. This amount comprised two parts. Firstly, the Company signed the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project with its Controlling Shareholder, pursuant to which the Company transferred all the rights and obligation arising from the Mecca Light Rail Project from 31 October 2010 onwards to its Controlling Shareholder, who agreed to pay RMB2,077 million to the Company as consideration. As at 30 June 2012, the Controlling Shareholder had an outstanding payment of RMB1,000 million. Secondly, this amount also comprised the receivables in relation to the construction services provided by China Railway Construction Group Ltd., a subsidiary within the Group, in respect of the construction of the main body of the scientific research building of the Controlling Shareholder.
2. The amount represented the dividend payable to the Controlling Shareholder and the deposit of the Controlling Shareholder with the fund management center of the Group as well as fund received from the Controlling Shareholder in 2008 for the after-earthquake reconstruction work out of the fund allocated by the Ministry of Finance of the PRC.

6. **Other material related party transactions**

During the reporting period, there were no other material related party transactions of the Company.

Significant Events (continued)

(IX) 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 ^{Note 1}
CRCC-Tongguan Investment Co., Ltd.	2010.5.25	998.92	General liability guarantee	2010.5.25-2015.5.25	No	Yes ^{Note 1}

Significant Events (continued)

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	162.35
Total amount of outstanding guarantee provided to the subsidiaries as at the end of the reporting period	3,173.67
Total amount of guarantees granted by the Company (including the guarantees provided to the subsidiaries)	
Total amount of guarantee	4,358.47
Percentage of the total amount of guarantee to the net assets of the Group	6.46%
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%	3,172.35
Total amount of guarantee exceeding 50% of the net assets	—
Total amount of the above three guarantees	3,172.35

Note:

1. CRCC-Tongguan Investment Co., Ltd., a jointly controlled entity of the Company, is held as to 50% by the Company. Such guarantee constituted a related party guarantee of the Company according to the Accounting Standards for Business Enterprises No. 36 - Related Party Disclosures.

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

During the reporting period, the Group had no financial trust management or entrusted credit.

Significant Events (continued)

4. Material contracts entered into during the reporting period

No.	Date of contract	Summary of contract	Contract amount ('00 million)	Party to the contract on the Company's side	Performance period
1	2012/4/27	Contracting of earthwork stripping of Shanxi China Century Jiewang Coal Company Limited (山西華瑞杰旺煤業有限公司土石方剝離承包)	80	China Railway 12 th Bureau Group Co., Ltd.	Tentatively for 10 years
2	2012/4/27	General construction contracting of Beijing Cultural Silicon Valley Project (北京文化硅谷工程)	74.7	China Railway Construction Group Ltd.	Unsettled
3	2012/5/10	Sihui Dalongwan Engineering Project (四會大隆灣工程項目)	40	China Railway 25 th Bureau Group Co., Ltd.	Unsettled

(X) IMPLEMENTATION OF UNDERTAKINGS

As disclosed in the Company's 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 2012, land use right certificates had been obtained for an aggregate of 345 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 completion of obtaining the land use rights certificates for the remaining 4 land parcels.

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 2012, it had obtained 215 building ownership certificates. Among the remaining 607 buildings, 480 were properties for ancillary production use for which it was impossible to obtain building ownership certificates; 121 buildings were constructed a long time ago, for which it would be difficult to obtain building ownership certificates; and the application of building ownership certificates for the remaining 6 buildings were under way. Although ownership certificates for the abovementioned buildings have not been obtained, the properties were invested and constructed by the Company and the Company has relevant expense receipts and construction proofs; there are no disputes as to the rights relating to such buildings. The Company has 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 6 buildings.

Significant Events (continued)

(XI) CHANGE OF AUDITORS OF THE COMPANY

During the year, the Company continued to engage Ernst & Young Hua Ming Certified Public Accountants as its external auditors to audit the 2012 annual financial statements of the Company and review the 2012 interim financial statements of the Company. The Company has appointed Ernst & Young Hua Ming Certified Public Accountants to provide auditing services for six consecutive years.

In order to meet the requirements of CSRC “to standardize the internal control audit and to push forward the integration of audit”, upon consideration and approval at the 12th meeting of the second session of the Board and at the 2011 annual general meeting, Ernst & Young Hua Ming Certified Public Accountants was appointed as the Company’s internal control auditors for 2012 and the Company had decided not to re-engage Crowe Horwath China CPAs as the Company’s internal control auditors.

(XII) 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.

(XIII) 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 it 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 proceeding with the non-public issuance and placing of A shares and go through the required internal and external approvals as necessary and appropriate to complement the process. (For details, please refer to relevant announcements dated 17 June 2011 of the Company on the Shanghai Stock Exchange and the Hong Kong Stock Exchange)

(XIV) 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.

Significant Events (continued)

(XV) SUBSEQUENT EVENTS

1. *Amendments to the cash dividends policy*

Based on relevant provisions set out in the “Notice regarding Further Implementation of Cash Dividends Distribution of Listed Companies (Zheng Jian Fa [2012] No. 37)” (《關於進一步落實上市公司現金分紅有關事項的通知》) (證監發[2012]37號) promulgated and issued by CSRC and the “Notice Regarding Further Optimization of Cash Dividends Distribution of Listed Companies (Jing Zheng Gong Si Fa [2012] No.101)” (《關於進一步完善上市公司現金分紅有關事項的通知》) (京證公司發[2012]101號) promulgated by Beijing Securities Regulatory Bureau, the Company has proposed certain amendments to the provisions relating to cash dividends in the Articles of Association and promulgated the Shareholders’ Return Plan of the Company in the Coming Three Years (《公司未來三年(2012-2014)股東回報規劃》). The abovementioned two proposals will be submitted to the general meeting of the Company for consideration and approval, after being considered and approved at the 14th meeting of the second session of the Board convened by the Company on 29 August and 30 August.

2. *The Issue of short-term financing bonds*

In accordance with the resolution of the 2010 annual general meeting, the Company proposed to issue short-term financing bonds with a principal amount of up to RMB15 billion and a duration of not more than one year in one tranche or multiple tranches in the inter-bank market of the PRC within a period of 36 months commencing from the date of passing of the relevant resolution at the general meeting. On 7 September 2011, the Company registered RMB15 billion of short-term financing bonds in the National Association of Financial Market Institutional Investors. On 18 July 2012, the Company issued the first tranche of short-term financing bonds in 2012 with an issued amount of RMB10 billion, a duration of one year and a coupon rate of 3.6%, and all proceeds raised had been received on 19 July 2012. (For details, please refer to the relevant announcements dated 19 July 2012 of the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.)

Significant Events (continued)

(XVI) INFORMATION DISCLOSURE INDEX

Events	Information Disclosure/ Index Newspaper name and page for publication	Date of publication	Website for publication and retrieve path
Announcement on Estimated Increase in 2011 Annual Results of CRCC (中國鐵建2011年度業績預增公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	12 January 2012	www.sse.com.cn
Legal Opinions on 2012 First Extraordinary General Meeting of CRCC (中國鐵建2012年第一次臨時股東大會的法律意見)		14 January 2012	www.sse.com.cn
Announcement on the Resolution of 2012 First Extraordinary General Meeting of CRCC (中國鐵建2012年第一次臨時股東大會決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	14 January 2012	www.sse.com.cn
Announcement on the Successful Bid of an Overseas Project and Execution of Agreement of CRCC (中國鐵建海外項目中標、簽約公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	15 February 2012	www.sse.com.cn
Announcement on Resolutions of the Ninth Meeting of the Second Session of the Board of CRCC (中國鐵建第二屆董事會第九次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	25 February 2012	www.sse.com.cn
CRCC Announcement in Respect of the Mining Contract of Mirador Mine Entered into between Ecuacorriente S.A. and the Government of Ecuador (中國鐵建關於厄瓜多爾科里安特公司與厄瓜多爾政府簽署米拉多礦區採礦合同的公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	7 March 2012	www.sse.com.cn
H Shares Announcement of CRCC (中國鐵建H股公告)		16 March 2012	www.sse.com.cn
Announcement on Resolutions of the Tenth Meeting of the Second Session of the Board of CRCC (中國鐵建第二屆董事會第十次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	21 March 2012	www.sse.com.cn
H Shares Announcement of CRCC (中國鐵建H股公告)		22 March 2012	www.sse.com.cn

Significant Events (continued)

Events	Information Disclosure/ Index Newspaper name and page for publication	Date of publication	Website for publication and retrieve path
Rules of Procedures of the Supervisory Committee of CRCC (中國鐵建監事會議事規則)		29 March 2012	www.sse.com.cn
Articles of Association of CRCC (amended in 2012) (中國鐵建公司章程(2012年修訂))		29 March 2012	www.sse.com.cn
Rules of Procedures of the Board of CRCC (中國鐵建董事會議事規則)		29 March 2012	www.sse.com.cn
Rules of Procedures of the General Meeting of CRCC (中國鐵建股東大會議事規則)		29 March 2012	www.sse.com.cn
Working Rules for the Remuneration and Evaluation Committee of the Board of CRCC (中國鐵建董事會薪酬 與考核委員會工作細則)		30 March 2012	www.sse.com.cn
Working Rules for the Audit and Risk Management Committee of the Board of CRCC (中國鐵建董事會審計 與風險管理委員會工作細則)		30 March 2012	www.sse.com.cn
Working Rules for the Strategy and Investment Committee of the Board of CRCC (中國鐵建董事會戰略 與投資委員會工作細則)		30 March 2012	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)		30 March 2012	www.sse.com.cn
2011 Annual Report of CRCC (中國鐵建2011年年報)		30 March 2012	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	30 March 2012	www.sse.com.cn
Announcement on Resolutions of the Eleventh Meeting of the Second Session of the Board of CRCC (中國鐵建第二屆董事會 第十一次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	30 March 2012	www.sse.com.cn

Significant Events (continued)

Events	Information Disclosure/ Index Newspaper name and page for publication	Date of publication	Website for publication and retrieve path
2011 Self-evaluation Report on Internal Control of CRCC (中國鐵建2011年度 內部控制評價報告)		30 March 2012	www.sse.com.cn
2011 Work Report of Independent Directors of CRCC (中國鐵建獨立董事 2011年度履職情況報告)		30 March 2012	www.sse.com.cn
Working Rules for the Nomination Committee of the Board of CRCC (中國鐵建董事會提名委員會 工作細則)		30 March 2012	www.sse.com.cn
Internal Control Audit Report of CRCC (中國鐵建內部控制審計報告)		30 March 2012	www.sse.com.cn
Special Statement on Amounts Due from the Controlling Shareholder and Other Related Parties of CRCC (中國鐵建應收控股股東 和其他關聯方款項專項說明)		30 March 2012	www.sse.com.cn
Announcement on Resolutions of the Fourth Meeting of the Second Session of the Supervisory Committee of CRCC (中國鐵建第二屆監事會 第四次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	30 March 2012	www.sse.com.cn
2011 Social Responsibility Report of CRCC (中國鐵建2011年社會責任報告)		30 March 2012	www.sse.com.cn
Announcement on Determination of the Cap for Internal Guarantees of CRCC (中國鐵建關於核定公司 內部擔保額度的公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	30 March 2012	www.sse.com.cn
Special Report on Deposit and Actual Utilization of the Proceeds Raised from the Company's A Share Issue 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	30 March 2012	www.sse.com.cn
H Share Announcement of CRCC (中國鐵建H股公告)		14 April 2012	www.sse.com.cn

Significant Events (continued)

Events	Information Disclosure/ Index Newspaper name and page for publication	Date of publication	Website for publication and retrieve path
Clarification Announcement of CRCC (中國鐵建澄清公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	25 April 2012	www.sse.com.cn
Notice on Convening the 2011 Annual General Meeting of CRCC (中國鐵建關於召開2011年 年度股東大會的通知)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	27 April 2012	www.sse.com.cn
Announcement in Respect of Change of Internal Control Auditors of CRCC (中國鐵建關於內部控制 審計機構變更的公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	27 April 2012	www.sse.com.cn
2012 First Quarterly Results Report of CRCC (中國鐵建2012年第一季度季報)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	27 April 2012	www.sse.com.cn
Announcement on the Resolutions of the Twelfth Meeting of the Second Session of the Board of CRCC (中國鐵建第二屆董事會 第十二次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	27 April 2012	www.sse.com.cn
Information on the 2011 Annual General Meeting of CRCC (中國鐵建2011年度 股東大會會議資料)		2 June 2012	www.sse.com.cn
Rules of Procedures of the Board CRCC (中國鐵建董事會議事規則)		13 June 2012	www.sse.com.cn
Articles of Association of CRCC (amended in 2012) (中國鐵建公司章程(2012修訂))		13 June 2012	www.sse.com.cn
Announcement of the Resolutions of the 2011 Annual General Meeting of CRCC (中國鐵建2011年年度 股東大會會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	13 June 2012	www.sse.com.cn
Legal Opinions on the 2011 Annual General Meeting of CRCC (中國鐵建2011年年度 股東大會法律意見)		13 June 2012	www.sse.com.cn

Report on Review of Interim Financial Statements

Ernst & Young Hua Ming (2012) Zhuan Zi No. 60618770_A04

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 2012, 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 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 provides 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: **Yang Shujuan**

Chinese Certified Public Accountant: **Wang Ning**

Beijing, the People’s Republic of China
30 August 2012

Consolidated Balance Sheet

As at 30 June 2012

(All amounts in RMB'000 unless otherwise stated)

ASSETS	<i>Note V</i>	30 June 2012 (Unaudited)	31 December 2011
Current assets			
Cash and bank balances	1	80,257,676	83,057,641
Financial assets held for trading	2	48,752	46,919
Bills receivable	3	1,234,126	2,014,619
Accounts receivable	4	56,875,259	62,918,831
Advances to suppliers	5	35,086,652	26,075,648
Interest receivables		80,081	60,370
Dividends receivable		49,261	46,844
Other receivables	6	29,978,796	25,335,878
Inventories	7	81,224,191	76,005,525
Construction contracts	8	82,437,505	74,175,970
Current portion of non-current assets	10	13,703,222	10,546,813
Other current assets		98,578	39,090
Total current assets		381,074,099	360,324,148
Non-current assets			
Available-for-sale financial assets	9	249,661	242,097
Held-to-maturity investments		1,245	1,269
Long-term receivables	10	7,239,773	8,504,060
Long-term equity investments	12	4,877,067	4,444,219
Fixed assets	13	36,993,019	38,507,452
Construction in progress	14	2,306,505	2,064,232
Intangible assets	15	7,467,275	6,791,245
Long-term prepayments		127,019	117,128
Goodwill	16	100,135	—
Deferred tax assets	17	2,003,561	1,986,991
Other non-current assets		9,663	—
Total non-current assets		61,374,923	62,658,693
TOTAL ASSETS		442,449,022	422,982,841

Consolidated Balance Sheet (continued)

As at 30 June 2012

(All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	<i>Note V</i>	30 June 2012 (Unaudited)	31 December 2011
Current liabilities			
Short-term loans	20	33,572,141	34,159,994
Deposits from customers		3,462	—
Short-term bonds payable	21	9,547,556	7,504,783
Bills payable	22	16,611,552	10,972,454
Accounts payable	23	144,698,302	149,398,973
Advances from customers	24	48,655,366	39,348,494
Construction contracts	8	13,305,518	14,065,816
Employee benefits payable	25	10,170,913	9,586,517
Taxes payable	26	5,698,196	6,813,394
Interest payables	27	852,770	314,013
Dividends payable	28	1,343,902	57,489
Other payables	29	34,715,843	32,532,577
Deferred income	35	23,912	25,956
Current portion of non-current liabilities	30	21,384,256	13,961,260
Total current liabilities		340,583,689	318,741,720
Non-current liabilities			
Long-term loans	31	14,328,457	18,218,813
Bonds payable	32	12,400,843	12,392,517
Long-term payables	33	3,482,950	3,453,826
Special payables	34	275,091	304,386
Deferred income	35	161,215	131,006
Deferred tax liabilities	17	279,223	278,016
Employee benefits payable	25	3,450,531	3,743,785
Total non-current liabilities		34,378,310	38,522,349
Total liabilities		374,961,999	357,264,069

Consolidated Balance Sheet (continued)

As at 30 June 2012

(All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY (continued)	Note V	30 June 2012 (Unaudited)	31 December 2011
Shareholders' equity			
Share capital	36	12,337,542	12,337,542
Capital reserve	37	33,859,383	33,997,676
Surplus reserve	39	855,536	855,536
Retained earnings	40	19,293,174	17,338,492
Exchange differences on foreign currency translation		145,217	219,097
Equity attributable to:			
Owners of the Company		66,490,852	64,748,343
Non-controlling interests		996,171	970,429
Total shareholders' equity		67,487,023	65,718,772
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		442,449,022	422,982,841

The financial statements have been signed by:

Legal Representative:
Meng Fengchao
30 August 2012

CFO:
Zhuang Shangbiao
30 August 2012

Finance Controller
Cao Xirui
30 August 2012

Consolidated Income Statement

For the six months ended 30 June 2012
(All amounts in RMB'000 unless otherwise stated)

	Note V	For the six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
Revenue	41	184,531,910	211,406,095
Less: Cost of sales	41	165,292,988	190,752,891
Taxes and surcharges	42	5,241,952	6,245,702
Selling and distribution expenses	43	666,591	776,132
General and administrative expenses	44	7,889,347	8,602,251
Finance costs	45	1,709,747	635,207
(Reversal)/losses of impairment	46	(25,293)	4,279
Add: Gains/(loss) arising from fair value changes	47	1,748	(9,089)
Investment income	48	124,420	82,767
Including: Share of profits of associates and jointly controlled entities		31,600	3,242
Operating profit		3,882,746	4,463,311
Add: Non-operating income	49	197,474	194,061
Less: Non-operating expenses	50	70,122	145,505
Including: Loss on disposal of non-current assets		35,206	109,125
Total profit		4,010,098	4,511,867
Less: Income tax expenses	51	787,440	886,191
Net profit		3,222,658	3,625,676
Attributable to:			
Owners of the Company		3,188,436	3,639,152
Non-controlling interests/(losses)		34,222	(13,476)
Earnings per share:			
Basic earnings per share (RMB/share)	52	0.26	0.29
Diluted earnings per share (RMB/share)	52	N/A	N/A
Other comprehensive (loss)/ income	53	(67,954)	62,452
Total comprehensive income		3,154,704	3,688,128
Total comprehensive income attributable to:			
Owners of the Company		3,120,482	3,701,578
Non-controlling interests/(losses)		34,222	(13,450)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012
(All amounts in RMB'000 unless otherwise stated)

For the six months ended 30 June 2012 (Unaudited)

	Equity attributable to owners of the Company								Total equity
	Share capital	Capital reserve	Specialized reserve	Surplus reserve	Retained earnings	Exchange differences on foreign currency translation	Subtotal	Non-controlling interests	
1. As at 1 January 2012	12,337,542	33,997,676	—	855,536	17,338,492	219,097	64,748,343	970,429	65,718,772
2. Movements in current period									
(a) Net profit for the period	—	—	—	—	3,188,436	—	3,188,436	34,222	3,222,658
(b) Other comprehensive income/(loss) (Note V.53)	—	5,926	—	—	—	(73,880)	(67,954)	—	(67,954)
Total comprehensive income/(loss)	—	5,926	—	—	3,188,436	(73,880)	3,120,482	34,222	3,154,704
(c) Capital contributions and reductions from shareholders									
(1) Capital contributions	—	—	—	—	—	—	—	79,751	79,751
(2) Acquisition of non-controlling interests	—	(144,219)	—	—	—	—	(144,219)	(20,781)	(165,000)
(d) Profit appropriation and distribution									
(1) Distribution to owners (Note 1)	—	—	—	—	(1,233,754)	—	(1,233,754)	(67,450)	(1,301,204)
(e) Special reserve (Note V.38)									
(1) Appropriated in current period	—	—	1,295,492	—	—	—	1,295,492	—	1,295,492
(2) Used in current period	—	—	(1,295,492)	—	—	—	(1,295,492)	—	(1,295,492)
3. As at 30 June 2012	12,337,542	33,859,383	—	855,536	19,293,174	145,217	66,490,852	996,171	67,487,023

Note 1: In accordance with the resolution at the 11th Meeting of the Second Board of Directors on 29 March 2012, the Company proposed a final cash dividend for the year ended 31 December 2011 which amounted to RMB1,233,754,000.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2012

(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	Non- controlling interests	Total equity
1. As at 1 January 2011	12,337,542	33,986,234	—	855,536	10,101,077	122,925	57,403,314	828,106	58,231,420
2. Movements in current period									
(a) Net profit/(loss) for the period	—	—	—	—	3,639,152	—	3,639,152	(13,476)	3,625,676
(b) Other comprehensive (loss)/income (Note V.53)	—	(3,179)	—	—	—	65,605	62,426	26	62,452
Total comprehensive (loss)/income	—	(3,179)	—	—	3,639,152	65,605	3,701,578	(13,450)	3,688,128
(c) Capital contributions	—	—	—	—	—	—	—	32,637	32,637
(d) Profit appropriation and distribution									
(1) Distribution to owners	—	—	—	—	(616,877)	—	(616,877)	—	(616,877)
(e) Special reserve (Note V.38)									
(1) Appropriated in current period	—	—	1,859,131	—	—	—	1,859,131	—	1,859,131
(2) Used in current period	—	—	(1,859,131)	—	—	—	(1,859,131)	—	(1,859,131)
3. As at 30 June 2011	12,337,542	33,983,055	—	855,536	13,123,352	188,530	60,488,015	847,293	61,335,308

Consolidated Cash Flow Statement

For the six months ended 30 June 2012

(All amounts in RMB'000 unless otherwise stated)

	Note V	For the six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from the sale of goods or rendering of services		186,925,499	201,708,601
Tax refunds		139,773	128,834
Cash received from other operating activities		956,612	1,059,905
Subtotal of cash inflows from operating activities		188,021,884	202,897,340
Cash paid for goods and services		(169,104,151)	(192,244,883)
Cash paid to and on behalf of employees		(12,288,655)	(12,076,172)
Cash paid for all types of taxes		(7,181,071)	(8,000,708)
Cash paid for other operating activities	54	(2,765,656)	(3,145,592)
Subtotal of cash outflows from operating activities		(191,339,533)	(215,467,355)
Net cash flows used in operating activities	55	(3,317,649)	(12,570,015)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		11,774	17,227
Cash received from returns on investments		3,811	16,174
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		503,973	440,446
Decrease in non-pledged deposits with original maturity of three months or more when acquired		—	1,493,414
Decrease in pledged time deposits and other restricted cash		3,444,179	3,308,738
Cash received from other investing activities		2,202,376	631,257
Subtotal of cash inflows from investing activities		6,166,113	5,907,256
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(3,834,669)	(5,687,812)
Cash paid for acquisition of investments		(641,093)	(168,359)
Cash paid for acquisition of non-controlling interests		(165,000)	—
Net cash paid for acquisition of Hangsheng Company		(124,115)	—
Net cash paid for acquisition of material assets and liabilities		—	(99,953)
Increase in non-pledged deposits with original maturity of three months or more when acquired		(348,087)	(3,173,699)
Increase in pledged time deposits and other restricted cash		(4,585,313)	—
Cash paid for other investing activities		—	(106,096)
Subtotal of cash outflows from investing activities		(9,698,277)	(9,235,919)
Net cash flows used in investing activities		(3,532,164)	(3,328,663)

Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2012

(All amounts in RMB'000 unless otherwise stated)

	Note V	For the six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received as capital contributions		79,751	32,637
Including: Cash received from non-controlling shareholders of subsidiaries		79,751	32,637
Cash received from borrowings		28,596,477	33,847,772
Cash received from issuing bonds		2,480,000	650,000
Subtotal of cash inflows from financing activities		31,156,228	34,530,409
Cash repayments for borrowings		(26,571,819)	(9,735,585)
Cash paid for distribution of dividends or profits and for interest expenses		(2,045,200)	(1,721,755)
Including: Cash paid to non-controlling shareholders for distribution of dividends by subsidiaries		(14,791)	(12,874)
Subtotal of cash outflows from financing activities		(28,617,019)	(11,457,340)
Net cash flows from financing activities		2,539,209	23,073,069
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		21,418	(28,104)
5. NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Add: Cash and cash equivalents at beginning of the period	55	(4,289,186)	7,146,287
		74,167,583	55,923,144
6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	55	69,878,397	63,069,431

Balance Sheet

As at 30 June 2012

(All amounts in RMB'000 unless otherwise stated)

ASSETS	<i>Note XI</i>	30 June 2012 (Unaudited)	31 December 2011
Current assets			
Cash and bank balances		12,791,025	13,906,252
Financial assets held for trading		34,104	31,405
Accounts receivable	1	904,152	666,357
Advances to suppliers		896,956	695,688
Dividends receivable		346,939	—
Other receivables	2	40,250,168	38,258,954
Inventories		54	55
Construction contracts		3,509,238	4,131,585
Current portion of non-current assets		500,000	2,403,975
Total current assets		59,232,636	60,094,271
Non-current assets			
Available-for-sale financial assets		114,559	113,045
Long-term receivables		500,000	1,000,000
Long-term equity investments	3	48,316,909	49,495,006
Fixed assets		33,318	35,805
Construction in progress		14,267	12,379
Intangible assets		492	520
Deferred tax assets		10,086	11,143
Total non-current assets		48,989,631	50,667,898
TOTAL ASSETS		108,222,267	110,762,169

Balance Sheet (continued)

As at 30 June 2012

(All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	<i>Note XI</i>	30 June 2012 (Unaudited)	31 December 2011
Current liabilities:			
Short-term loans		1,100,000	6,715,045
Short-term bonds payable		5,180,185	5,000,000
Accounts payable		522,128	839,631
Construction contracts		110,648	38,515
Advances from customers		72,896	—
Employee benefits payable		39,878	41,194
Taxes payable		15,970	3,257
Interest payables		774,403	320,471
Dividends payable		1,233,754	—
Other payables		10,289,274	9,982,018
Current portion of non-current liabilities		15,357,827	11,441,289
Total current liabilities		34,696,963	34,381,420
Non-current liabilities:			
Long-term loans		3,813,924	6,810,371
Bonds payable		12,400,843	12,392,517
Long-term payables		56,250	1,838,170
Employee benefits payable		26,750	26,130
Total non-current liabilities		16,297,767	21,067,188
Total liabilities		50,994,730	55,448,608
Shareholders' equity			
Share capital		12,337,542	12,337,542
Capital reserve		39,003,566	39,002,430
Surplus reserve		855,536	855,536
Retained earnings		5,030,893	3,118,053
Total shareholders' equity		57,227,537	55,313,561
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		108,222,267	110,762,169

Income Statement

For the six months ended 30 June 2012
(All amounts in RMB'000 unless otherwise stated)

	Note XI	For the six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
Revenue	4	332,469	3,156,866
Less: Cost of sales	4	228,684	3,029,692
Taxes and surcharges		2,066	2,863
Selling and distribution expenses		5,570	6,653
General and administrative expenses		130,680	146,164
Finance costs/(income)		501,003	(151,490)
Add: Gains/(losses) arising from fair value changes		2,699	(5,651)
Investment income	5	3,680,588	216
Including: Share of income/(loss) of jointly controlled entities		4,063	(6,826)
Operating profit		3,147,753	117,549
Add: Non-operating income		1	5
Less: Non-operating expenses		151	82
Total profit		3,147,603	117,472
Less: Income tax expenses		1,009	23,992
Net profit		3,146,594	93,480
Other comprehensive income		1,136	1,033
Total comprehensive income		3,147,730	94,513

Statement of Changes in Equity

For the six months ended 30 June 2012

(All amounts in RMB'000 unless otherwise stated)

	For the six months ended 30 June 2012 (Unaudited)				
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total equity
1. As at 1 January 2012	12,337,542	39,002,430	855,536	3,118,053	55,313,561
2. Movements in current period					
(a) Net profit	—	—	—	3,146,594	3,146,594
(b) Other comprehensive income	—	1,136	—	—	1,136
Total comprehensive income		1,136	—	3,146,594	3,147,730
(c) Profit appropriation and distribution					
(1) Distribution to owners (Note)	—	—	—	(1,233,754)	(1,233,754)
3. As at 30 June 2012	12,337,542	39,003,566	855,536	5,030,893	57,227,537

Note: For details, refer to the note to the consolidated statement of changes in equity.

	For the six months ended 30 June 2011 (Unaudited)				
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total equity
1. As at 1 January 2011	12,337,542	39,011,927	855,536	3,875,192	56,080,197
2. Movements in current period					
(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					
(1) Distribution to owners	—	—	—	(616,877)	(616,877)
3. As at 30 June 2011	12,337,542	39,012,960	855,536	3,351,795	55,557,833

Cash Flow Statement

For the six months ended 30 June 2012
(All amounts in RMB'000 unless otherwise stated)

	Note XI	For the six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from the sale of goods or rendering of services		1,448,900	1,414,283
Tax refunds		—	10
Cash received from other operating activities		885,181	7,304
Subtotal of cash inflows from operating activities		2,334,081	1,421,597
Cash paid for goods and services		(835,808)	(2,042,496)
Cash paid to and on behalf of employees		(61,995)	(76,183)
Cash paid for all types of taxes		(47,608)	(166,439)
Cash paid for other operating activities		(1,078,148)	(1,515,383)
Subtotal of cash outflows from operating activities		(2,023,559)	(3,800,501)
Net cash flows from/(used in) operating activities	6	310,522	(2,378,904)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from returns on investments		3,337,843	2,594,603
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		46	6
Decrease in non-pledged time deposits with original maturity of three months or more when acquired		—	17,000
Cash received from other investing activities		621,917	511,687
Subtotal of cash inflows from investing activities		3,959,806	3,123,296
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(5,734)	(8,592)
Cash paid for acquisition of investments		(304,048)	(3,428,950)
Increase in non-pledged time deposits with original maturity of three months or more when acquired		(3,000)	—
Cash paid for other investing activities		—	(106,096)
Subtotal of cash outflows from investing activities		(312,782)	(3,543,638)
Net cash flows from/(used in) investing activities		3,647,024	(420,342)

Cash Flow Statement (continued)

For the six months ended 30 June 2012

(All amounts in RMB'000 unless otherwise stated)

	Note XI	For the six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from borrowings		962,429	11,711,600
Subtotal of cash inflows from financing activities		962,429	11,711,600
Cash repayments for borrowings		(5,666,985)	(1,313,463)
Cash paid for distribution of dividends or profits and for interest expenses		(371,966)	(813,665)
Subtotal of cash outflows from financing activities		(6,038,951)	(2,127,128)
Net cash flows from financing activities		(5,076,522)	9,584,472
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		749	(10,466)
5. NET INCREASE IN CASH AND CASH EQUIVALENTS		(1,118,227)	6,774,760
Add: Cash and cash equivalents at beginning of the period		13,903,252	4,289,283
6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6	12,785,025	11,064,043

Notes To Financial Statements

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

I. CORPORATE INFORMATION

China Railway Construction Corporation Limited (the "Company") is a joint stock limited company with limited liability registered in Beijing in the People's Republic of China (the "PRC" or "Mainland China"), which was established by China Railway Construction Corporation (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 100000000041302. 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 and real estate development.

Pursuant to the restructuring, the net assets of CRCCG's principal businesses (including the assets and liabilities associated with 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 a 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.

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.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

I. CORPORATE INFORMATION (continued)

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 2012, the Company has issued an aggregate of 12,337,541,500 shares as share capital. See Note V.36 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 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 sales of automobiles, ferrous metal, timber, cement, fuel, construction materials, chemical products, mechanical and electrical products, armored concrete products 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 2012.

Notes To Financial Statements (continued)

30 June 2012

(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 disclosures 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 2011.

The financial statements have been presented on a going concern basis.

The financial statements have been presented under the historical cost convention, except for certain financial assets, which have been measured at fair value. 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 2012 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 2012.

4. **Functional currency**

The Group's reporting and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is RMB 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 2012

(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.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

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

6. **Basis of consolidation**

The consolidation scope of the 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 2012. 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 balances, transactions, unrealized gains and losses and dividends are eliminated on consolidation in full.

Where the amount of losses of a subsidiary attributable to the non-controlling shareholders exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against non-controlling 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, until 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 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 2012

(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 their functional currencies, by applying to the foreign currency amounts at the spot exchange rates 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 dates, while the amounts denominated in the functional currencies do not change. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rates prevailing at the date on which the fair values are determined. The exchange differences 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 rates prevailing on the dates 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.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

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 and 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 value initially recognized.

Notes To Financial Statements (continued)

30 June 2012

(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 financial assets depends on their classification 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 whose fair value cannot be reliably measured. These 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. These 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. These 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 2012

(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 or 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. Interest 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.

The subsequent measurement of financial liabilities is determined by their classification as follows:

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. These 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.

Notes To Financial Statements (continued)

30 June 2012

(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 liabilities (continued)

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 the effective interest rate method over the life of the bonds along with the interest.

Other financial liabilities

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

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. These 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, 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 estimated future cash flows of the financial asset.

Notes To Financial Statements (continued)

30 June 2012

(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

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 estimated 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 estimated 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 a 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.

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.

Notes To Financial Statements (continued)

30 June 2012

(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)

Available-for-sale financial assets (continued)

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.

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 estimated 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 recognizes 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.

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)

10. Receivables (continued)

(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 or entering bankruptcy, or breach of contracts), 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 profit or loss for the current period.

(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 tested collectively 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 impairment for the receivables. The provision rates were as follows:

	Accounts receivable provision rate (%)	Other receivables provision rate (%)
Within 6 months	—	—
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 or bankruptcy, or breach of contracts), the amount of the impairment loss shall be recognized in the current profit or loss after taking into account the rate of accounts receivable losses of the prior year.

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)

11. Inventories

Inventories include items such as raw materials, work in progress, finished goods, turnover materials, properties under development and completed properties held for sale. Costs of properties under development and completed properties held for sale mainly consist of land use rights acquisition cost, advance expenditures of land development, 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. 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 estimated to be used.

The Group adopts the 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 a 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. For an individual contract whose 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 an individual contract whose 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.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

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

12. Construction contract (continued)

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.

13. Long-term equity investments

Long-term equity investments include investments in subsidiaries, jointly controlled enterprises and associates, and 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 cost method accounting. For a long-term equity investment where the Company can exercise control over the investee, the Company uses 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.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

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

13. Long-term equity investments (continued)

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.

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 profit or loss 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 profit or loss after making appropriate adjustments to the investee's net profit or loss 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 profit or loss 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 enterprises 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 that 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 profit or loss) and includes the corresponding adjustments in the shareholders' equity.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

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

13. Long-term equity investments (continued)

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 investments in subsidiaries, jointly controlled enterprises or associates, 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.

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 estimated 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 fees 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 *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 equipment	5%	10 years	9.50%
Measuring and testing equipment	5%	5 years	19.00%
Others	5%	5 years	19.00%

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

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

14. Fixed assets (continued)

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 the provision for impairment related to fixed assets, refer to Note II.25.

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 assets, intangible assets or completed properties held for sale when the asset is ready for its intended use.

For the test for impairment and recognition of the provision for impairment related to 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 (such as fixed assets and inventories) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

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)

16. **Borrowing costs** (continued)

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 expenditures on the asset over the amounts of specific-purpose borrowings.

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

17. **Intangible assets**

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

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.

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)

The useful life of an intangible asset is determined according to the period over which it is estimated 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 estimated 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 a certain lease period.

Land use rights that are purchased by the Group are accounted for as intangible assets. For properties such as plants 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 the 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 intangible assets on the balance sheet if the intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements is completed, the concession assets will be amortized over the term of the concession on the straight-line basis under the intangible asset model.

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 only on proved mining reserves.

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)

Development expenditure

The Group classifies the expenditure in an internal research and development project into expenditure in the research phase and expenditure in the development phase. Expenditure in the research phase is recognized in profit or loss for the period in which it is incurred. Expenditure in 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 in 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 the straight-line basis over the estimated 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)

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(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:

Revenue from 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 that has been confirmed by the supervision party to the estimated total contract work; or (3) surveys of the work performed.

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)

21. Revenue (continued)

Revenue from construction contracts (continued)

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.

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 estimated 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.

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)

21. Revenue (continued)

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 and cost 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 estimated 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)

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(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 the 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.

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)

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 estimated to be paid by the Group or returned by the tax authority calculated by related tax laws.

Deferred tax is recognized 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)

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(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 estimated 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 being the lessee of an operating lease

Lease payments under an operating lease are recognized by a lessee on the 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 being the lessor of an operating lease

Rent income under an operating lease is recognized by a lessor on the 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 being the lessee of a finance lease

For an asset that is held under a finance lease, (1) the leased asset is recorded at the lease commencement 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; and (2) 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.

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)

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 estimated 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 an 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 set of asset groups. Each of the related asset groups or set 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 first 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 based on 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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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 period from the date of early retirement to the normal retirement date as employee benefits payable and charges to profit or loss of the current period. The specific terms for the terminated and early retired employees vary 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, 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 obligations, are charged or credited to the income statement over the estimated 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 estimated 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 estimated to be settled within twelve months and are measured at the amounts estimated 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, and 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* for the year ended 2011 and before, issued by the Ministry of Finance and the State Administration of Work Safety. These production safety expenses are specifically provided for and used to improve the production safety conditions by enterprises. Since 14 February 2012, the above documents were abolished, and the Group now accrues for production safety expenses according to the *Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilization* and the *Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilization*, issued by the Ministry of Finance and the State Administration of Work Safety.

Pursuant to provided *Interpretation 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 in profit or loss for the current period, 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 specialized 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 their intended use. Meanwhile, the costs of these fixed assets shall be used to offset against the specialized 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*. These determination 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 estimated 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)

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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)

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, estimated 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 have 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 estimated, 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 estimated or actual contract costs are more than estimated, a foreseeable loss may arise.

Notes To Financial Statements (continued)

30 June 2012

(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 account 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 estimated, 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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or sets of asset groups to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups or sets of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

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, estimated 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 and balance of liabilities related to the employee retirement benefit obligations.

Notes To Financial Statements (continued)

30 June 2012

(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 imposed 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%. |
| Business tax ("BT") | — | The Company and its subsidiaries are subject to BT for the income generated from provision of construction services and other services at a rate of 3% and 5% respectively. |
| City maintenance and construction tax ("CCT") | — | The Company and its subsidiaries are subject to CCT at a rate of 7%, 5% or 1% on the total turnover tax paid (BT and VAT) depending on the location of the taxpayers. |
| Education surcharge | — | The Company and its subsidiaries are subject to the education surcharge at a rate of 3% on the total turnover tax paid (BT and VAT). |
| Corporate income tax ("CIT") | — | 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 foreign jurisdictions, the corporations within the Group are subject to CIT at a rate of 25%.

The Company and its subsidiaries each calculate and pay CIT as a legal entity at the location where it is registered.

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. |
| Real estate tax | — | Real estate tax is levied at a rate of 1.2% based on 70%, 75% or 80% of the original cost of the properties 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 have obligations to withhold IIT for their employees' salary income. |

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

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 an additional deduction on their research and development expenditures when calculating the taxable income.

Tax preferential treatment for the Western Region Development

Pursuant to the *Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies* of State Administration of Taxation, Ministry of Finance and General Administration of Customs (Cai Shui [2011] No.58), the Tax preferential treatments for the Western Region Development are valid until 2020. According to the Circular, "from 1 January 2011 to 31 December 2020, corporate income tax may be levied at a reduced tax rate of 15% for enterprises incorporated in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal business are the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region, the income of which accounts for more than 70% of the total income of such enterprises. The Catalogue of Encouraged Industries in the Western Region shall be issued separately." Pursuant to *Announcement of the State Administration of Taxation on Issues of Enterprise Income Tax Concerning In-depth Implementation of Western Region Development Strategy* (Announcement of the State Administration of Taxation [2012] No.12), before the Catalogue of Encouraged Industries in the Western Region has been released, the enterprises whose principal businesses are the industrial projects prescribed in the Industrial Restructuring Guidance Catalogue (2005), Industrial Restructuring Guidance Catalogue (2011), the Catalogue for the Guidance of Foreign Investment Industries (Amended in 2007) and the Implementation of the Catalogues of Advantage Industries in Central-Western Areas by Customs (2008 Revision), can be entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% after the tax authorities confirmation. After issuance of the Western Catalog, the enterprises, which have performed annual CIT filings based on the 15% CIT rate, may need to re-file the CIT returns based on the applicable CIT rate, if they do not qualify for the conditions stipulated in Article 1 of Announcement 12.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

III. TAXES (continued)

2. Tax preferential treatments (continued)

Tax preferential treatment for the Western Region Development (continued)

As at 30 June 2012, the Catalogue of Encouraged Industries in the Western Region has not been released, certain subsidiaries of the Group, including China Railway 11th Bureau Group 5th Engineering Co., Ltd. (中鐵十一局集團第五工程有限公司) China Railway 12th Bureau Group 4th Engineering Co., Ltd. (中鐵十二局集團第四工程有限公司), Railway Maintenance Engineering Co., Ltd. of 12th Bureau Group of the China Railway. (中鐵十二局集團鐵路養護工程有限公司), China Railway 17th Bureau Group 2nd Engineering Co., Ltd. (中鐵十七局集團第二工程有限公司), China Railway 17th Bureau Group 4th Engineering Co., Ltd. (中鐵十七局集團第四工程有限公司), China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司), China Railway 20th Bureau Group 5th Engineering Co., Ltd. (中鐵二十局集團第五工程有限公司), China Railway 20th Bureau Group 6th Engineering Co., Ltd. (中鐵二十局集團第六工程有限公司), China Railway 20th Bureau Group Electrical Engineering Co., Ltd. (中鐵二十局集團有限公司電氣化工程有限公司), China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司), China Railway 21st Bureau Group 1st Engineering Co., Ltd. (中鐵二十一局集團第一工程有限公司), China Railway 21st Bureau Group 2nd Engineering Co., Ltd. (中鐵二十一局集團第二工程有限公司), China Railway 21st Bureau Group 3rd Engineering Co., Ltd. (中鐵二十一局集團第三工程有限公司), China Railway 21st Bureau Group 4th Engineering Co., Ltd. (中鐵二十一局集團第四工程有限公司), China Railway 21st Bureau Group 5th Engineering Co., Ltd. (中鐵二十一局集團第五工程有限公司), China Railway 21st Bureau Group Electrical Engineer Co., Ltd. (中鐵二十一局集團電務電化工程有限公司), China Railway 21st Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵二十一局集團路橋工程有限公司), Lanzhou Jincheng Railway Concrete Co., Ltd. (蘭州金誠鐵路混凝土有限公司), China Railway 22nd Bureau Group 5th Engineering Co., Ltd. (中鐵二十二局集團第五工程有限公司), China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司), China Railway 23rd Bureau Group 3rd Engineering Co., Ltd. (中鐵二十三局集團第三工程有限公司), China Railway 23rd Bureau Group 4th Engineering Co., Ltd. (中鐵二十三局集團第四工程有限公司), China Railway 23rd Bureau Group 6th Engineering Co., Ltd. (中鐵二十三局集團第六工程有限公司), China Railway First Survey and Design Institute Group Ltd. (中鐵第一勘察設計院集團有限公司), Gansu Runtong Electric Engineering Co. Ltd (甘肅潤通電氣化工程有限公司), Gansu Runtong Telecom Engineering Co. Ltd (甘肅潤通電信與自動化控制工程有限公司) and Kunming China Railway Large Maintenance Machinery Co., Ltd. (昆明中鐵大型養路機械集團有限公司) were assumed to have enjoyed the corporate income tax preferential treatment for the Western Region Development temporarily after confirmed by the local tax authority.

Notes To Financial Statements (continued)

30 June 2012

(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

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

China Railway 11th Bureau Group Bridge Co., Ltd. (中鐵十一局集團橋梁有限公司) has been recognized as a High-New Technology Enterprises 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 was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

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

China Railway 13th Bureau Group 4th 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-New Technology 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 was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

China Railway 13th Bureau Group Electrical Engineering Co., Ltd. (中鐵十三局集團有限公司電務工程有限公司) has been recognized as a High-New Technology Enterprise by the Science and Technology Department of Tianjin, Tianjin Department of Finance, Tianjin State Administration of Taxation and the Tianjin Local Taxation Bureau since 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.

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

China Railway 14th Bureau Group Beijing China Railway Fangshan Bridge Co., Ltd. (中鐵十四局集團北京中鐵房山橋梁有限公司) has been recognized as a High-New Technology Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2010, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

Notes To Financial Statements (continued)

30 June 2012

(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 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司) and its subsidiaries

China Railway 16th 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-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2010, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

China Railway 16th Bureau Group Beijing Engineering Co., Ltd. (中鐵十六局集團北京工程有限公司) has been recognized as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.

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

China Railway 17th Bureau Group 3rd Engineering Co., Ltd. (中鐵十七局集團有限公司第三工程有限公司) has been recognized as a High-New Technology Enterprise by the Science and Technology Department of Hebei Province, Hebei Provincial Department of Finance, Hebei State Administration of Taxation and the Hebei Local Taxation Bureau since 2010, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

China Railway 17th Bureau Group Electrical Engineering Co., Ltd. (中鐵十七局集團電氣化工程有限公司) has been recognized as a High-New Technology 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 2010, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

Notes To Financial Statements (continued)

30 June 2012

(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 18th Bureau Group Co., Ltd. (中鐵十八局集團有限公司)

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

China Railway 19th Bureau Group Co., Ltd. (中鐵十九局集團有限公司)

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

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

China Railway 20th Bureau Group 4th Engineering Co., Ltd. (中鐵二十局集團第四工程有限公司) has been recognized as a High-New Technology 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 was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

China Railway 20th Bureau Group Xian Engineering Co., Ltd. (中鐵二十局集西安工程有限公司) has been recognized as a High-New Technology Enterprise by the Shanxi Municipal Science and Technology Commission, Shanxi Finance Department, Shanxi Municipal Office of the State Administration of Taxation and the Shanxi Local Taxation Bureau since 2010, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

Notes To Financial Statements (continued)

30 June 2012

(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 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司) and its subsidiaries

China Railway 23rd Bureau Group Metro Engineering Construction Co., Ltd. (中鐵二十三局集團軌道交通工程有限公司) has been recognized as a High-New Technology Enterprise by Shanghai Pudong State Administration of Taxation since 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.

China Railway 1st Survey and Design Institute Group Ltd. (中鐵第一勘察設計院集團有限公司)

Lanzhou Railway Survey And Design Institute Co., Ltd. (蘭州鐵道設計院有限公司) has been recognized as High-New Technology Enterprises by the Gansu Provincial Science and Technology Department, Gansu Provincial Department of Finance, Gansu State Administration of Taxation and the Gansu Local Taxation Bureau since 2010, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

China Railway 4th Survey and Design Institute Group Ltd. (中鐵第四勘察設計院集團有限公司)

China Railway 4th Survey and Design Institute Group Ltd. (中鐵第四勘察設計院集團有限公司) has been recognized as a High-New Technology Enterprises by the Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, Hubei State Administration of Taxation and the Hubei Local Taxation Bureau since 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.

China Railway 5th Survey and Design Institute Group Ltd. (中鐵第五勘察設計院集團有限公司)

China Railway 5th Survey and Design Institute Group Ltd. (中鐵第五勘察設計院集團有限公司) has been recognized as a High-New Technology enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.

Notes To Financial Statements (continued)

30 June 2012

(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) 2nd 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-New Technology 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 preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

China Railway Construction Electrification Bureau (Group) Design Institute Engineering Co., Ltd. (中鐵建電氣化局集團設計研究院有限公司) has been recognized as a High-New Technology Enterprise by the Beijing Science and Technology Department, Beijing Department of Finance, Beijing State Administration of Taxation and the Beijing Local Taxation Bureau since 2012, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2012 to 31 December 2014.

China Railway Construction Electrification Bureau (Group) North Engineering Co., Ltd. (中鐵建電氣化局集團北方工程有限公司) has been recognized as a High-New Technology Enterprises 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 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.

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

China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司) has been recognized as a High-New Technology 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 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.

China Railway Longchang Materials Co., Ltd (中鐵隆昌鐵路器材有限公司) has been recognized as a High-New Technology 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 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

IV. CONSOLIDATION 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 of equity interest	Percentage of voting rights	Consolidated or not	Non-controlling interests	
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 11 th 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 12 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Taiyuan, Shanxi	Shi Daoquan	1,060,677	Construction	11007118-4	2,075,868	Direct	100	100	Yes	64,699
China Railway 13 th Bureau Group Co., Ltd. (Note (a))	Wholly-owned subsidiary	Tianjin	Lei Shengxiang	1,044,810	Construction	24499795-1	1,396,621	Direct	100	100	Yes	—
China Railway 14 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Jinan, Shandong	Yang Youshi	1,110,000	Construction	16305598-9	2,130,105	Direct	100	100	Yes	5,039
China Railway 15 th 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 16 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Tan Zhengbiao	1,068,300	Construction	10163676-1	1,405,744	Direct	100	100	Yes	3,000
China Railway 17 th 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 18 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Tianjin	Hao Chenyi	1,130,000	Construction	10306009-X	1,103,234	Direct	100	100	Yes	14,216
China Railway 19 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Ge Yongli	1,095,469	Construction	12202739-1	1,454,638	Direct	100	100	Yes	—

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

IV. CONSOLIDATION 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 of equity interest	Percentage of voting rights	Consolidated or not	Non-controlling interests	
China Railway 20 th Bureau Group Co., Ltd. (Note (b))	Wholly-owned subsidiary	Xi'an, Shaanxi	Jiang Yongjun	1,110,000	Construction	22052306-5	1,594,294	Direct	100	100	Yes	—
China Railway 21 st Bureau Group Co., Ltd.	Wholly-owned subsidiary	Lanzhou, Gansu	Meng Guangshun	950,000	Construction	22433362-1	1,357,251	Direct	100	100	Yes	—
China Railway 22 nd Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Liu Guozhi	926,000	Construction	71092227-X	1,256,558	Direct	100	100	Yes	24,226
China Railway 23 rd Bureau Group Co., Ltd.	Wholly-owned subsidiary	Chengdu, Sichuan	Li Hongqi	900,000	Construction	74033824-2	1,411,847	Direct	100	100	Yes	31,717
China Railway 24 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Shanghai	Wang Beijing	953,244	Construction	13220244-8	1,424,517	Direct	100	100	Yes	6,584
China Railway 25 th Bureau Group Co., Ltd. (Note (c))	Wholly-owned subsidiary	Guangzhou, Guangdong	An Kang	910,720	Construction	19043049-X	1,107,177	Direct	100	100	Yes	—
China Railway Construction Group Ltd.	Wholly-owned subsidiary	Beijing	Wang Wenzhong	1,300,000	Construction	10228709-X	2,340,101	Direct	100	100	Yes	31,882
China Railway Electrification Bureau Group Co., Ltd. (Note (d))	Wholly-owned subsidiary	Beijing	Wang Hanlin	710,000	Construction	77705261-9	1,105,530	Direct	100	100	Yes	19,203
China Railway Construction Real Estate Group Co., Ltd. (Note (e))	Wholly-owned subsidiary	Beijing	Li Li	7,000,000	Real estate development	66050723-7	7,062,941	Direct	100	100	Yes	329,498
China Railway First Survey and Design Institute Group Co., Ltd.	Wholly-owned subsidiary	Xi'an, Shaanxi	Wang Zhengming	200,000	Survey, design and consultancy	22433682-8	623,730	Direct	100	100	Yes	1,808

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

IV. CONSOLIDATION 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 of equity interest	Percentage		Consolidated or not	Non-controlling interests
							contribution at period end		of voting rights	Consolidated		
China Railway Fourth Survey and Design Institute Group Co., Ltd.	Wholly-owned subsidiary	Wuhan, Hubei	Jiang Zaiqiu	150,000	Survey, design and consultancy	70711678-7	1,015,309	Direct	100	100	Yes	3,492
China Railway Fifth Survey and Design Institute Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Lou Delan	155,000	Survey, design and consultancy	40002238-X	291,811	Direct	100	100	Yes	852
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	1,082
China Railway Goods and Materials Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Jin Yueliang	1,000,000	Trading of construction materials	10209797-4	1,314,805	Direct	100	100	Yes	16,914
Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	Wholly-owned subsidiary	Kunming, Yunnan	Ma Yunkun	587,984	Manufacturing of large track maintenance machinery	21659861-0	1,349,792	Direct	100	100	Yes	8,924
China Railway Construction Heavy Industry Co., Ltd.	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	Survey, design and consultancy	63371371-3	26,385	Direct	80.02	80.02	Yes	2,933
							4,502	Indirect	19.98	19.98		
China Railway Construction (HK) Limited	Wholly-owned subsidiary	Hong Kong	Hao Guilin	HKD6,000	Construction management	N/A	5,898	Direct	100	100	Yes	—

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

IV. CONSOLIDATION 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 of equity interest	Percentage of voting rights	Consolidated or not	Non-controlling interests (Note (h))	
Chenghe Insurance Broker Co., Ltd.	Wholly-owned subsidiary	Beijing	Cao Xirui	50,000	Insurance brokerage	69234422-5	53,290	Direct	100	100	Yes	—
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	TTD1,000	Construction	N/A	1,168	Direct	100	100	Yes	—
CROC China-Africa Construction Limited	Wholly-owned subsidiary	Beijing	Chen Xiaoxing	1,000,000	Construction	55140295-4	1,000,000	Direct	100	100	Yes	—
China Railway Construction USA Co., Ltd.	Wholly-owned subsidiary	San Francisco, California, USA	Hu Zhenyi	USD3,000	Construction	N/A	20,008	Direct	100	100	Yes	—
China Railway Construction Investment Co., Ltd.	Wholly-owned subsidiary	Beijing	Zhou Zhiliang	3,000,000	Project investment	57317581-X	3,000,000	Direct	100	100	Yes	348,700
China Railway Construction and Waterway Bureau Co., Ltd. (Note (f))	Wholly-owned subsidiary	Zhuhai, Guangdong	Xu Sifa	1,200,000	Port and waterway construction	57966883-4	1,304,048	Direct	100	100	Yes	1,759
CROC Finance Company Limited (Note (g))	Subsidiary	Beijing	Zhuang Shangbiao	1,300,000	Finance Service	10112657-2	1,222,000	Direct	94	94	Yes	79,644
							48,239,165				996,172	

Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

IV. CONSOLIDATION 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) On 15 July 2011, China Railway 13th Bureau Group Co., Ltd. changed the place of registration from Changchun, Jilin province to Tianjin.
- (b) The legal representative of China Railway 20th Bureau Group Co., Ltd. changed to Jiang Yongjun on 7 May 2012 from the former legal representative Yu Wenzhong.
- (c) The legal representative of China Railway 25th Bureau Group Co., Ltd. changed to An Kang on 12 January 2012 from the former legal representative Wang Hanlin.
- (d) The legal representative of China Railway Electrification Bureau Group Co., Ltd. changed to Wang Hanlin on 21 October 2011 from the former legal representative Xue Zhigui.
- (e) The name of China Railway Real Estate Group Co., Ltd. changed on 9 May 2012.
- (f) China Railway Construction and Waterway Bureau Co., Ltd. acquired Guangdong Province Hangshen Construction Group Co., Ltd. and increased its registered capital by RMB 200,000,000. On 29 March 2012, the Company injected additional contributions RMB 304,048,000 and subscribed for RMB 200,000,000 of the new registered capital. After the change, the registered capital is RMB 1,200,000,000. The industrial and commercial change was completed on 20 June 2012.
- (g) As a subsidiary, CRCC Finance Company Limited was invested by both the Company and CRCCG on 28 March 2012. For details, refer to Note VI.5 (note f).
- (h) All non-controlling interests are arising from the subsidiaries of Company's second tier subsidiaries, except for CRCC Finance Company Limited.

2. Changes in the scope of consolidation

The consolidation scope had no significant change compared with last year, except for the subsidiaries newly invested during the current period as explained above and the acquisition of Guangdong Provincial Hangsheng Construction Co., Ltd. which was merged by China Railway Construction and Waterway Bureau Co., Ltd.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

IV. CONSOLIDATION SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Entities newly consolidated in the current period

For the six months ended 30 June 2012, key information of the newly consolidated significant subsidiaries is presented as follows:

	30 June 2012 Net assets (Unaudited)	From date of invested to period end Net profit (Unaudited)
CRCC Finance Company Limited	1,327,401	27,401

4. Business combinations not involving entities under common control

On 29 February 2012, the Company entered into an agreement with Guangdong Provincial Railway Construction investment Group Co., Ltd. ("GRCI") (referred to as "the Transferor") to acquire 100% equity interest in Guangdong Provincial Hangsheng Construction Co., Ltd. (referred to as "Hangsheng") held by the Transferor at a purchase consideration of RMB300,000,000. The board of directors of the Company has also approved the cancellation of Hangsheng and injection all of the assets and liabilities into the China Railway Construction and Waterway Bureau Co., Ltd. The Company has fully paid the purchase consideration of RMB300,000,000 to the Transferor in the form of cash pursuant to the transfer agreement in February 2012, and has appointed its representatives to act as executive directors of the board and the general manager of Hangsheng in March 2012. Hangsheng had completed the registration of change in the shareholder on 13 April 2012 and completed the cancellation registration on 20 June 2012. Thus, the Company completed the acquisition of Hangsheng and the acquisition date was determined to be 13 April 2012.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

IV. CONSOLIDATION SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Business combinations not involving entities under common control (continued)

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

	13 April 2012 Fair values	13 April 2012 Carrying amounts
Cash and bank balances	175,885	175,885
Accounts receivable	849,262	849,262
Advances to suppliers	233,592	233,592
Other receivables	310,433	310,433
Inventories	11,572	11,572
Construction contracts	442,525	442,525
Long-term equity investments	14,335	14,335
Fixed assets (Note V.13)	78,017	78,017
Intangible assets (Note V.15)	152,481	9,708
Long-term prepayments	185	185
Deferred tax assets	29,076	29,076
Short-term loans	(85,000)	(85,000)
Accounts payable	(1,127,954)	(1,127,954)
Advances from customers	(454,296)	(454,296)
Construction contracts	(115,035)	(115,035)
Employee benefits payable	(4,422)	(4,422)
Taxes payable	(45,591)	(45,591)
Other payables	(232,247)	(232,247)
Other-current liabilities	(19,500)	(19,500)
Long-term payables	(13,453)	(13,453)
	199,865	57,092
Goodwill	100,135	
Satisfied by Cash	300,000	

The financial performance and the net cash flows for the period ended 30 June 2012 from the acquisition date of Hangsheng are as follows:

	From 13 April 2012 to 30 June 2012 (Unaudited)
Revenue	612,904
Net profit	30,479
Net cash flows from operating activities	84,505
Net cash flows used in investing activities	(2,169)
Net cash flows from financing activities	16,486

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

IV. CONSOLIDATION 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 2012	2011	30 June 2012	31 December 2011
USD	6.31290	6.45635	6.32490	6.30090
JPY	0.08038	0.08110	0.07965	0.08110
HKD	0.81295	0.83016	0.81520	0.81070
MOP	0.78950	0.81476	0.79039	0.78860
TTD	0.97266	1.01680	0.96881	0.97650
LYD	5.13581	5.16470	5.26795	5.00366
DZD	0.08184	0.08696	0.08039	0.08329
AED	1.72350	1.76483	1.71779	1.72921
SAR	1.69014	1.72850	1.68664	1.69364
NGN	0.03984	0.04114	0.04097	0.03871
PLN	1.84794	2.03962	1.84304	1.85283
TZS	0.00398	0.00418	0.00400	0.00396
TRY	3.34715	3.80196	3.35979	3.33451
BWP	0.83882	0.93861	0.84391	0.83373
NPR	0.07216	0.08392	0.07047	0.07384
SDG	1.89252	2.50708	1.43097	2.35406
MGA	0.00283	0.00295	0.00286	0.00279
THB	0.19995	0.20990	0.19940	0.20050
OMR	16.43871	17.02705	16.42831	16.44910
EUR	8.01675	8.46256	7.87100	8.16250
PGK	2.90827	2.81497	2.87780	2.93873
INR	0.11451	0.13131	0.11250	0.11652
KWD	22.63165	23.16835	22.48380	22.77950
GEL	3.83265	3.76069	3.86220	3.80309
AON	0.06629	0.06879	0.06599	0.06659
ILS	1.66244	1.75873	1.66187	1.66301

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	30 June 2012 (Unaudited)		RMB
	Original currency	Exchange rate	
Cash			
RMB	501,879	1.00000	501,879
USD	8,774	6.32490	55,495
EUR	2,135	7.87100	16,805
HKD	256	0.81520	209
JPY	465	0.07965	37
Others			52,801
			627,226
Cash at banks			
RMB	71,492,869	1.00000	71,492,869
USD	264,973	6.32490	1,675,928
NGN	28,024,359	0.04097	1,148,158
EUR	30,931	7.87100	243,458
DZD	2,192,648	0.08039	176,267
SAR	102,297	1.68664	172,538
MOP	178,561	0.79039	141,133
LYD	16,233	5.26795	85,515
HKD	86,938	0.81520	70,872
BWP	69,878	0.84391	58,971
AED	17,138	1.71779	29,440
OMR	361	16.42831	5,931
JPY	27,068	0.07965	2,156
Others			474,885
			75,778,121
Others			
RMB	3,728,126	1.00000	3,728,126
EUR	7,399	7.87100	58,238
Others			65,965
			3,852,329
			80,257,676

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Cash and bank balances (continued)

	Original currency	31 December 2011	
		Exchange rate	RMB
Cash			
RMB	402,079	1.00000	402,079
USD	7,387	6.30090	46,545
EUR	2,305	8.16250	18,815
HKD	133	0.81070	108
JPY	271	0.08110	22
Others			51,245
			518,814
Cash at banks			
RMB	77,508,205	1.00000	77,508,205
USD	145,059	6.30090	914,002
NGN	15,518,962	0.03871	600,739
DZD	3,685,412	0.08329	306,958
EUR	23,717	8.16250	193,590
HKD	151,422	0.81070	122,758
SAR	67,000	1.69364	113,474
BWP	16,866	5.00366	84,392
HKD	61,561	0.83373	51,325
OMR	22,521	1.72921	38,944
BWP	1,687	0.78860	1,330
AED	79	16.44910	1,299
JPY	11,603	0.08110	941
Others			506,050
			80,444,007
Others			
RMB	2,048,020	1.00000	2,048,020
EUR	4,889	8.16250	39,906
Others			6,894
			2,094,820
			83,057,641

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Cash and bank balances (continued)

As at 30 June 2012, the Group held restricted cash and bank balances of RMB3,725,212,000 (31 December 2011: RMB2,583,988,000) (Note V.19).

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 2012 (Unaudited)	31 December 2011
Cash and bank balances at period/year end	80,257,676	83,057,641
Less: non-pledged time deposits with original maturity of three months or more when acquired	(6,654,157)	(6,306,070)
Less: pledged or limited use time deposits	(106,030)	—
Less: other restricted cash and bank balances	(3,619,092)	(2,583,988)
Cash and cash equivalents at period/year end	69,878,397	74,167,583
Less: cash and cash equivalents at beginning of the period/year	(74,167,583)	(55,923,144)
Net (decrease)/increase in cash and cash equivalents	(4,289,186)	18,244,439

2. Financial assets held for trading

	30 June 2012 (Unaudited)	31 December 2011
Investments in equity instruments held for trading	48,752	46,919

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 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Bills receivable

	30 June 2012 (Unaudited)	31 December 2011
Commercial acceptance bills	629,082	1,029,677
Bank acceptance bills	605,044	984,942
	1,234,126	2,014,619

As at 30 June 2012, there were no bills receivable (31 December 2011: RMB394,130,000) pledged to obtain short-term bank loans (31 December 2011: RMB357,630,000) (Note V.19(c)).

As at 30 June 2012, the Group had derecognized the following five highest bank acceptance bills which were not matured but had been endorsed to other parties:

Issuer	Date of issuance	Due date	Amount (Unaudited)
Company 1	24 Apr 2012	24 Oct 2012	100,000
Company 2	29 May 2012	29 Nov 2012	10,000
Company 3	19 Jan 2012	19 Jul 2012	10,000
Company 4	24 Feb 2012	24 Aug 2012	7,620
Company 5	30 Mar 2012	30 Sep 2012	4,260
			131,880

As at 31 December 2011, the Group had derecognized the following five highest bank acceptance bills which were not matured but had been endorsed to other parties:

Issuer	Date of issuance	Due date	Amount
Company 1	28 Oct 2011	28 Jan 2012	25,154
Company 2	21 Oct 2011	21 Apr 2012	21,600
Company 3	14 Nov 2011	14 Feb 2012	20,000
Company 4	14 Sep 2011	14 Mar 2012	12,000
Company 5	19 Jul 2011	19 Jan 2012	11,600
			90,354

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Bills receivable (continued)

As at 30 June 2012, the Group's derecognized bank acceptance bills issued by third parties which were not matured amounted to RMB110,004,000 (31 December 2011: RMB354,520,000).

As at 30 June 2012, the Group held no bills receivable from shareholders that held 5% or more of the voting rights of the Company (31 December 2011: nil).

As at 30 June 2012, the Group's bills receivable were neither past due nor impaired (31 December 2011: nil).

4. Accounts receivable

The majorities of the Group's revenues are generated through construction projects and settlements are 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, the due dates usually range from one to six years after the completion of the construction work. The retention money whose maturity is more than one year is recognized as long-term receivables. Accounts receivable are non-interest-bearing.

An ageing analysis of accounts receivable is presented as follows:

	30 June 2012 (Unaudited)	31 December 2011
Within 1 year	52,297,314	59,145,053
1 to 2 years	3,000,178	2,640,287
2 to 3 years	1,151,777	870,588
Over 3 years	911,032	697,074
	57,360,301	63,353,002
Less: provision for bad debts	(485,042)	(434,171)
	56,875,259	62,918,831

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

Movements in the provision for bad debts are as follows:

	For the six months ended 30 June 2012 (Unaudited)	2011
Opening balance	434,171	377,746
Provision	29,979	178,586
Other additions (Note)	70,479	—
Reversal	(48,843)	(89,245)
Write-off	(744)	(32,916)
Closing balance	485,042	434,171

Note: Other additions during the current period represent the carrying amount of bad debt provisions of Hangsheng Company, which was acquired by China Railway Construction and Waterway Bureau Co., Ltd., a subsidiary of the Company, which was accrued before the acquisition.

Accounts receivable and provision for bad debts by category are presented as follows:

	30 June 2012 (Unaudited)			
	Gross carrying amount Amount	Percentage	Provision for bad debts Amount	Percentage
Individually significant and subject to separate provision for bad debts	45,586,292	79.47	(121,670)	0.27
Subject to provision by group				
— Within 6 months	9,847,938	17.17	—	—
— 6 months to 1 year	391,759	0.68	(1,959)	0.50
— 1 to 2 years	344,000	0.60	(17,189)	5.00
— 2 to 3 years	182,811	0.32	(18,227)	9.97
— Over 3 years	333,232	0.58	(163,487)	49.06
Individually not significant but subject to separate provision for bad debts	674,269	1.18	(162,510)	24.10
	57,360,301	100.00	(485,042)	

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

Accounts receivable and provision for bad debts by category are presented as follows (continued):

	31 December 2011		Provision for bad debts	
	Gross carrying amount Amount	Percentage	Amount	Percentage
Individually significant and subject to separate provision for bad debts	53,362,404	84.23	(139,813)	0.26
Subject to provision by group				
– Within 6 months	8,108,693	12.80	–	–
– 6 months to 1 year	525,551	0.83	(2,625)	0.50
– 1 to 2 years	339,222	0.54	(16,961)	5.00
– 2 to 3 years	188,708	0.30	(18,871)	10.00
– Over 3 years	254,953	0.40	(121,969)	47.84
Individually not significant but subject to separate provision for bad debts	573,471	0.90	(133,932)	23.35
	63,353,002	100.00	(434,171)	

As at 30 June 2012, accounts receivable which are individually significant and subject to separate provision for bad debts were as follows:

Due from	Gross carrying amount (Unaudited)	Provision for bad debts (Unaudited)	Percentage	Reason
Company 1	43,338	(33,990)	78.43	No transactions and no payments for a long time
Company 2	13,749	(10,760)	78.26	Amount in dispute and in negotiation
Company 3	15,289	(10,278)	67.22	Amount in dispute and in negotiation
Company 4	10,529	(8,705)	82.68	Debtor is in a lawsuit and insolvency
Company 5	14,918	(4,475)	30.00	Amount in dispute and in negotiation
Others	2,328,255	(53,462)		
	2,426,078	(121,670)		

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

As at 31 December 2011, accounts receivable which are individually significant and subject to separate provision for bad debts were as follows:

Due from	Gross carrying amount	Provision for bad debts	Percentage	Reason
Company 1	43,338	(33,990)	78.43	No transactions and no payments for a long time
Company 2	13,137	(10,674)	81.25	Amount in dispute and the case has been brought to court
Company 3	15,289	(10,278)	67.22	Amount in dispute and in negotiation
Company 4	10,529	(8,705)	82.68	Debtor is in a lawsuit and insolvency
Company 5	16,136	(3,909)	24.23	No transactions and no payments for a long time
Others	2,137,578	(72,257)		
	2,236,007	(139,813)		

For the six months ended 30 June 2012 and the year ended 31 December 2011, there was no significant reversal of impairment of accounts receivable or significant cash settlement for impaired receivables.

As at 30 June 2012 and 31 December 2011, no individually significant accounts receivable have been written off.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

As at 30 June 2012, accounts receivable which were individually not significant but subject to separate provision for bad debts were as follows:

Accounts receivable (Unaudited)	Gross carrying amount (Unaudited)	Provision for bad debts (Unaudited)	Percentage	Reason
Company 1	8,389	(8,389)	100.00	No transactions and no payments for a long time
Company 2	6,533	(6,533)	100.00	No transactions and no payments for a long time
Company 3	6,860	(6,128)	89.33	No transactions and no payments for a long time
Company 4	5,392	(4,864)	90.21	No transactions and no payments for a long time
Company 5	4,381	(4,187)	95.57	No transactions and no payments for a long time
Others	642,714	(132,409)		
	674,269	(162,510)		

As at 31 December 2011, accounts receivable which were individually not significant but subject to separate provision for bad debts were as follows:

Accounts receivable	Gross carrying amount	Provision for bad debts	Percentage	Reason
Company 1	6,238	(6,238)	100.00	No transactions and no payments for a long time
Company 2	4,361	(4,168)	95.57	Debtor in financial difficulties
Company 3	3,873	(3,589)	92.67	No transactions and no payments for a long time
Company 4	3,097	(3,097)	100.00	Debtor in financial difficulties
Company 5	2,230	(2,230)	100.00	No transactions and no payments for a long time
Others	553,672	(114,610)		
	573,471	(133,932)		

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

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

	30 June 2012 (Unaudited)		31 December 2011	
	Amount	Provision for bad debt	Amount	Provision for bad debt
CRCCG	16,580	—	14,486	—

As at 30 June 2012, the five highest amounts of accounts receivable were as follows:

Relationship with the Group		Amount (Unaudited)	Ageing	Percentage of total accounts receivable
Company 1	Third party	907,480	Within 1 year	1.58
Company 2	Third party	823,550	Within 1 year	1.44
Company 3	Third party	794,334	Within 1 year	1.38
Company 4	Third party	555,502	Within 1 year	0.97
Company 5	Third party	515,077	Within 1 year	0.90
		3,595,943		6.27

As at 31 December 2011, the five highest amounts of accounts receivable were as follows:

Relationship with the Group		Amount	Ageing	Percentage of total accounts receivable
Company 1	Third party	1,596,127	Within 1 year	2.52
Company 2	Third party	1,291,661	Within 1 year	2.04
Company 3	Third party	1,045,257	Within 1 year	1.65
Company 4	Third party	1,010,171	Within 1 year	1.59
Company 5	Third party	690,053	Within 1 year	1.09
		5,633,269		8.89

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

As at 30 June 2012, accounts receivable due from related parties were as follows:

	Relationship with the Group	Amount (Unaudited)	Percentage of total accounts receivable
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	37,919	0.07
CRCCG	Ultimate holding company	16,580	0.03
Chongqing Tiefa Suiyu Highway Co., Ltd.	Fellow subsidiary	4,301	0.01
Xi'an Tianchuang Real Estate Co., Ltd.	Fellow subsidiary	584	—
Nanchang Railway 2 nd Construction Engineering Co., Ltd.	Associate	530	—
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary	495	—
		60,409	0.11

As at 31 December 2011, accounts receivable due from related parties were as follows:

	Relationship with the Group	Amount	Percentage of total accounts receivable
Chongqing Yurong Highway Co., Ltd.	Associate	119,676	0.19
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	45,263	0.07
CRCCG	Ultimate holding company	14,486	0.02
CRCC-HC-CR15G Joint Venture	Jointly controlled entity	4,976	0.01
Chongqing Tiefa Suiyu Highway Co., Ltd.	Fellow subsidiary	4,243	0.01
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary	3,405	0.01
Xi'an Tianchuang Real Estate Co., Ltd.	Fellow subsidiary	584	—
Nanchang Railway 2 nd Construction Engineering Co., Ltd.	Associate	530	—
		193,163	0.31

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. **Accounts receivable (continued)**

As at 30 June 2012, the Group's accounts receivable that are neither past due nor impaired amounted to RMB53,008,152,000 (31 December 2011: RMB59,235,090,000).

As at 30 June 2012, the Group's accounts receivable with a carrying amount of RMB2,999,590,000 (31 December 2011: RMB4,718,929,000) were pledged to obtain short-term bank loans of RMB2,277,414,000 (31 December 2011: RMB2,909,790,000) (Note V.19(b)).

5. **Advances to suppliers**

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

	30 June 2012 (Unaudited)		31 December 2011	
	Gross carrying amount	Percentage (%)	Gross carrying amount	Percentage (%)
Within 1 year	34,449,404	98.18	25,571,488	98.07
1 to 2 years	422,697	1.20	363,463	1.39
2 to 3 years	173,076	0.50	99,483	0.38
Over 3 years	41,475	0.12	41,214	0.16
	35,086,652	100.00	26,075,648	100.00

Notes To Financial Statements (continued)

30 June 2012

(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 2012 and 31 December 2011, significant advances to suppliers aged over one year were as follows:

	30 June 2012 (Unaudited)	Nature
Company 1	64,386	Prepayment for materials
Company 2	60,000	Prepayment for materials
Company 3	41,795	Prepayment for materials
Company 4	20,659	Prepayment for construction
Company 5	20,140	Prepayment for construction
	206,980	
	31 December 2011	Nature
Company 1	98,317	Prepayment for construction
Company 2	63,997	Prepayment for materials
Company 3	41,795	Prepayment for materials
Company 4	23,707	Prepayment for construction
Company 5	22,488	Prepayment for construction
	250,304	

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

Notes To Financial Statements (continued)

30 June 2012

(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 2012, the five highest amounts of advances to suppliers were as follows:

	Relationship with the Group	Amount (Unaudited)	Ageing	Reason for outstanding advances
Company 1	Third party	500,000	Within 1 year	Materials not yet received
Company 2	Third party	290,241	Within 1 year	Materials not yet received
Company 3	Third party	265,826	Within 1 year	Materials not yet received
Company 4	Third party	262,507	Within 1 year	Materials not yet received
Company 5	Third party	210,117	Within 1 year	Project not yet completed
		1,528,691		

As at 31 December 2011, the five highest amounts of advances to suppliers were as follows:

	Relationship with the Group	Amount	Ageing	Reason for outstanding advances
Company 1	Third party	375,000	Within 1 year	Materials not yet received
Company 2	Third party	171,492	Within 1 year	Materials not yet received
Company 3	Third party	155,181	Within 1 year	Equipment not yet received
Company 4	Third party	150,000	Within 1 year	Certificate of land use right not yet received
Company 5	Third party	141,920	Within 1 year	Project not yet completed
		993,593		

As at 30 June 2012, within the aforesaid balances of advances to suppliers, there were no advances to suppliers paid to shareholders that held 5% or more of the Company's voting rights (31 December 2011: nil).

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables

An ageing analysis of other receivables is as follows:

	30 June 2012 (Unaudited)	31 December 2011
Within 1 year	28,612,094	24,049,422
1 to 2 years	983,826	946,949
2 to 3 years	266,917	243,430
Over 3 years	446,867	402,470
Less: provision for bad debts	30,309,704 (330,908)	25,642,271 (306,393)
	29,978,796	25,335,878

Movements in the provision for bad debts are as follows:

	For the six months ended 30 June 2012 (Unaudited)	2011
Opening balance	306,393	276,612
Provision	7,442	118,562
Other additions (<i>Note</i>)	39,621	—
Reversal	(20,355)	(24,846)
Write-off	(2,193)	(63,935)
Closing balance	330,908	306,393

Note: Other additions during the current period represent the carrying amount of bad debt provisions of Hangsheng Company, which was acquired by China Railway Construction and Waterway Bureau Co., Ltd., a subsidiary of the Company, which was accrued before the acquisition.

Notes To Financial Statements (continued)

30 June 2012

(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 2012 (Unaudited)			
	Gross carrying amount		Provision for bad debts	
	Amount	Percentage %	Amount	Percentage %
Individually significant and subject to separate provision for bad debts	13,361,740	44.08	(157,135)	1.18
Subject to provision by group				
– Within 6 months	9,175,524	30.27	—	—
– 6 months to 1 year	66,970	0.22	(335)	0.50
– 1 to 2 years	81,131	0.27	(4,057)	5.00
– 2 to 3 years	25,778	0.09	(2,578)	10.00
– Over 3 years	75,307	0.25	(43,196)	57.36
Individually not significant but subject to separate provision for bad debts	7,523,254	24.82	(123,607)	1.64
	30,309,704	100.00	(330,908)	

	31 December 2011			
	Gross carrying amount		Provision for bad debts	
	Amount	Percentage %	Amount	Percentage %
Individually significant and subject to separate provision for bad debts	11,115,524	43.35	(154,801)	1.39
Subject to provision by group				
– Within 6 months	7,897,069	30.80	—	—
– 6 months to 1 year	50,188	0.20	(251)	0.50
– 1 to 2 years	65,213	0.25	(3,261)	5.00
– 2 to 3 years	26,277	0.10	(2,628)	10.00
– Over 3 years	55,721	0.22	(31,336)	56.24
Individually not significant but subject to separate provision for bad debts	6,432,279	25.08	(114,116)	1.77
	25,642,271	100.00	(306,393)	

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

As at 30 June 2012, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount (Unaudited)	Provision for bad debts (Unaudited)	Percentage of provision	Reason
Company 1	170,232	(135,300)	79.48	Debtor in financial difficulties
Company 2	17,000	(17,000)	100.00	Debtor in financial difficulties
Others	129,365	(4,835)		
	316,597	(157,135)		

As at 31 December 2011, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision	Reason
Company 1	169,786	(135,300)	79.69	Debtor in financial difficulties
Company 2	17,000	(17,000)	100.00	Debtor in financial difficulties
Others	149,229	(2,501)		
	336,015	(154,801)		

As at 30 June 2012, other receivables that were individually not significant for which provision for bad debts was recognized separately were as follows:

Other receivables	Gross carrying amount (Unaudited)	Provision for bad debts (Unaudited)	Percentage of provision	Reason
Company 1	9,563	(9,563)	100.00	Debtor in financial difficulties
Company 2	8,298	(8,298)	100.00	Debtor in financial difficulties
Company 3	6,693	(6,693)	100.00	Debtor in financial difficulties
Company 4	5,000	(5,000)	100.00	Debtor in financial difficulties
Company 5	5,000	(5,000)	100.00	Debtor in financial difficulties
Others	216,924	(89,053)		
	251,478	(123,607)		

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

As at 31 December 2011, other receivables that were individually not significant for which provision for bad debts was recognized separately were as follows:

Other receivables	Gross carrying amount	Provision for bad debts	Percentage of provision	Reason
Company 1	8,298	(8,298)	100.00	Debtor in financial difficulties
Company 2	6,693	(6,693)	100.00	Debtor in financial difficulties
Company 3	5,000	(5,000)	100.00	Debtor in financial difficulties
Company 4	5,000	(5,000)	100.00	Debtor in financial difficulties
Company 5	4,104	(4,104)	100.00	Debtor in financial difficulties
Others	213,221	(85,021)		
	242,316	(114,116)		

For the six months ended 30 June 2012 and the year ended 31 December 2011, there was no significant reversal of impairment for individually significant other receivables or significant cash settlement for impaired receivables.

As at 30 June 2012, no individually significant other receivables have been written off. As at 31 December 2011, only one individually significant other receivable was written off, which is Guangdong City Construction Group Co., Ltd., the debtor, settled the debt with a carrying amount of RMB49,723,000 with its properties.

As at 30 June 2012, the five highest amounts of other receivables were as follows:

	Relationship with the Group	Amount (Unaudited)	Ageing	Percentage of total other receivables
Company 1	Third party	627,572	Within 1 year	2.07
Company 2	Third party	244,200	Within 1 year	0.81
Company 3	Third party	210,036	Within 1 year	0.69
Company 4	Third party	200,000	Within 1 year	0.66
Company 5	Jointly controlled entity	184,967	Over 3 years	0.61
		1,466,775		4.84

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

As at 31 December 2011, the five highest amounts of other receivables were as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total other receivables
China Great Wall Finance Company (Note)	Fellow subsidiary	1,222,000	Within 1 year	4.77
Company 2	Third party	526,127	Within 1 year	2.05
Company 3	Third party	210,036	Within 1 year	0.82
Company 4	Third party	183,804	Within 1 year	0.72
Company 5	Third party	169,786	Over 3 years	0.66
		2,311,753		9.02

Note: For details, refer to Note VI.5 (note f).

As at 30 June 2012, within the aforesaid balances of other receivables, there was no amount due from shareholders that held 5% or more of the Company's voting rights (31 December 2011: nil).

As at 30 June 2012, other receivables due from related parties were as follows:

	Relationship with the Group	Amount (Unaudited)	Percentage of total other receivables
China-Africa Lekkil Investment Co., Ltd.	Jointly controlled entity	184,967	0.61
CRCC-Tongguan Investment Co., Ltd.	Jointly controlled entity	128,465	0.42
Nanchang Xinlong Real Estate Co., Ltd.	Associate	26,599	0.09
Nanchang Railway 2 nd Construction Engineering Co., Ltd.	Associate	5,980	0.02
PetroChina-CRCC Petroleum Marketing Co., Ltd.	Jointly controlled entity	3,807	0.01
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	Associate	2,178	0.01
Shaanxi Jiuzheng Medical Technology Co., Ltd.	Associate	910	—
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	384	—
		353,290	1.16

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

As at 31 December 2011, other receivables from related parties were as follows:

	Relationship with the Group	Amount	Percentage of total other receivables
China Great Wall Finance Company (Note)	Fellow subsidiary	1,222,000	4.77
Groupement CITIC-CRCC Joint Venture	Jointly controlled entity	166,295	0.65
China-Africa Lekkil Investment Co., Ltd.	Jointly controlled entity	137,123	0.53
Nanchang Xinlong Real Estate Co., Ltd.	Associate	26,599	0.10
Chongqing Yurong Highway Co., Ltd.	Associate	19,536	0.08
Nanchang Railway 2 nd Construction Engineering Co., Ltd.	Associate	6,130	0.02
CRCC-Tongguan Investment Co., Ltd.	Jointly controlled entity	2,160	0.01
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	Associate	1,828	0.01
Shaanxi Jiuzheng Medical Technology Co., Ltd.	Associate	1,360	0.01
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	384	—
		1,583,415	6.18

Note: For details, refer to Note VI.5 (note f).

As at 30 June 2012, the amount of other receivables neither past due nor impaired was RMB29,492,443,000 (31 December 2011: RMB24,868,327,000).

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories

	30 June 2012 (Unaudited)		
	Gross carrying amount	Provision	Carrying amount
Raw materials	19,309,981	(2,460)	19,307,521
Work in progress	1,083,884	—	1,083,884
Finished goods	4,487,584	(215)	4,487,369
Turnover materials	6,156,837	—	6,156,837
Properties under development (1)	46,119,056	—	46,119,056
Completed properties held for sale (2)	4,108,911	(39,387)	4,069,524
	81,266,253	(42,062)	81,224,191

	31 December 2011		
	Gross carrying amount	Provision	Carrying amount
Raw materials	19,270,538	(3,049)	19,267,489
Work in progress	776,505	—	776,505
Finished goods	4,015,876	(215)	4,015,661
Turnover materials	6,035,135	—	6,035,135
Properties under development (1)	42,244,673	—	42,244,673
Completed properties held for sale (2)	3,705,449	(39,387)	3,666,062
	76,048,176	(42,651)	76,005,525

Notes To Financial Statements (continued)

30 June 2012

(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 as follows:

For the six months ended 30 June 2012

	Opening balance	Provision (Unaudited)	Reversal (Unaudited)	Written off (Unaudited)	Closing balance (Unaudited)
Raw materials	3,049	—	(589)	—	2,460
Finished goods	215	—	—	—	215
Completed properties held for sale	39,387	—	—	—	39,387
	42,651	—	(589)	—	42,062

2011

	Opening balance	Provision	Reversal	Written off	Closing balance
Raw materials	3,383	—	—	(334)	3,049
Finished goods	5,104	816	(1,821)	(3,884)	215
Completed properties held for sale	47,670	—	—	(8,283)	39,387
	56,157	816	(1,821)	(12,501)	42,651

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories (continued)

(1) Details of the properties under development are as follows:

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	As at 30 June 2012 (Unaudited)
Changsha Shanyu City Project	June 2004	December 2015	2,200,000	799,576
Tongjing International City Project	May 2005	December 2013	1,410,000	484,837
CRCC Jing Nan Yipin Project	May 2007	October 2013	1,460,510	926,969
Guiyang CRCC International City Project	September 2007	September 2016	8,104,880	3,216,719
CRCC International Garden Project	November 2007	December 2012	1,481,950	509,071
CRCC Lingxiu City Project	May 2008	December 2014	3,164,310	825,651
Huatie Everyday Project	July 2008	June 2012	800,000	208,080
Hefei CRCC International City Project	August 2008	December 2013	6,300,000	1,801,975
CRCC Fengling Shanyu City Project	December 2008	September 2012	1,958,400	505,622
CRCC Lucky Garden Project	May 2009	December 2012	336,840	290,815
Changsha CRCC International City Project	June 2009	November 2015	1,960,000	1,014,303
Beijing CRCC International City Project	July 2009	March 2014	6,519,510	3,006,419
Chengdu Longquanyi Project	September 2009	August 2014	3,000,000	2,117,531
Wuhan 1818 Center Project	November 2009	December 2013	1,600,000	398,161
Tiantian Garden IV Project	December 2009	December 2012	325,000	250,297
CRCC Wutong Garden Project	December 2009	August 2014	1,367,740	899,470
River Palace Project	February 2010	December 2012	1,100,000	594,867
CRCC Donglai Shangcheng Project	June 2010	August 2014	687,049	322,071
CRCC Haixi Project	August 2010	January 2013	700,000	411,041
CRCC Qingxiu City Project	October 2010	August 2012	3,400,000	832,854
Chenghua District Land of Chengdu Project	November 2010	December 2013	1,200,000	927,370
Xin Ran Jiayuan Project	November 2010	October 2012	2,612,930	2,176,657
Hangzhou CRCC International City Project	March 2011	April 2014	4,893,770	3,360,654
Tianjin CRCC International City Project	March 2011	December 2015	9,734,970	4,676,573
Zhuzhou Lotuspond Star City Flat Project	April 2011	March 2015	1,100,000	319,392

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories (continued)

(1) Details of the properties under development are as follows (continued):

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	As at 30 June 2012 (Unaudited)
Gaoxin District Land of Chengdu Project	May 2011	December 2013	2,400,000	1,593,526
Guiyang Lancaoba Project	June 2011	December 2017	6,000,000	218,890
CRCC Liwan International City Project	June 2011	April 2013	2,530,000	1,737,971
Fangshan Shengshui Jiaming Project	June 2011	June 2013	2,100,000	1,615,089
Xi'an CRCC International City Project	August 2011	May 2018	5,152,500	2,509,402
Jinan CRCC International City Project	August 2011	December 2014	2,196,840	1,095,018
Beijing Shanyu City Project	September 2011	March 2014	3,400,000	1,933,822
Beijing Wutong Yuan Project	December 2011	May 2013	4,497,000	2,411,393
Ningbo Shanyu City Project	May 2012	January 2014	1,184,640	258,742
Tianjin Hangu Project	May 2012	May 2014	710,000	210,390
Others				1,657,838
				46,119,056

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	As at 31 December 2011
Changsha Shanyu City Project	June 2004	December 2015	2,200,000	615,908
Tongjing International City Project	May 2005	December 2013	1,410,000	448,195
CRCC Jing Nan Yipin Project	May 2007	October 2013	1,460,510	729,273
Guiyang CRCC International City Project	September 2007	September 2016	8,104,880	3,046,799
CRCC International Garden Project	November 2007	December 2012	1,481,950	403,218
CRCC Lingxiu City Project	May 2008	December 2014	3,164,310	712,648
Huatie Everyday Project	July 2008	June 2012	800,000	163,012
Hefei CRCC International City Project	August 2008	December 2013	6,300,000	1,642,855
CRCC Fengling Shanyu City Project	December 2008	September 2012	1,958,400	427,277
CRCC Lucky Garden Project	May 2009	December 2012	336,840	254,272
Changsha CRCC International City Project	June 2009	November 2015	1,960,000	839,575

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories (continued)

(1) Details of the properties under development are as follows (continued):

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	As at 31 December 2011
Beijing CRCC International City Project	July 2009	March 2014	6,519,510	2,877,566
Chengdu Longquanyi Project	September 2009	August 2014	3,000,000	2,002,241
Wuhan 1818 Center Project	November 2009	December 2013	1,600,000	279,710
Tiantian Garden IV Project	December 2009	December 2012	325,000	169,322
CRCC Wutong Garden Project	December 2009	August 2014	1,367,740	738,590
River Palace Project	February 2010	December 2012	1,100,000	524,172
CRCC Donglai Shangcheng Project	June 2010	August 2014	687,049	241,236
CRCC Haixi Project	August 2010	January 2013	700,000	387,182
CRCC Qingxiu City Project	October 2010	March 2012	3,400,000	726,849
Chenghua District Land of Chengdu Project	November 2010	December 2013	1,200,000	805,831
Xin Ran Jiayuan Project	November 2010	October 2012	2,612,930	2,064,379
Hangzhou CRCC International City Project	March 2011	April 2014	4,893,770	3,151,714
Tianjin CRCC International City Project	March 2011	December 2015	9,734,970	4,484,250
Zhuzhou Lotuspond Star City Flat Project	April 2011	March 2015	1,100,000	319,392
Gaoxin District Land of Chengdu Project	May 2011	December 2013	2,400,000	1,429,543
Guiyang Lancaoba Project	June 2011	December 2017	6,000,000	160,094
CRCC Liwan International City Project	June 2011	April 2013	2,530,000	1,590,034
Fangshan Shengshui Jiaming Project	June 2011	June 2013	2,100,000	1,452,493
Xi'an CRCC International City Project	August 2011	May 2018	5,152,500	2,349,915
Jinan CRCC International City Project	August 2011	December 2014	2,196,840	992,162
Beijing Shanyu City Project	September 2011	March 2014	3,400,000	1,803,707
Beijing Wutong Yuan Project	December 2011	May 2013	4,497,000	2,292,465
Ningbo Shanyu City Project	May 2012	January 2014	1,184,640	250,199
Tianjin Hangu Project	May 2012	May 2014	710,000	199,602
Others				1,668,993
				42,244,673

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories (continued)

(1) Details of the properties under development are as follows (continued):

As at 30 June 2012, the aggregate carrying amount of borrowing costs capitalized in properties under development was RMB1,301,626,000 (31 December 2011: RMB872,873,000). Borrowing costs capitalized during the six months ended 30 June 2012 amounted to RMB475,746,000 (For the six months ended 30 June 2011: RMB207,097,000). The capitalization rates of borrowing costs ranged from 5.59% to 7.22% during the current period (For the six months ended 30 June 2011: 4.79% to 6.87%).

(2) Details of the completed properties held for sale are as follows:

Project names	Completion date	For the six months ended 30 June 2012			Closing balance (Unaudited)
		Opening balance	Addition (Unaudited)	Deduction (Unaudited)	
Yingtai Garden I Project	November 2006	7,841	—	—	7,841
Peony Garden III Project	April 2012	—	81,603	(81,603)	—
Jiaonan Linrui Business Square Project	December 2008	43,234	—	(5,500)	37,734
C-park Flat Project	December 2009	25,740	—	(6,813)	18,927
Changsha Shanyu City Project	March 2010	74,450	—	(16,096)	58,354
CRCC International Garden I Project	June 2010	133,942	—	(29,951)	103,991
Hefei CRCC International City Xuyuan Project	October 2010	871,347	—	(180,839)	690,508
Fangshan Guangyang Garden Project	March 2011	131,745	—	(10,194)	121,551
CRCC Fengling Shanyu City I and III Projects	December 2010	394,852	—	(70,782)	324,070
Xuzhou Rencai Jianyuan Project	November 2011	496,193	—	(79,324)	416,869
Chengdu Longquanyi Project	November 2011	168,487	—	(75,042)	93,445
Beijing CRCC International City Project	April 2012	1,013	582,287	(82,930)	500,370
CRCC Qingxiu City Project	December 2011	976,128	—	(121,943)	854,185
CRCC Jingnan Yipin Project	December 2011	61,841	—	(30,842)	30,999
CRCC Guiyang International City Project	December 2011	64,658	—	(18,785)	45,873
Jingjiang Yayuan II Project	December 2011	58,018	—	(7,363)	50,655
Changsha CRCC International City Project	May 2012	17,198	537,844	(47,835)	507,207
Anzhitinglan (East)	March 2012	—	77,082	(43,360)	33,722
Others		178,762	51,103	(17,255)	212,610
		3,705,449	1,329,919	(926,457)	4,108,911

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories (continued)

(2) Details of the completed properties held for sale are as follows (continued):

Project names	Completion date	Opening balance	2011		Closing balance
			Addition	Deduction	
Jingjiang Garden I Project	September 2005	1,181	663	—	1,844
Yingtai Garden I Project	November 2006	8,316	—	(475)	7,841
Peony Garden II Project	December 2006	2,622	2,631	—	5,253
CRCC Fortune Harbour Project	June 2007	434	—	(434)	—
Tiantian Garden III Project	November 2007	6,421	—	(6,421)	—
Jingbo Garden Project	December 2007	829	—	—	829
Jiaonan Linrui Business Square Project	December 2008	55,836	—	(12,602)	43,234
Harbour Terrace Project	December 2008	935	104	—	1,039
Xuzhou Rencai Jiayuan Project	November 2011	309,215	937,229	(750,251)	496,193
C-park Flat Project	December 2009	47,935	—	(22,195)	25,740
Changsha Shanyu City Project	March 2010	212,151	139,733	(277,434)	74,450
CRCC International Garden I Project	June 2010	225,212	—	(91,270)	133,942
Hefei CRCC International City Xuyuan Project	October 2010	33,227	1,851,404	(1,013,284)	871,347
Fangshan Guangyang Garden Project	March 2011	398,374	117,372	(384,001)	131,745
CRCC Fengling Shanyu City I and III Projects	December 2010	284,032	809,717	(698,897)	394,852
Chengdu Longquanyi Project	November 2011	—	1,029,291	(860,804)	168,487
CRCC Qingxiu City Project	December 2011	—	2,503,485	(1,527,357)	976,128
CRCC Jingnan Yipin Project	December 2011	—	355,985	(294,144)	61,841
CRCC Guiyang International City Project	December 2011	—	806,026	(741,368)	64,658
Jingjiang Yayuan II Project	December 2011	—	58,018	—	58,018
Others		126,023	2,981,765	(2,919,780)	188,008
		1,712,743	11,593,423	(9,600,717)	3,705,449

As at 30 June 2012, the Group's inventories with an aggregate carrying amount of RMB13,581,742,000 (31 December 2011: RMB12,821,131,000) were mortgaged to obtain long-term loans, including land use rights under the properties under development of RMB10,314,958,000 (31 December 2011: RMB9,785,327,000) and completed properties held for sale of RMB3,266,784,000 (31 December 2011: RMB3,035,804,000). (Note V.19(d)).

Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Construction contracts

	30 June 2012 (Unaudited)	31 December 2011
Contract costs incurred to date	1,509,153,668	1,402,495,869
Recognized profits less recognized losses	110,911,408	96,976,070
Less: progress billings	(1,550,933,089)	(1,439,361,785)
	69,131,987	60,110,154

At end of the period/year:

	30 June 2012 (Unaudited)	31 December 2011
Gross amount due from contract customers	82,437,505	74,175,970
Gross amount due to contract customers	(13,305,518)	(14,065,816)
	69,131,987	60,110,154

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

	For the six months ended 30 June 2012 (Unaudited)	2011
Opening balance	141,017	133,785
Provision	10,724	54,525
Reversal	(4,298)	(16,041)
Write-off	(38,031)	(31,252)
Closing balance	109,412	141,017

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Construction contracts (continued)

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

	30 June 2012 (Unaudited)		31 December 2011	
	Gross carrying amount	Provision	Gross carrying amount	Provision
CRCCG	60,299	—	110,719	—

As at 30 June 2012, within the aforesaid balances of gross amount due to contract customers, there was no amount due to shareholders that held 5% or more of the Company's voting rights (31 December 2011: nil).

9. Available-for-sale financial assets

	30 June 2012 (Unaudited)	31 December 2011
Available-for-sale equity instruments	249,661	242,097

No provision for impairment of available-for-sale financial assets has been made or reversed during the six months ended 30 June 2012 and the year of 2011.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Long-term receivables

	30 June 2012 (Unaudited)		
	Gross carrying amount	Provision for bad debt	Carrying amount
Retention money receivables	9,590,757	(65,358)	9,525,399
“Build-Transfer” project receivables	10,417,596	—	10,417,596
Consideration for the Saudi Arabia Mecca Light Rail Project	1,000,000	—	1,000,000
	21,008,353	(65,358)	20,942,995
Less: current portion of non-current assets:			
Retention money receivables	7,811,974	(43,567)	7,768,407
“Build-Transfer” project receivables	5,434,815	—	5,434,815
Consideration for the Saudi Arabia Mecca Light Rail Project	500,000	—	500,000
	13,746,789	(43,567)	13,703,222
Long-term receivables (non-current portion)	7,261,564	(21,791)	7,239,773

	31 December 2011		
	Gross carrying amount	Provision for bad debt	Carrying amount
Retention money receivables	9,930,389	(67,247)	9,863,142
“Build-Transfer” project receivables	7,687,731	—	7,687,731
Consideration for the Saudi Arabia Mecca Light Rail Project	1,500,000	—	1,500,000
	19,118,120	(67,247)	19,050,873
Less: current portion of non-current assets:			
Retention money receivables	7,612,377	(36,652)	7,575,725
“Build-Transfer” project receivables	2,471,088	—	2,471,088
Consideration for the Saudi Arabia Mecca Light Rail Project	500,000	—	500,000
	10,583,465	(36,652)	10,546,813
Long-term receivables (non-current portion)	8,534,655	(30,595)	8,504,060

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Long-term receivables (continued)

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

	30 June 2012 (Unaudited)	31 December 2011
Within 1 year	14,034,654	12,558,103
1 to 2 years	2,621,294	5,638,095
2 to 3 years	3,796,231	803,303
Over 3 years	556,174	118,619
	21,008,353	19,118,120
Less: provision for bad debts	(65,358)	(67,247)
	20,942,995	19,050,873
Less: current portion of non-current assets	(13,703,222)	(10,546,813)
	7,239,773	8,504,060

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

	For the six months ended 30 June 2012 (Unaudited)	For the year ended 31 December 2011
Opening balance	67,247	54,853
Provision for bad debts	—	12,394
Reversal of provisions for bad debt	(1,889)	—
Closing balance	65,358	67,247

The Group tests impairment for long-term receivables that are individually significant and individually not significant separately. When there is objective evidence (such as the debtor being in serious financial difficulties, entering bankruptcy, breach of contract or default or there being 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 2012, the above provision is made for individually tested impaired long-term receivables of RMB65,358,000 (31 December 2011: RMB67,247,000) with a carrying amount before provision for impairment of RMB679,134,000 (31 December 2011: RMB634,127,000).

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Long-term receivables (continued)

As at 30 June 2012, included in the aforesaid balance of long-term receivables was an amount due from shareholders that held 5% or more of the Company's voting rights of RMB1,000,000,000 (31 December 2011: RMB1,500,000,000), including a current portion of RMB500,000,000 (31 December 2011: RMB500,000,000).

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

	30 June 2012 (Unaudited)	31 December 2011
Neither past due nor impaired	20,196,044	18,362,772
Past due but not impaired		
– Within 3 months	20,445	40,463
– 3 to 6 months	28,436	20,978
– More than 6 months	84,294	59,780
	20,329,219	18,483,993

Long-term receivables that were past due but not impaired are due from various customers with good repayment records 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 2012

(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 2012 (Unaudited)

	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
Jointly controlled entities											
Chun Wo-Henryvicoy-CRCC-Queensland Rail Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	99	32	67	—	(365)
Chun Wo-Henryvicoy-CRCC Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	143	29	114	—	(10)
CRCC-Tongguan Investment Co., Ltd.	Limited company	Tongling, Anhui	Jin Shouhua	Mining industry investment	2,000,000	69896533-X	5,572,822	3,230,874	2,341,948	—	—
PetroChina-CRCC Petroleum Marketing Co., Ltd.	Limited company	Beijing	Zhang Changgen	Petroleum marketing	100,000	697727508	229,697	62,100	167,597	602,933	13,973
China-Africa Lekkil Investment Co., Ltd.	Limited company	Beijing	Chen Xiaoxing	Investment holding	200,000	78550080-5	644,443	477,746	166,697	181	(18,145)
China Railway Communications International Engineering and Technology Co., Ltd.	Limited company	Xi'an, Shaanxi	Yu Wenzhong	Construction and design of highways	150,000	79746689-5	133,623	368	133,255	—	(202)
Associates											
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	Limited company	Beijing	Zhu Zhenheng	Technology consultancy	5,000	726340821	9,439	4,387	5,052	1,956	(262)
Shekou Xinghua Enterprise Co., Ltd.	Joint stock company	Shekou, Guangdong	Li Zhuozhi	Real estate development	46,377	618809020	129,887	10,547	119,340	5,962	1,771
Chongqing Yurong Highway Co., Ltd.	Limited company	Chongqing	Du Guoping	Construction	979,750	55675000-X	4,352,833	3,373,083	979,750	—	—

Notes To Financial Statements (continued)

30 June 2012

(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)

2011

	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
Jointly controlled entities											
Hubei Wanjia Real Estate Development Limited	Limited company	Ezhou, Hubei	He Wenzhong	Real estate development	20,000	74179508-2	168,342	144,152	24,190	81,214	13,833
Chun Wo-Henryvicy-CRCC-Queensland Rail Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	173	22	151	–	(106)
Chun Wo-Henryvicy-CRCC Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	144	12	132	–	(3)
CRCC-Tongguan Investment Co., Ltd.	Limited company	Tongling, Anhui	Jin Shouhua	Mining industry investment	2,000,000	69896533-X	5,588,254	3,190,438	2,397,816	–	–
PetroChina-CRCC Petroleum Marketing Co., Ltd.	Limited company	Beijing	Zhang Changgen	Petroleum marketing	100,000	697727508	234,602	80,978	153,624	1,918,692	51,715
China-Africa Lekkil Investment Co., Ltd.	Limited company	Beijing	Chen Xiaoxing	Investment holding	200,000	78550080-5	672,128	487,276	184,852	524	55,793
China Railway Communications International Engineering and Technology Co., Ltd.	Limited company	Xi'an, Shaanxi	Yu Wenzhong	Construction and design of highways	150,000	79749689-5	133,623	368	133,255	–	(2,094)
Associates											
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	Limited company	Beijing	Zhu Zhensheng	Technology consultancy	5,000	726340821	8,447	2,725	5,722	16,403	268
Shekou Xinghua Enterprise Co., Ltd.	Joint stock company	Shekou, Guangdong	Li Zhuozhi	Real estate development	46,377	618809020	129,011	11,443	117,568	12,965	5,203
Chongqing Yurong Highway Co., Ltd.	Limited company	Chongqing	Du Guoping	Construction	979,750	55675000-X	3,579,371	2,599,621	979,750	–	–

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Long-term equity investments

		30 June 2012 (Unaudited)	31 December 2011
Equity method			
Jointly controlled entities:			
Unlisted	(1)	1,495,791	1,475,588
Associates:			
Unlisted	(2)	868,304	663,237
Cost method			
Unlisted	(3)	2,534,865	2,331,280
		4,898,960	4,470,105
Less: provision for impairment	(4)	(21,893)	(25,886)
		4,877,067	4,444,219

Notes To Financial Statements (continued)

30 June 2012

(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

For the six months ended 30 June 2012

Company name	Investment cost	Opening balance	Movements (Unaudited)			Closing balance (Unaudited)	Percentage of ownership in equity	Percentage of voting rights
			Share of profit/(loss)	Distribution of dividends	Transfer out			
Hubei Wanjia Real Estate Development Limited	—	9,663	—	—	(9,663)	—	—	—
Chun Wo-Henryicy-CRCC-Queensland Rail Joint Venture	—	31	—	—	—	31	20	20
Chun Wo-Henryicy-CRCC Joint Venture	—	32	—	—	—	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	51,502	32,295	—	—	83,797	50	50
China-Africa Lekkil Investment Co., Ltd.	130,000	124,936	(6,351)	—	—	118,585	65	65
China Railway Communications International Engineering and Technology Co., Ltd.	77,000	67,505	—	—	—	67,505	51.33	51.33
Others	—	21,919	4,003	(81)	—	25,841	—	—
		1,475,588	29,947	(81)	(9,663)	1,495,791		

Notes To Financial Statements (continued)

30 June 2012

(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)

2011

Company name	Investment cost	Opening balance	Movements		Closing balance	Percentage of ownership in equity	Percentage of voting rights
			Share of profit/(loss)	Distribution of dividends			
Hubei Wanjia Real Estate Development Limited	8,000	15,130	5,533	(11,000)	9,663	40	40
Chun Wo-Henryicy-CRCC-Queensland Rail Joint Venture	—	456	(21)	(404)	31	20	20
Chun Wo-Henryicy-CRCC Joint Venture	—	88	(1)	(55)	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	501	(8,573)	51,502	50	50
China-Africa Lekkil Investment Co., Ltd.	130,000	92,619	32,317	—	124,936	65	65
China Railway Communications International Engineering and Technology Co., Ltd.	77,000	68,580	(1,075)	—	67,505	51.33	51.33
Others		7,367	23,860	(9,308)	21,919		
		1,443,814	61,114	(29,340)	1,475,588		

Notes To Financial Statements (continued)

30 June 2012

(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 2012

Company name	Investment cost	Opening balance	Movements (Unaudited)			Closing balance (Unaudited)	Percentage of ownership in equity	Percentage of voting rights
			Increase	Share of profits	Distribution of dividends			
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	2,450	2,511	—	—	(212)	2,299	49	49
Shekou Xinghua Enterprise Co., Ltd.	16,693	38,680	—	—	—	38,680	32.9	32.9
Chongqing Yurong Highway Co., Ltd.	587,850	391,900	195,950	—	—	587,850	40	40
Others		230,146	7,676	1,653	—	239,475		
		663,237	203,626	1,653	(212)	868,304		

2011

Company name	Investment cost	Opening balance	Movements				Closing balance	Percentage of ownership in equity	Percentage of voting rights
			Increase	Share of profits	Distribution of dividends	Disposal			
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	2,450	2,580	—	131	(200)	—	2,511	49	49
Shekou Xinghua Enterprise Co., Ltd.	16,693	36,968	—	1,712	—	—	38,680	32.9	32.9
Chongqing Yurong Highway Co., Ltd.	195,950	195,950	195,950	—	—	—	391,900	40	40
Others		176,140	44,049	14,849	(4,787)	(105)	230,146		
		411,638	239,999	16,692	(4,987)	(105)	663,237		

Notes To Financial Statements (continued)

30 June 2012

(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 2012

Company name	Investment cost	Opening balance	Movements during the period (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.	1,600	1,600	—	1,600	10.00	10.00
Shanghai Zhouji Development Co., Ltd.	3,123	3,123	—	3,123	7.00	7.00
Beijing Railway Hotel Company Limited	15,000	15,000	—	15,000	8.10	8.10
Shijiazhuang-Taiyuan Passenger Railway Co., Ltd.	200,000	200,000	—	200,000	3.65	3.65
Zhuzhou Bridge Engineering Group Co., Ltd.	592	592	—	592	9.37	9.37
China Resources Land (Beijing) Co., Ltd.	5,485	5,485	—	5,485	0.42	0.42
Guotai Jun'an Securities Corporation Limited	7,660	7,660	—	7,660	0.16	0.16
Inner Mongolia Jitong Railway Co., Ltd.	12,145	12,145	—	12,145	0.43	0.43
Beijing-Guangzhou Passenger Railway Henan Company Limited	1,700,000	1,500,000	200,000	1,700,000	5.00	5.00
Essence Securities Co. Ltd.	260,615	260,615	—	260,615	2.09	2.09
Vossloh Fastening Systems (China) Co., Ltd.	56,969	56,969	—	56,969	16.20	16.20
Others		185,006	3,585	188,591		
		2,331,280	203,585	2,534,865		

Notes To Financial Statements (continued)

30 June 2012

(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)

2011

Company name	Investment cost	Opening balance	Movements during the year	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
Zuhai 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.	1,600	1,600	—	1,600	10.00	10.00
Shanghai Zhouji Development Co., Ltd.	3,123	3,123	—	3,123	7.00	7.00
Beijing Railway Hotel Company Limited	15,000	15,000	—	15,000	8.10	8.10
Shijiazhuang-Taiyuan Passenger Railway Co., Ltd.	200,000	200,000	—	200,000	3.65	3.65
Hainan Yantai International Hotel Co., Ltd.	6,000	6,000	(6,000)	—	—	—
Zhuzhou Bridge Engineering Group Co., Ltd.	592	592	—	592	9.37	9.37
China Resources Land (Beijing) Co., Ltd.	5,485	5,485	—	5,485	0.42	0.42
Guotai Jun'an Securities Corporation Limited	7,660	7,660	—	7,660	0.16	0.16
Inner Mongolia Jitong Railway Co., Ltd.	12,145	12,145	—	12,145	0.43	0.43
Beijing-Guangzhou Passenger Railway Henan Company Limited	1,500,000	1,500,000	—	1,500,000	5.00	5.00
Essence Securities Co. Ltd.	260,615	251,500	9,115	260,615	2.09	2.09
Vossloh Fastening Systems (China) Co., Ltd.	56,969	56,969	—	56,969	16.20	16.20
Huizhou Jinfan Real Estate Co., Ltd.	—	29,200	(29,200)	—	—	—
Others	—	189,887	(4,881)	185,006	—	—
		2,362,246	(30,966)	2,331,280		

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(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 2012		
	Opening balance	Write-off (Unaudited)	Closing balance (Unaudited)
<u>Associate:</u>			
VIP Development Limited	1,500	7	1,507
<u>Jointly controlled entity:</u>			
China Railway Communications International Engineering and Technology Co., Ltd.	10,578	—	10,578
<u>Equity investments, at cost:</u>			
Shiyan Rongzhou Vehicle 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	(4,000)	9,808
	25,886	(3,993)	21,893

Notes To Financial Statements (continued)

30 June 2012

(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	2011		Closing balance
		Write-off		
<u>Associate:</u>				
VIP Development Limited	1,571	(71)		1,500
<u>Jointly controlled entity:</u>				
China Railway Communications International Engineering and Technology Co., Ltd.	10,578	—		10,578
<u>Equity investments, at cost:</u>				
Shiyan Rongzhou Vehicle 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	(71)		25,886

Notes To Financial Statements (continued)

30 June 2012

(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 2012

	Opening balance	Additions (Unaudited)	Acquisition of subsidiary (Unaudited) (Note IV.4)	Transferred from construction in progress (Unaudited) (Note V.14)	Disposals (Unaudited)	Closing balance (Unaudited)
<u>Gross carrying amount:</u>						
Buildings	9,567,492	200,726	41,920	289,778	(262,856)	9,837,060
Machinery	30,317,123	1,073,895	57,359	133,887	(390,521)	31,191,743
Vehicles	10,864,979	394,647	31,586	52,779	(116,848)	11,227,143
Production equipment	5,871,853	178,419	18,287	24,589	(98,970)	5,994,178
Measuring and testing equipment	2,421,441	85,377	—	261	(27,008)	2,480,071
Other equipment	11,954,134	924,652	29,736	39,080	(378,075)	12,569,527
	70,997,022	2,857,716	178,888	540,374	(1,274,278)	73,299,722
<u>Accumulated depreciation:</u>						
Buildings	(2,304,743)	(206,515)	(15,792)	—	39,644	(2,487,406)
Machinery	(12,450,208)	(1,489,045)	(30,700)	—	243,811	(13,726,142)
Vehicles	(6,551,255)	(883,314)	(18,043)	—	112,879	(7,339,733)
Production equipment	(2,177,782)	(304,624)	(15,903)	—	51,872	(2,446,437)
Measuring and testing equipment	(1,291,561)	(178,797)	—	—	24,906	(1,445,452)
Other equipment	(7,116,342)	(1,473,055)	(20,433)	—	348,844	(8,260,986)
	(31,891,891)	(4,535,350)	(100,871)	—	821,956	(35,706,156)

Notes To Financial Statements (continued)

30 June 2012

(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 2012 (continued)

	Opening balance	Additions (Unaudited)	Acquisition of subsidiary (Unaudited) (Note IV.4)	Transferred from construction in progress (Unaudited) (Note V.14)	Disposals (Unaudited)	Closing balance (Unaudited)
Net carrying amount:						
Buildings	7,262,749	(5,789)	26,128	289,778	(223,212)	7,349,654
Machinery	17,866,915	(415,150)	26,659	133,887	(146,710)	17,465,601
Vehicles	4,313,724	(488,667)	13,543	52,779	(3,969)	3,887,410
Production equipment	3,694,071	(126,205)	2,384	24,589	(47,098)	3,547,741
Measuring and testing equipment	1,129,880	(93,420)	—	261	(2,102)	1,034,619
Other equipment	4,837,792	(548,403)	9,303	39,080	(29,231)	4,308,541
	39,105,131	(1,677,634)	78,017	540,374	(452,322)	37,593,566
Provision for impairment:						
Buildings	(82,786)	(2,536)	—	—	(465)	(85,787)
Machinery	(359,688)	—	—	—	88	(359,600)
Vehicles	(92,124)	—	—	—	—	(92,124)
Production equipment	(22,231)	—	—	—	—	(22,231)
Measuring and testing equipment	(7,410)	—	—	—	—	(7,410)
Other equipment	(33,440)	—	—	—	45	(33,395)
	(597,679)	(2,536)	—	—	(332)	(600,547)
Carrying amount:						
Buildings	7,179,963	(8,325)	26,128	289,778	(223,677)	7,263,867
Machinery	17,507,227	(415,150)	26,659	133,887	(146,622)	17,106,001
Vehicles	4,221,600	(488,667)	13,543	52,779	(3,969)	3,795,286
Production equipment	3,671,840	(126,205)	2,384	24,589	(47,098)	3,525,510
Measuring and testing equipment	1,122,470	(93,420)	—	261	(2,102)	1,027,209
Other equipment	4,804,352	(548,403)	9,303	39,080	(29,186)	4,275,146
	38,507,452	(1,680,170)	78,017	540,374	(452,654)	36,993,019

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Fixed assets (continued)

2011

	Opening balance	Additions	Transferred from construction in progress (Note V.14)	Disposals	Closing balance
<u>Gross carrying amount:</u>					
Buildings	8,629,818	278,573	882,755	(223,654)	9,567,492
Machinery	25,988,710	4,681,106	1,156,033	(1,508,726)	30,317,123
Vehicles	9,953,485	1,394,149	178,231	(660,886)	10,864,979
Production equipment	5,317,440	750,531	318,261	(514,379)	5,871,853
Measuring and testing equipment	2,199,801	350,576	5,534	(134,470)	2,421,441
Other equipment	8,383,180	4,098,712	67,182	(594,940)	11,954,134
	60,472,434	11,553,647	2,607,996	(3,637,055)	70,997,022
<u>Accumulated depreciation:</u>					
Buildings	(2,101,031)	(285,551)	—	81,839	(2,304,743)
Machinery	(10,229,367)	(3,191,357)	—	970,516	(12,450,208)
Vehicles	(5,309,628)	(1,799,993)	—	558,366	(6,551,255)
Production equipment	(1,803,422)	(577,804)	—	203,444	(2,177,782)
Measuring and testing equipment	(1,020,609)	(371,364)	—	100,412	(1,291,561)
Other equipment	(4,616,088)	(2,992,649)	—	492,395	(7,116,342)
	(25,080,145)	(9,218,718)	—	2,406,972	(31,891,891)
<u>Net carrying amount:</u>					
Buildings	6,528,787	(6,978)	882,755	(141,815)	7,262,749
Machinery	15,759,343	1,489,749	1,156,033	(538,210)	17,866,915
Vehicles	4,643,857	(405,844)	178,231	(102,520)	4,313,724
Production equipment	3,514,018	172,727	318,261	(310,935)	3,694,071
Measuring and testing equipment	1,179,192	(20,788)	5,534	(34,058)	1,129,880
Other equipment	3,767,092	1,106,063	67,182	(102,545)	4,837,792
	35,392,289	2,334,929	2,607,996	(1,230,083)	39,105,131

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Fixed assets (continued)

2011 (continued)

	Opening balance	Additions	Transferred from construction in progress (Note V.14)	Disposals	Closing balance
<u>Provision for impairment:</u>					
Buildings	(88,572)	—	—	5,786	(82,786)
Machinery	(86,847)	(273,809)	—	968	(359,688)
Vehicles	(9,529)	(87,311)	—	4,716	(92,124)
Production equipment	(9,846)	(12,665)	—	280	(22,231)
Measuring and testing equipment	(4,364)	(4,562)	—	1,516	(7,410)
Other equipment	(20,828)	(13,282)	—	670	(33,440)
	(219,986)	(391,629)	—	13,936	(597,679)
<u>Carrying amount:</u>					
Buildings	6,440,215	(6,978)	882,755	(136,029)	7,179,963
Machinery	15,672,496	1,215,940	1,156,033	(537,242)	17,507,227
Vehicles	4,634,328	(493,155)	178,231	(97,804)	4,221,600
Production equipment	3,504,172	160,062	318,261	(310,655)	3,671,840
Measuring and testing equipment	1,174,828	(25,350)	5,534	(32,542)	1,122,470
Other equipment	3,746,264	1,092,781	67,182	(101,875)	4,804,352
	35,172,303	1,943,300	2,607,996	(1,216,147)	38,507,452

As at 30 June 2012, except for the ownership titles of certain of the Group's buildings with a carrying amount of RMB85,787,000 (31 December 2011: RMB79,446,000) which were restricted (including a carrying amount of RMB68,898,000 buildings were mortgaged to obtain bank loans) (Note V.19(e)), there was no other restriction on the titles of Group's fixed assets.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Fixed assets (continued)

Fixed assets that are temporarily idle are as follows:

(Unaudited)	As at 30 June 2012			
	Gross carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount
Vehicles	18,712	(17,784)	—	928
Production equipment	48	(24)	—	24
Measuring and testing equipment	249	(242)	—	7
Other equipment	41,047	(40,455)	—	592
	60,056	(58,505)	—	1,551

	As at 31 December 2011			
	Gross carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount
Vehicles	18,411	(17,498)	—	913
Production equipment	48	(24)	—	24
Measuring and testing equipment	232	(228)	—	4
Other equipment	40,813	(40,327)	—	486
	59,504	(58,077)	—	1,427

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Fixed assets (continued)

Fixed assets held under finance leases are as follows:

	30 June 2012 (Unaudited)	31 December 2011
Gross carrying amount	2,020,293	1,840,749
Accumulated depreciation	(242,644)	(161,236)
Carrying amount	1,777,649	1,679,513

As at 30 June 2012 and 31 December 2011, the Group's fixed assets held under finance leases were construction machinery.

As at 30 June 2012, the Group was in the process of applying for the title certificate for the following fixed asset:

Name of fixed assets	Carrying amount (Unaudited)	Reason for without the title certificates	Expected date of obtaining the title certificates
South Annex Building of China Railway Construction Group Co., Ltd.	20,028	Unsettled	December 2012

As at 30 June 2012, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of RMB20,028,000 (31 December 2011: RMB20,317,000). 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 did not have any significant impact on the Group's financial position as at 30 June 2012.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress

	30 June 2012 (Unaudited)			31 December 2011		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Nigeria Equipment Installation Project of China Civil Engineering Construction Ltd.	58,265	—	58,265	75,695	—	75,695
Office Building of Electrification Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	—	—	—	195,450	—	195,450
Office Building of No.1 Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	53,228	—	53,228	43,029	—	43,029
Tianjin Office building of China Railway 13 th Bureau Group Co., Ltd.	81,596	—	81,596	53,441	—	53,441
Slurry Balance TBM of China Railway 14 th Bureau Group Co., Ltd. (Herrenknecht) 10DECRCC14MIX001	147,318	—	147,318	102,380	—	102,380
9-meter Slurry Balance TBM 623 of China Railway 15 th Bureau Group Co., Ltd.	169,441	—	169,441	126,646	—	126,646
9-meter Slurry Balance TBM 624 of China Railway 15 th Bureau Group Co., Ltd.	169,441	—	169,441	126,646	—	126,646
Slurry Treatment Equipment of China Railway 15 th Bureau Group Co., Ltd. for Guangshengang Railway Project	46,350	—	46,350	46,350	—	46,350
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16 th Bureau Group Co., Ltd. (Herrenknecht)	89,147	—	89,147	89,147	—	89,147
Compound TBM of China Railway 18 th Bureau Group Co., Ltd.	82,503	—	82,503	80,042	—	80,042
The Office Building of No. 6 Engineering Corporation Ltd. of China Railway 21 st Bureau Group Co., Ltd.	76,882	—	76,882	75,196	—	75,196
Earth Pressure Balance TBM of China Railway 23 rd Bureau Group Co., Ltd.	88,695	—	88,695	53,630	—	53,630
Kunming Industrial Base of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	95,370	—	95,370	49,746	—	49,746
Plant, Office Building and Science Research Center of China Railway Construction Heavy Industry Co., Ltd.	1,586	—	1,586	32,363	—	32,363
Equipment Installation Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	64,945	—	64,945	35,051	—	35,051
Second-stage Housing Construction Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	183,861	—	183,861	173,386	—	173,386
Others	897,877	—	897,877	706,034	—	706,034
	2,306,505	—	2,306,505	2,064,232	—	2,064,232

Notes To Financial Statements (continued)

30 June 2012

(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 2012 (Unaudited)

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
Nigeria Equipment Installation Project of China Civil Engineering Construction Ltd.	545,576	75,695	35,419	(52,849)	—	58,265	Self-funding	20
Office Building of No.1 Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	300,000	43,029	10,199	—	—	53,228	Self-funding	18
Office Building of Electrification Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	214,127	195,450	17,234	(212,684)	—	—	Self-funding	100
Tianjin Office building of China Railway 13 th Bureau Group Co., Ltd.	250,000	53,441	45,506	—	(17,351)	81,596	Self-funding	40
Slurry Balance TBM of China Railway 14 th Bureau Group Co., Ltd. (Herrenknecht) 10DECCRCC14MIX001	150,000	102,380	44,938	—	—	147,318	Self-funding	98
9-meter Slurry Balance TBM 623 of China Railway 15 th Bureau Group Co., Ltd.	220,000	126,646	42,795	—	—	169,441	Self-funding	77
9-meter Slurry Balance TBM 624 of China Railway 15 th Bureau Group Co., Ltd.	220,000	126,646	42,795	—	—	169,441	Self-funding	77
Slurry Treatment Equipment of China Railway 15 th Bureau Group Co., Ltd. for Guangshenggang Railway Project	80,000	46,350	—	—	—	46,350	Self-funding	58
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16 th Bureau Group Co., Ltd. (Herrenknecht)	192,755	89,147	—	—	—	89,147	Self-funding	46
Compound TBM of China Railway 18 th Bureau Group Co., Ltd.	128,000	80,042	2,461	—	—	82,503	Self-funding	64
The Office Building of No. 6 Engineering Corporation Ltd. of China Railway 21 st Bureau Group Co., Ltd.	80,000	75,196	1,686	—	—	76,882	Self-funding	96
Earth Pressure Balance TBM of China Railway 23 rd Bureau Group Co., Ltd.	92,867	53,630	35,065	—	—	88,695	Self-funding	96

Notes To Financial Statements (continued)

30 June 2012

(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 2012 (Unaudited) (continued)

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
Kunming Industrial Base of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	950,000	49,746	46,303	(679)	—	95,370	Self-funding	10
Plant, Office Building and Science Research Center of China Railway Construction Heavy Industry Co., Ltd.	125,000	32,363	—	(29,899)	(878)	1,586	Self-funding	26
Equipment Installation Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	110,000	35,051	29,894	—	—	64,945	Self-funding	59
Second-stage Housing Construction Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	210,000	173,386	10,962	(487)	—	183,861	Self-funding	88
Others		706,034	468,280	(246,062)	(30,375)	897,877		
Carrying amount		2,064,232	833,537	(542,660)	(48,604)	2,306,505		

(Note)

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

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.	45,640	44,487	1,153	(45,640)	—	—	Self-funding	100
Nigeria Equipment Installation Project of China Civil Engineering Construction Ltd.	545,412	212,295	333,117	(469,717)	—	75,695	Self-funding	100
Han Jiang Equipment Manufacturing Base of No.6 Engineering Co., Ltd. of China Railway 11 th Bureau Group Co., Ltd.	52,579	44,030	8,549	(52,579)	—	—	Self-funding	100
Office Building of No.1 Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	300,000	—	43,029	—	—	43,029	Self-funding	14
Office Building of Electrification Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	200,000	—	195,450	—	—	195,450	Self-funding	98
Tianjin Office building of China Railway 13 th Bureau Group Co., Ltd.	250,000	—	53,441	—	—	53,441	Self-funding	21
Slurry Balance TBM of China Railway 14 th Bureau Group Co., Ltd. (Herrenknecht) 10DECCRCC14MIX001	120,000	—	102,380	—	—	102,380	Self-funding	85
9-meter Slurry Balance TBM 623 of China Railway 15 th Bureau Group Co., Ltd.	220,000	70,721	55,925	—	—	126,646	Self-funding	58
9-meter Slurry Balance TBM 624 of China Railway 15 th Bureau Group Co., Ltd.	220,000	70,721	55,925	—	—	126,646	Self-funding	58
Slurry Treatment Equipment of China Railway 15 th Bureau Group Co., Ltd. for Guangshengang Railway Project	80,000	15,450	30,900	—	—	46,350	Self-funding	58
Coking Plant Project of Jiaodianjixian Corp. of China Railway 15 th Bureau Group Co., Ltd.	357,000	145,330	—	—	(145,330)	—	Self-funding	41
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16 th Bureau Group Co., Ltd. (Herrenknecht)	192,755	109,531	80,810	(101,194)	—	89,147	Self-funding	99

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

2011 (continued)

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16 th Bureau Group Co., Ltd. (Japan AOCUN)	182,404	72,154	110,250	(182,404)	—	—	Self-funding	100
Two sets of 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 sets of Earth Pressure Balance TBM EPB6410 Tunnel Boring Machines for construction of Kunming subway	90,286	31,600	58,686	(90,286)	—	—	Self-funding	100
Compound TBM of China Railway 18 th Bureau Group Co., Ltd.	128,000	—	80,042	—	—	80,042	Self-funding	63
Hard Rock TBM of China Railway 18 th Bureau Group Co., Ltd.	289,874	231,197	56,096	(287,293)	—	—	Self-funding	99
The Office Building of No. 6 Engineering Corporation Ltd. of China Railway 20 th Bureau Group Co., Ltd.	36,159	33,593	—	(33,593)	—	—	Self-funding	93
The Office Building of No. 6 Engineering Corporation Ltd. of China Railway 21 th Bureau Group Co., Ltd.	75,196	—	75,196	—	—	75,196	Self-funding	100

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

2011 (continued)

	Budget	Opening balance	Additions	Transferred to fixed assets	Disposals	Closing balance	Source of funds	Proportion of investment to budget (%)
Technological Transformation Project of 2500T/D New Dry Clinker Cement Production Line of China Railway 23 rd Bureau Group Co., Ltd.	324,550	323,213	1,337	(324,550)	—	—	Self-funding	100
Earth Pressure Balance TBM of China Railway 23 rd Bureau Group Co., Ltd.	92,867	—	53,630	—	—	53,630	Self-funding	58
Kunming Industrial Base of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	578,640	206,050	193,505	(349,809)	—	49,746	Self-funding	69
Plant, Office Building and Science Research Center of China Railway Construction Heavy Industry Co., Ltd.	125,000	32,363	—	—	—	32,363	Self-funding	26
Equipment Installation Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	110,000	51,468	32,239	(45,776)	(2,880)	35,051	Self-funding	76
Second-stage Housing Construction Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	216,733	20,914	152,472	—	—	173,386	Self-funding	80
Others		595,436	771,416	(584,744)	(76,074)	706,034		
Total		2,324,951	2,600,908	(2,637,343)	(224,284)	2,064,232		
Provision for impairment		(132,912)	—	—	132,912	—		
Carrying amount		2,192,039	2,600,908	(2,637,343)	(91,372)	2,064,232		

Note: For the six months ended 30 June 2012, the construction in progress with a carrying amount of RMB540,374,000 (2011: RMB2,607,996,000) was transferred to fixed assets; RMB2,286,000 (2011: RMB19,363,000) was transferred to intangible assets and there was no amount was transferred to properties held for sale (2011: RMB9,984,000).

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

The amounts of interest expenses capitalized in the balance of construction in progress and the capitalization rates are as follows:

As at 30 June 2012, there was no interest expense capitalized in the balance of construction in progress.

	Progress (%)	2011		Capitalization rate during the current year (%)
		Accumulated amount of interest capitalized	Interest capitalized during the current year	
Han Jiang Equipment Manufacturing Base of China Railway 11 th Bureau Group 6 th Engineering Co., Ltd.	100	—	6,687	5.35
Others		8,542	7,374	
		8,542	14,061	

Notes To Financial Statements (continued)

30 June 2012

(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 2012				Closing balance (Unaudited)
	Opening balance	Additions (Unaudited)	Acquisition of subsidiary (Unaudited) (Note IV.4)	Disposals (Unaudited)	
Gross carrying amount:					
Land use rights	5,676,495	212,197	162,205	(79,897)	5,971,000
Concession assets	1,532,908	467,078	—	—	1,999,986
Mining rights	176,127	—	—	—	176,127
Others	142,298	13,039	—	(2,015)	153,322
	7,527,828	692,314	162,205	(81,912)	8,300,435
Accumulated amortization:					
Land use rights	(538,579)	(70,311)	(9,724)	7,038	(611,576)
Concession assets	(113,274)	(13,642)	—	—	(126,916)
Mining rights	(10,888)	(2,071)	—	—	(12,959)
Others	(64,798)	(9,483)	—	1,616	(72,665)
	(727,539)	(95,507)	(9,724)	8,654	(824,116)
Net carrying amount:					
Land use rights	5,137,916	141,886	152,481	(72,859)	5,359,424
Concession assets	1,419,634	453,436	—	—	1,873,070
Mining rights	165,239	(2,071)	—	—	163,168
Others	77,500	3,556	—	(399)	80,657
	6,800,289	596,807	152,481	(73,258)	7,476,319
Provision for impairment:					
Land use rights	(9,044)	—	—	—	(9,044)
Concession assets	—	—	—	—	—
Mining rights	—	—	—	—	—
Others	—	—	—	—	—
	(9,044)	—	—	—	(9,044)
Carrying amount:					
Land use rights	5,128,872	141,886	152,481	(72,859)	5,350,380
Concession assets	1,419,634	453,436	—	—	1,873,070
Mining rights	165,239	(2,071)	—	—	163,168
Others	77,500	3,556	—	(399)	80,657
	6,791,245	596,807	152,481	(73,258)	7,467,275

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Intangible assets (continued)

	Opening balance	2011		Closing balance
		Additions	Disposals	
Gross carrying amount:				
Land use rights	5,533,825	225,068	(82,398)	5,676,495
Concession assets	1,128,205	404,703	—	1,532,908
Mining rights	170,689	5,438	—	176,127
Others	116,273	29,666	(3,641)	142,298
	6,948,992	664,875	(86,039)	7,527,828
Accumulated amortization:				
Land use rights	(424,267)	(120,001)	5,689	(538,579)
Concession assets	(85,990)	(27,284)	—	(113,274)
Mining rights	(7,768)	(3,120)	—	(10,888)
Others	(49,311)	(18,675)	3,188	(64,798)
	(567,336)	(169,080)	8,877	(727,539)
Net carrying amount:				
Land use rights	5,109,558	105,067	(76,709)	5,137,916
Concession assets	1,042,215	377,419	—	1,419,634
Mining rights	162,921	2,318	—	165,239
Others	66,962	10,991	(453)	77,500
	6,381,656	495,795	(77,162)	6,800,289
Provision for impairment:				
Land use rights	(9,044)	—	—	(9,044)
Concession assets	—	—	—	—
Mining rights	—	—	—	—
Others	—	—	—	—
	(9,044)	—	—	(9,044)
Carrying amount:				
Land use rights	5,100,514	105,067	(76,709)	5,128,872
Concession assets	1,042,215	377,419	—	1,419,634
Mining rights	162,921	2,318	—	165,239
Others	66,962	10,991	(453)	77,500
	6,372,612	495,795	(77,162)	6,791,245

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Intangible assets (continued)

As at 30 June 2012, the Group's concession rights with the carrying amount of RMB428,026,000 (31 December 2011: RMB438,103,000) and the land use rights with the carrying amount of RMB299,460,000 (31 December 2011: RMB86,148,000) were restricted (including land use rights with a carrying amount of RMB148,678,000 were pledged to obtain bank loans). The amortization of these concession rights for the six months ended 30 June 2012 was RMB10,077,000 (2011: RMB20,153,000) and the amortization of these land use rights for the six months ended 30 June 2012 was RMB12,195,000 (2011: RMB2,020,000) (Note V.19(e),(f)). There were no other intangible assets whose titles were restricted as at 31 December 2011.

As at 30 June 2012, the Group was in the process of applying for the title certificates of certain parcels of its land in the PRC with an aggregate carrying amount of RMB24,669,000 (31 December 2011: RMB33,853,000). 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 did not have any significant impact on the Group's financial position as at 30 June 2012.

The amount of interest capitalized in the balance of intangible assets and the capitalization rates are as follows:

	For the six months ended 30 June 2012 (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	—	—

	2011			
	Progress %	Accumulated amount of interest capitalized	Interest capitalized during the current year	Capitalization rate during the current year %
Jiyang Guest-greeting Yellow River Bridge Concession rights	100	39,820	—	—

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Goodwill

The Group completed the acquisition of Hangsheng Company in April 2012, generating goodwill amounted to RMB100,135,000; for details of the calculation of goodwill please refer to Note IV.4 *Business combinations not involving entities under common control*.

17. Deferred tax assets and liabilities

Deferred tax assets and liabilities are presented without taking into account the offsetting of the following balances:

Recognized deferred tax assets and liabilities:

	30 June 2012 (Unaudited)	31 December 2011
Deferred tax assets		
Provision for early retirement benefits	982,784	999,427
Provision for impairment of assets	198,924	183,853
Deductible tax losses	54,088	32,969
Accruals and provisions	69,129	51,621
Additional tax deduction on asset revaluation surplus arising from a prior restructuring	600,925	616,892
Others	97,711	102,229
	2,003,561	1,986,991
Deferred tax liabilities		
Recognition of revenue on construction contracts	100,267	100,267
Others	178,956	177,749
	279,223	278,016

Unrecognized deferred tax assets are presented as follows:

	30 June 2012 (Unaudited)	31 December 2011
Deductible tax losses	321,897	169,204

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. *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 2012 (Unaudited)
30 June 2013	42,057
30 June 2014	70,528
30 June 2015	283,784
30 June 2016	263,402
30 June 2017	676,275
	1,336,046
	31 December 2011
2012	5,012
2013	60,566
2014	86,182
2015	290,532
2016	289,684
	731,976

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Provision for impairment of assets

	Opening balance	For the six months ended 30 June 2012 (Unaudited)				Closing balance
		Provision	Other additions	Reversal	Write-off	
Provision for bad debts	807,811	37,421	110,100	(71,087)	(2,937)	881,308
Provision for decline in value of inventories	42,651	—	—	(589)	—	42,062
Provision for foreseeable contract losses	141,017	10,724	—	(4,298)	(38,031)	109,412
Provision for impairment of long-term equity investments	25,886	—	—	—	(3,993)	21,893
Provision for impairment of fixed assets	597,679	2,536	—	—	332	600,547
Provision for impairment of intangible assets	9,044	—	—	—	—	9,044
	1,624,088	50,681	110,100	(75,974)	(44,629)	1,664,266

	Opening balance	2011			Closing balance
		Provision	Reversal	Write-off	
Provision for bad debts	709,211	309,542	(114,091)	(96,851)	807,811
Provision for decline in value of inventories	56,157	816	(1,821)	(12,501)	42,651
Provision for foreseeable contract losses	133,785	54,525	(16,041)	(31,252)	141,017
Provision for impairment of long-term equity investments	25,957	—	—	(71)	25,886
Provision for impairment of fixed assets	219,986	391,629	—	(13,936)	597,679
Provision for impairment of construction in progress	132,912	—	—	(132,912)	—
Provision for impairment of intangible assets	9,044	—	—	—	9,044
	1,287,052	756,512	(131,953)	(287,523)	1,624,088

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Assets with title restrictions

	For the six months ended 30 June 2012				
	Opening balance	Increase (Unaudited)	Decrease (Unaudited)	Closing balance (Unaudited)	
Pledged assets:					
Cash	—	106,030	—	106,030	Note(a)
Accounts receivable	4,718,929	559,630	(2,278,969)	2,999,590	Note(b)
Bills receivable	394,130	—	(394,130)	—	Note(c)
Inventories	12,821,131	760,611	—	13,581,742	Note(d)
Fixed assets	79,446	—	(10,548)	68,898	Note(e)
Intangible assets					
— land use rights	86,148	148,678	(86,148)	148,678	Note(e)
Intangible assets					
— concession rights	438,103	—	(10,077)	428,026	Note(f)
Assets whose titles are restricted for other reasons:					
Cash — security deposit for acceptance bills	2,101,221	4,169,355	(3,157,763)	3,112,813	
Cash — security deposit for letters of credit	102,343	53,138	(57,659)	97,822	
Cash — security deposit for performance bonds	22,971	18,322	(5,344)	35,949	
Cash — security deposit for letters of guarantee	166,544	105,740	(90,679)	181,605	
Cash — others	190,909	132,728	(132,734)	190,903	
Fixed assets					
— security deposit for letters of guarantee	—	16,889	—	16,889	
Intangible assets					
— security deposit for letters of guarantee	—	150,782	—	150,782	
	2,583,988	4,646,954	(3,444,179)	3,786,763	
	21,121,875	6,221,903	(6,224,051)	21,119,727	

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Assets with title restrictions (continued)

	Opening balance	2011		Closing balance	
		Increase	Decrease		
Pledged assets:					
Accounts receivable	366,682	4,676,429	(324,182)	4,718,929	Note(b)
Bills receivable	—	394,130	—	394,130	Note(c)
Inventories	6,806,666	11,063,707	(5,049,242)	12,821,131	Note(d)
Fixed assets	66,512	61,427	(48,493)	79,446	Note(e)
Intangible assets					
— land use rights	—	88,168	(2,020)	86,148	Note(e)
Intangible assets					
— concession rights	458,256	—	(20,153)	438,103	Note(f)
Assets whose titles are restricted for other reasons:					
Cash — security deposit for acceptance bills	2,726,843	7,068,746	(7,694,368)	2,101,221	
Cash — security deposit for letters of credit	94,275	88,981	(80,913)	102,343	
Cash — security deposit for performance bonds	76,326	58,462	(111,817)	22,971	
Cash — security deposit for letters of guarantee	232,963	36,052	(102,471)	166,544	
Cash — others	732,906	1,255,293	(1,797,290)	190,909	
	3,863,313	8,507,534	(9,786,859)	2,583,988	
	11,561,429	24,791,395	(15,230,949)	21,121,875	

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Assets with title restrictions (continued)

Notes:

- (a) As at 30 June 2012, the Group's deposits of RMB106,030,000 (31 December 2011: nil) were pledged to obtain short-term loans of RMB98,000,000 (31 December 2011: nil) (Note V.20(a)).
- (b) As at 30 June 2012, the Group's accounts receivable of RMB2,999,590,000 (31 December 2011: RMB4,718,929,000) were pledged to obtain short-term loans of RMB2,277,414,000 (31 December 2011: RMB2,909,790,000) (Note V.20(a)).
- (c) As at 30 June 2012, there were no bills receivable (31 December 2011: RMB394,130,000) pledged to obtain short-term loans (31 December 2011: RMB357,630,000) (Note V.20(a)).
- (d) As at 30 June 2012, the Group's inventories of RMB13,581,742,000, including properties under development of RMB10,314,958,000 and completed properties held for sale of RMB3,266,784,000 were mortgaged to obtain long-term loans of RMB7,299,458,000 (Notes V.30 and 31(c)).

As at 31 December 2011, the Group's inventories of RMB12,821,131,000, including properties under development of RMB9,785,327,000 and completed properties held for sale of RMB3,035,804,000 were mortgaged to obtain long-term loans of RMB5,844,458,000 (Notes V.30 and 31(c)).
- (e) As at 30 June 2012, the Group's buildings of RMB68,898,000 (31 December 2011: RMB79,446,000) and land use rights of RMB148,678,000 (31 December 2011: RMB86,148,000) were mortgaged to obtain short-term loans of RMB122,000,000 (31 December 2011: RMB103,500,000) and long-term loans of RMB7,764,000 (31 December 2011: RMB7,884,000). The amortization of these land use rights for the six months ended 30 June 2012 was RMB1,419,000 (2011: RMB2,020,000) (Notes V.20(b)), 30 and 31(a)).
- (f) As at 30 June 2012, the Group's concession assets of RMB428,026,000 (31 December 2011: RMB438,103,000) were pledged to obtain a long-term loan of RMB174,530,000 (31 December 2011: RMB174,530,000). The amortization of these concession assets for the six months ended 30 June 2012 was RMB10,077,000 (2011: RMB20,153,000) (Note V.30 and 31(b)).

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Short-term loans

	30 June 2012 (Unaudited)	31 December 2011	
Pledged loans	2,375,414	3,267,420	Note (a)
Mortgaged loans	122,000	103,500	Note (b)
Guaranteed loans	6,255,929	5,650,575	Note (c)
Loans on credit	24,818,798	25,138,499	
	33,572,141	34,159,994	

Notes:

- (a) As at 30 June 2012, certain short-term loans with the carrying amount of RMB98,000,000 (31 December 2011: nil) were secured by the pledge of the Group's deposits with the amount of RMB106,030,000 (31 December 2011: nil) (Note V.19(a)).

As at 30 June 2012, certain short-term loans with the carrying amount of RMB2,277,414,000 (31 December 2011: RMB2,909,790,000) were secured by the pledge of the Group's accounts receivable with the amount of RMB2,999,590,000 (31 December 2011: RMB4,718,929,000) (Note V.19(b)).

As at 30 June 2012, there was no short-term loan (31 December 2011: RMB357,630,000) secured by the pledge of the Group's bills receivable (31 December 2011: RMB394,130,000) (Note V.19(c)).

- (b) As at 30 June 2012, certain short-term loans with the carrying amount of RMB122,000,000 (31 December 2011: RMB103,500,000) were secured by the mortgages of the Group's buildings with the amount of RMB49,441,000 (31 December 2011: RMB59,989,000) and land use rights with the amount of RMB148,678,000 (31 December 2011: RMB86,148,000) (Note V.19(e)).

- (c) As at 30 June 2012, all guaranteed loans were internally guaranteed by the entities comprising the Group.

As at 30 June 2012, interest rates for the above loans ranged from 4.40% to 9.87% per annum (31 December 2011: from 3.02% to 9.84%).

As at 30 June 2012, there were no short-term loans defaulted by the Group (31 December 2011: nil).

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Short-term bonds payable

	Opening balance	Increase	Decrease	Closing balance
For the six months ended 30 June 2012 (Unaudited)	7,504,783	2,722,898	680,125	9,547,556
2011	—	7,504,783	—	7,504,783

On 4 November 2011, the Company issued a short-term unsecured corporate bond of RMB5 billion with a fixed interest rate of 5.55% per annum. The principal and the interest will be repaid at the end of the term.

On 24 April 2012, China Railway 13th 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 5.15% per annum. The principal and the interest will be repaid at the end of the term.

On 29 February 2012, 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 5.88% per annum. The principal and the interest will be repaid at the end of the term.

On 16 September 2011, China Railway 16th Bureau Group Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.56 billion with a fixed interest rate of 7.11% per annum. The principal and the interest will be repaid at the end of the term.

On 11 January 2012, China Railway 17th 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 6.73% per annum. The principal and the interest will be repaid at the end of the term.

On 13 October 2011, China Railway 19th Bureau Group Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.5 billion with a fixed interest rate of 7.38% per annum. The principal and the interest will be repaid at the end of the term.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Short-term bonds payable (continued)

On 27 June 2012, China Railway 20th Bureau Group Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.5 billion with a fixed interest rate of 4.16% per annum. The principal and the interest will be repaid at the end of the term.

On 11 October 2011, China Railway 21st Bureau Group Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.5 billion with a fixed interest rate of 7.38% per annum. The principal and the interest will be repaid at the end of the term.

On 23 March 2012, China Railway 22nd Bureau Group Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.5 billion with a fixed interest rate of 5.27% per annum. The principal and the interest will be repaid at the end of the term.

On 22 December 2011, China Railway 25th Bureau Group Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.2 billion with a fixed interest rate of 6.82% per annum. The principal and the interest will be repaid at the end of the term.

On 28 February 2012, China Railway 25th Bureau Group Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.2 billion with a fixed interest rate of 5.88% per annum. The principal and the interest will be repaid at the end of the term.

On 27 March 2012, China Railway Material Group Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.38 billion with a fixed interest rate of 5.27% per annum. The principal and the interest will be repaid at the end of the term.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Short-term bonds payable (continued)

Bond	Principle	Issuance date	Interest rate per annum	Maturity	Accrued interest	Closing balance (Unaudited)
China Railway Co., Ltd. – 2011 first tranche	5,000,000	4 November 2011	5.55%	366 days	180,185	5,180,185
China Railway 13 th Bureau Group Co., Ltd. – 2012 first tranche	250,000	24 April 2012	5.15%	365 days	2,146	252,146
China Railway 15 th Bureau Group Co., Ltd. – 2012 first tranche	250,000	29 February 2012	5.88%	365 days	4,982	254,982
China Railway 16 th Bureau Group Co., Ltd. – 2011 first tranche	560,000	16 September 2011	7.11%	366 days	31,113	591,113
China Railway 17 th Bureau Group Co., Ltd. – 2012 first tranche	400,000	11 January 2012	6.73%	366 days	12,724	412,724
China Railway 19 th Bureau Group Co., Ltd. – 2011 first tranche	500,000	13 October 2011	7.38%	366 days	26,342	526,342
China Railway 20 th Bureau Group Co., Ltd. – 2012 first tranche	500,000	27 June 2012	4.16%	365 days	–	500,000
China Railway 21 st Bureau Group Co., Ltd. – 2011 first tranche	500,000	11 October 2011	7.38%	366 days	26,958	526,958
China Railway 22 nd Bureau Group Co., Ltd. – 2012 first tranche	500,000	23 March 2012	5.27%	365 days	7,003	507,003
China Railway 25 th Bureau Group Co., Ltd. – 2011 first tranche	200,000	22 December 2011	6.82%	366 days	7,081	207,081
China Railway 25 th Bureau Group Co., Ltd. – 2012 first tranche	200,000	28 February 2012	5.88%	366 days	3,920	203,920
China Railway Material Group Co., Ltd. – 2012 first tranche	380,000	27 March 2012	5.27%	365 days	5,102	385,102
	9,240,000				307,556	9,547,556

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Bills payable

	30 June 2012 (Unaudited)	31 December 2011
Commercial acceptance bills	277,519	386,132
Bank acceptance bills	16,334,033	10,586,322
	16,611,552	10,972,454

As at 30 June 2012, bills with an amount of RMB16,421,176,000 will be due in the next accounting period (31 December 2011: RMB10,972,454,000).

23. Accounts payable

Accounts payable are non-interest-bearing.

	30 June 2012 (Unaudited)	31 December 2011
Within 1 year	139,471,792	143,150,129
1 to 2 years	3,735,952	4,864,240
2 to 3 years	876,975	848,547
More than 3 years	613,583	536,057
	144,698,302	149,398,973

As at 30 June 2012, significant accounts payable aged over one year were as follows:

Relationship with the Group		30 June 2012 (Unaudited)	Reasons for payables not being settled
Company 1	Third party	97,445	Land expropriation and relocation fees unsettled
Company 2	Third party	78,499	Construction costs unsettled
Company 3	Third party	64,087	Construction costs unsettled
Company 4	Third party	49,618	Construction costs unsettled
Company 5	Third party	45,557	Construction costs unsettled
		335,206	

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Accounts payable (continued)

As at 30 June 2012, significant accounts payable aged over one year were as follows (continued):

	Relationship with the Group	31 December 2011	Reasons for payables not being settled
Company 1	Third party	97,445	Land expropriation and relocation fees unsettled
Company 2	Third party	65,985	Construction costs unsettled
Company 3	Third party	41,616	Construction costs unsettled
Company 4	Third party	33,687	Material procurement costs unsettled
Company 5	Third party	33,652	Construction costs unsettled
		272,385	

As at 30 June 2012, there were no accounts payable to shareholders that held 5% or more of the Company's voting rights (31 December 2011: nil).

For details of accounts payable to other related parties, refer to Note VI.6.

24. Advances from customers

	30 June 2012 (Unaudited)	31 December 2011
Within 1 year	42,253,813	34,138,741
1 to 2 years	2,144,277	4,057,800
2 to 3 years	3,286,654	149,354
More than 3 years	970,622	1,002,599
		48,655,366

As at 30 June 2012 and 31 December 2011, there were no advances due from shareholders that held 5% or more of the Company's voting rights.

For details of advances from other related parties, refer to Note VI.6.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Advances from customers (continued)

Details of advances from customers for the pre-sale of properties are as follows:

Property name	30 June 2012 (Unaudited)	Percentage of accumulated pre-sales in advance	Estimated completion date
Xinran Jiayuan Project	2,715,946	100	October 2012
Beijing CRCC International City Project II	1,289,327	69	October 2013
CRCC Qingxiu City Project	1,175,194	76	August 2012
CRCC Wutong Garden Project	968,228	60	August 2014
CRCC Haixi Project	536,491	83	January 2013
Jiangyou Boting Project II	519,600	52	December 2012
CRCC Lingxiu City Project	503,028	16	December 2014
CRCC Fengling Shanyu City Project III	446,383	83	September 2012
CRCC Jingnan Yipin Project II	427,064	70	December 2012
Hefei CRCC International City Project II	357,437	19	June 2013
Fruit Shell City Project II	349,986	24	September 2012
Tianjin CRCC International City Project I	329,218	43	May 2013
Chengdu Longquanyi Project	328,792	27	October 2012
Tongjing International City Project	328,462	78	December 2012
Chengdu CRCC Qingxiu City Project	314,770	25	August 2012
CRCC Liwan International City	312,103	18	April 2013
Changchun CRCC International City Project II	293,832	47	September 2012
Changsha Shanyu City Project II	156,764	40	June 2013
Tangshan Fengrun Shiliu Jiayuan Project	144,493	100	July 2012
CRCC East City Project I	143,888	90	September 2012
Others	1,239,653		
	12,880,659		

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Advances from customers (continued)

Details of advances from customers of sale for the properties are listed below (continued):

Property name	31 December 2011	Percentage of accumulated pre-sales in advance	Estimated completion date
Xinran Jiayuan Project	2,651,079	100	October 2012
CRCC Wutong Garden Project	840,536	56	August 2014
Beijing CRCC International City Project II	731,912	29	October 2013
CRCC Lingxiu City Project	413,125	88	December 2014
CRCC Jingnan Yipin Project II	363,918	66	December 2012
Changsha CRCC International City Project I	357,320	71	April 2012
Jiangyou Boting Project	257,284	100	December 2012
Tongjing International City Project	230,794	55	December 2012
Changchun CRCC International City Project II	229,197	35	September 2012
Hefei CRCC International City Project I	186,305	85	December 2011
Fruit Shell City Project II	168,917	38	September 2012
Chengdu Longquanyi Project	158,245	28	October 2012
CRCC Fengling Shanyu City Project III	154,952	42	September 2012
Chengdu CRCC Qingxiu City Project	153,489	35	August 2012
Tangshan Fengrun Shiliu Jiayuan Project	126,130	100	May 2012
CRCC Fengling Shanyu City Project II	107,211	78	November 2011
Tianfang Garden Project 3	106,493	97	April 2012
CRCC Anzhi Tinglan Project	98,492	100	December 2013
CRCC East City Project I	92,665	98	July 2012
CRCC Qingxiu City Project	81,141	45	March 2012
Others	725,007		
	8,234,212		

Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Advances from customers (continued)

As at 30 June 2012, significant advances aged over one year were as follows:

	Relationship with the Group	30 June 2012 (Unaudited)	Reasons for being outstanding
Company 1	Third party	3,058,847	Work performed not billed
Company 2	Third party	649,578	Work performed not billed
Company 3	Third party	248,099	Work performed not billed
Company 4	Third party	232,572	Materials sold not billed
Company 5	Third party	97,808	Work performed not billed
		4,286,904	

As at 31 December 2011, significant advances aged over one year were as follows:

	Relationship with the Group	31 December 2011	Reasons for being outstanding
Company 1	Third party	3,058,847	Work performed not billed
Company 2	Third party	676,533	Work performed not billed
Company 3	Third party	249,705	Work performed not billed
Company 4	Third party	246,927	Work performed not billed
Company 5	Third party	109,541	Work performed not billed
		4,341,553	

Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Employee benefits payable

	For the six months ended 30 June 2012			
	Opening balance	Accrued (Unaudited)	Paid (Unaudited)	Closing balance (Unaudited)
Salaries, bonuses, allowances and subsidies	4,185,112	8,856,091	(9,002,803)	4,038,400
Staff welfare	—	398,253	(398,253)	—
Social insurance	2,884,551	2,100,413	(1,627,137)	3,357,827
Including:				
Medical insurance	1,179,481	585,606	(482,933)	1,282,154
Basic pension	1,296,000	1,184,848	(830,338)	1,650,510
Contribution to pension annuity	138,575	159,806	(150,503)	147,878
Unemployment insurance	142,410	83,714	(84,763)	141,361
Work injury insurance	89,614	56,564	(50,793)	95,385
Maternity insurance	38,471	29,875	(27,807)	40,539
Early retirement benefits (Current portion)	867,267	440,022	(414,217)	893,072
Housing funds	948,616	568,359	(452,114)	1,064,861
Union fund and employee education fund	553,783	217,765	(212,090)	559,458
Others	147,188	292,148	(182,041)	257,295
	9,586,517	12,873,051	(12,288,655)	10,170,913

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Employee benefits payable (continued)

	Opening balance	2011		Closing balance
		Accrued	Paid	
Salaries, bonuses, allowances and subsidies	3,225,455	16,831,191	(15,871,534)	4,185,112
Staff welfare	—	891,574	(891,574)	—
Social insurance	2,346,824	4,100,896	(3,563,169)	2,884,551
Including:				
Medical insurance	951,819	1,151,011	(923,349)	1,179,481
Basic pension	1,045,366	2,306,176	(2,055,542)	1,296,000
Contribution to pension annuity	99,586	310,796	(271,807)	138,575
Unemployment insurance	119,651	166,861	(144,102)	142,410
Work injury insurance	82,453	108,596	(101,435)	89,614
Maternity insurance	47,949	57,456	(66,934)	38,471
Early retirement benefits (Current portion)	948,740	879,126	(960,599)	867,267
Housing funds	664,919	1,150,083	(866,386)	948,616
Union fund and employee education fund	501,936	470,357	(418,510)	553,783
Others	143,155	947,972	(943,939)	147,188
	7,831,029	25,271,199	(23,515,711)	9,586,517
		30 June 2012 (Unaudited)	31 December 2011	
Early retirement benefits obligations (Note)		4,343,603	4,611,052	
Less: current portion		(893,072)	(867,267)	
Non-current portion		3,450,531	3,743,785	

Note: Certain employees of the Group had completed their respective early retirement plan applications. Early retirement benefits were recognized in the period in which the relevant entities of the Group have entered into agreements with the employees 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 service, 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 2012, there was no employee benefits payable in arrears (31 December 2011: nil).

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Taxes payable

	30 June 2012 (Unaudited)	31 December 2011
Business tax	4,107,150	4,368,033
Corporate income tax	990,311	1,429,113
Individual income tax	550,709	631,123
City maintenance and construction tax	257,636	279,498
Resource tax	6,957	4,868
Value-added tax	(270,517)	(90,585)
Others	55,950	191,344
	5,698,196	6,813,394

27. Interest payables

	30 June 2012 (Unaudited)	31 December 2011
<i>Note V</i>		
Interest payables for corporate bonds	774,404	277,136
Interest payables for short-term borrowings	78,216	36,727
Interest payables for long-term borrowings	150	150
	852,770	314,013

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Dividends payable

Payable to	Note V	30 June 2012 (Unaudited)	31 December 2011
CRCCG	Note	756,625	—
Public shareholders of A Shares	Note	245,000	—
Public shareholders of H Shares	Note	188,754	—
NSSF	Note	43,375	—
Beijing Modas Investment Co., Ltd.		39,971	39,971
Others		70,177	17,518
		1,343,902	57,489

Note: At the annual general meeting held on 12 June 2012, the Company's shareholders resolved to approve the final dividend for the year ended 31 December 2011 of RMB1.0 (including tax) per 10 shares, which amounted to RMB1,233,754,000 based on the total number of shares of 12,337,541,500. The dividend was paid before 10 August 2012.

29. Other payables

	30 June 2012 (Unaudited)	31 December 2011
Guarantees and deposits	11,157,262	10,319,331
Payables for advances	7,390,248	7,687,238
Accrued business taxes and surcharges	3,678,271	3,313,828
CRCCG (Note)	1,085,107	202,275
Rental expenses payable	1,052,685	1,164,787
Payables for acquisition of fixed assets and construction in progress	646,415	389,843
Others	9,705,855	9,455,275
	34,715,843	32,532,577

Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Other payables (continued)

Note: In accordance with the 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 the 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 this amount in other payables as at 30 June 2012 and 31 December 2011 accordingly.

In addition, there is an amount of RMB884,152,000 payable to CRCCG which was used to repay the amount for making up the losses of Mecca Light Rail Project in 2010 in the future (Note VI.6(f)).

For details of other payables to other related parties, refer to Note VI.6.

At the balance sheet date, significant other payables aged over one year were as follows:

	Relationship with the Group	30 June 2012 (Unaudited)	Reasons for not being settled
CRCCG	Ultimate holding company	189,660	Reconstruction funds
Company 1	Third party	72,850	Payables not settled
Company 2	Third party	45,598	Deposit not due
Company 3	Third party	15,366	Deposit not due
Company 4	Third party	12,090	Deposit not due
		335,564	

Among the significant other payables aged over one year as at 30 June 2012, an aggregate amount of RMB9,239,000 has been repaid after the balance sheet date.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Other payables (continued)

At the balance sheet date, significant other payables aged over one year were as follows (continued):

	Relationship with the Group	31 December 2011	Reasons for not being settled
CRCCG	Ultimate holding company	189,660	Reconstruction funds
Company 1	Third party	19,800	Payables not settled
Company 2	Third party	19,642	Payables not settled
Company 3	Third party	12,090	Deposit not due
Company 4	Third party	12,000	Deposit not due
		253,192	

Among the significant other payables aged over one year as at 31 December 2011, an aggregate amount of RMB7,966,000 has been repaid after the balance sheet date.

30. Current portion of non-current liabilities

	30 June 2012 (Unaudited)	31 December 2011
Current portion of long-term loans	10,733,565	3,473,980
Current portion of long-term payables	653,979	499,216
Current portion of bonds payable	9,996,712	9,988,064
	21,384,256	13,961,260

Current portion of long-term loans are presented as follows:

	30 June 2012 (Unaudited)	31 December 2011
Pledged loans (Note V.31(b))	24,760	24,760
Mortgaged loans (Note V.31(c))	2,913,458	678,000
Guaranteed loans	1,521,199	693,918
Loans on credit	6,274,148	2,077,302
	10,733,565	3,473,980

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Current portion of non-current liabilities (continued)

As at 30 June 2012, the five highest amounts from the current portion of long-term loans were as follows:

	Term	Currency	Interest rate %	30 June 2012 (Unaudited)		31 December 2011
				Foreign amounts	RMB equivalent	RMB equivalent
Company 1	From 2010-2-4 to 2013-2-3	RMB	4.86	—	1,782,608	—
Company 2	From 2011-6-30 to 2013-6-27	USD	3.90	250,000	1,581,225	—
Company 3	From 2011-6-30 to 2013-6-28	USD	5.34	136,000	860,186	—
Company 4	From 2011-6-24 to 2013-6-24	RMB	6.31	—	500,000	—
Company 5	From 2011-6-29 to 2013-6-29	RMB	11.50	—	497,000	—
					5,221,019	—

As at 31 December 2011, the five highest amounts from the current portion of long-term loans were as follows:

	Term	Currency	Interest rate %	31 December 2011		31 December 2010
				Foreign amounts	RMB equivalent	RMB equivalent
Company 1	From 2010-2-2 to 2012-2-1	RMB	4.68	—	270,000	—
Company 2	From 2008-12-24 to 2012-8-31	RMB	3.51	—	200,000	—
Company 3	From 2009-1-19 to 2012-9-24	RMB	3.51	—	200,000	—
Company 4	From 2010-1-1 to 2012-6-30	RMB	5.40	—	150,000	—
Company 5	From 2010-9-30 to 2012-9-29	RMB	5.47	—	100,000	—
					920,000	—

As at 30 June 2012, there was no current portion from the long-term loans defaulted by the Group (31 December 2011: nil).

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Current portion of non-current liabilities (continued)

As at 30 June 2012, the five highest amounts from the current portion of long-term payables were as follows:

(Unaudited)	Term	Initial amount	Annual interest rate %	Accrued interest	Closing balance	Conditions and terms
Company 1	From 2012-6-8 to 2017-6-8	500,000	Benchmark rate of five-year bank loans Benchmark rate of over-five-year bank loans	36,051	82,591	Nil
Company 2	From 2011-7-15 to 2018-7-15	552,045	bank loans	38,234	69,006	Nil
Company 3	From 2011-1-27 to 2013-9-30	114,000	Benchmark rate of three-year bank loans Benchmark rate of five-year bank loans	4,202	64,366	Nil
Company 4	From 2011-5-26 to 2016-5-26	293,210	floating 5% Benchmark rate of over-five-year bank loans	14,104	48,000	Nil
Company 5	From 2011-6-29 to 2018-6-29	311,015	bank loans	17,865	44,431	Nil
		1,770,270		110,456	308,394	

As at 31 December 2011, the five highest amounts from the current portion of long-term payables were as follows:

	Term	Initial amount	Annual interest rate %	Accrued interest	Closing balance	Conditions and terms
Company 1	From 2011-1-27 to 2013-9-20	114,000	Benchmark interest rate of three-year bank loans	4,757	60,956	Nil
Company 2	From 2011-5-26 to 2012-12-31	291,355	Benchmark rate of four-year bank loans floating 10%	15,669	48,000	Nil
Company 3	From 2011-6-29 to 2018-6-29	311,015	Benchmark interest rate of over-five-year bank loans	19,505	44,431	Nil
Company 4	From 2011-9-2 to 2016-9-2	264,883	Benchmark rate of four-year bank loans floating 5%	14,232	38,745	Nil
Company 5	From 2008-7-17 to 2012-7-17	242,264	Benchmark interest rate of four-year bank loans	1,144	36,812	Nil
		1,223,517		55,307	228,944	

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Current portion of non-current liabilities (continued)

As at 30 June 2012, the current portion of bonds payable was as follows:

(Unaudited)	Face value	Issuing date	Maturity	Amount issued	Annual interest rate %	Interest accrued in the 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	169,071	287,978	9,996,712
							(Note V.27)	

As at 31 December 2011, the current portion of bonds payable was as follows:

	Face value	Issuing date	Maturity	Amount issued	Annual interest rate %	Interest accrued in the year	Interest payable at 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	338,742	118,907	9,988,064
							(Note V.27)	

Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Long-term loans

	30 June 2012 (Unaudited)	31 December 2011
Pledged loans (Note (b))	149,770	149,770
Mortgaged loans (Note (a) and Note (c))	4,393,764	5,174,342
Guaranteed loans (Note (d))	3,427,824	3,861,146
Loans on credit	6,357,099	9,033,555
	14,328,457	18,218,813

Notes:

- (a) As at 30 June 2012, long-term bank loans with an amount of RMB7,764,000 (31 December 2011: RMB7,884,000) were secured by mortgages of the Group's buildings with the carrying amount of RMB19,457,000 (31 December 2011: RMB19,457,000) (Note V.19(e)).
- (b) As at 30 June 2012, long-term bank loans with an amount of RMB174,530,000, including long-term loans due within one year of RMB24,760,000 (31 December 2011: RMB174,530,000, including current portion of long term loans with the carrying amount of RMB24,760,000) were secured by a pledge of the Group's concession assets of the BOT Project of Jiyang Guest-greeting Yellow River Bridge with the carrying amount of RMB428,026,000 (31 December 2011: RMB438,103,000) (Note V.19(e) and V30).
- (c) As at 30 June 2012, long-term bank loans with an amount of RMB7,299,458,000 (31 December 2011: RMB5,844,458,000), including long-term loans due within one year amount of RMB2,913,458,000 (31 December 2011: RMB678,000,000), were secured by mortgages of the Group's inventories with the carrying amount of RMB13,581,742,000 (31 December 2011: RMB12,821,131,000), which included carrying value of land use rights under the properties under development of RMB10,314,958,000 (31 December 2011: RMB9,785,327,000) and completed properties held for sale of RMB3,266,784,000 (31 December 2011: RMB3,035,804,000) (Note V.19(d) and V30).
- (d) As at 30 June 2012, the guaranteed long-term loans were all internally guaranteed by the entities comprising the Group.
- (e) As at 30 June 2012, there were no long-term loans defaulted by the Group (31 December 2011: nil).

Notes To Financial Statements (continued)

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(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Long-term loans (continued)

As at 30 June 2012, the five highest amounts of long-term loans were as follows:

	Starting date	Maturity date	Currency	Interest rate %	30 June 2012 (Unaudited)		31 December 2011	
					Foreign currency	RMB equivalent	Foreign currency	RMB equivalent
Loan 1	2011-9-26	2014-9-26	RMB	4.67	—	1,790,000	—	1,475,000
Loan 2	2011-12-8	2013-12-7	RMB	10.25	—	1,500,000	—	1,500,000
Loan 3	2011-12-8	2014-12-7	RMB	7.32	—	1,000,000	—	1,000,000
Loan 4	2012-4-27	2014-4-25	USD	5.05	100,000	632,490	—	—
Loan 5	2010-9-30	2015-9-29	RMB	5.47	—	600,000	—	600,000
						5,522,490		4,575,000

As at 31 December 2011, the five highest amounts of long-term loans were as follows:

	Starting date	Maturity date	Currency	Interest rate %	31 December 2011		31 December 2010	
					Foreign currency	RMB equivalent	Foreign currency	RMB equivalent
Loan 1	2010-2-4	2013-2-3	RMB	4.86	—	1,802,608	—	1,258,608
Loan 2	2011-6-30	2013-6-27	USD	3.90	250,000	1,588,075	—	—
Loan 3	2011-12-8	2013-12-7	RMB	10.25	—	1,500,000	—	—
Loan 4	2011-9-26	2014-9-26	RMB	4.67	—	1,475,000	—	—
Loan 5	2011-12-8	2014-12-7	RMB	7.32	—	1,000,000	—	—
						7,365,683		1,258,608

32. Bonds payable

	For the six months ended 30 June 2012			
	Opening balance	Additions (Unaudited)	Decrease (Unaudited)	Closing balance (Unaudited)
Medium-term corporate bonds	12,392,517	8,326	—	12,400,843
		2011		
	Opening balance	Additions	Decrease	Closing balance
Medium-term corporate bonds	14,930,359	7,450,222	(9,988,064)	12,392,517

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Bonds payable (continued)

As at 30 June 2012, bonds payable were as follows:

	Principal	Issuance date	Maturity	Amount issued	Interest rate per annum	Interest accrued in current period (Unaudited)	Interest payable at period end (Unaudited)	Closing balance (Unaudited)
First issue of medium – term notes in 2010	5,000,000	2010-8-27	5 years	5,000,000	3.78%	93,984	156,983	4,975,655
First issue of medium – term notes in 2011	7,500,000	2011-10-14	7 years	7,500,000	6.28%	234,213	329,443	7,425,188
				12,500,000		328,197	486,426 (Note V.27)	12,400,843

As at 31 December 2011, bonds payable were as follows:

	Principal	Issuance date	Maturity	Amount Issued	Interest rate per annum	Interest accrued in the year	Interest payable at year end	Closing balance
First issue of medium – term notes in 2010	5,000,000	2010-8-27	5 years	5,000,000	3.78%	188,309	62,999	4,971,629
First issue of medium – term notes in 2011	7,500,000	2011-10-14	7 years	7,500,000	6.28%	95,230	95,230	7,420,888
				12,500,000		283,539	158,229 (Note V.27)	12,392,517

33. Long-term payables

	30 June 2012 (Unaudited)	31 December 2011
Retention money payables	1,040,965	1,472,392
Finance lease payables	2,237,818	1,746,092
Others	204,167	235,342
	3,482,950	3,453,826

Notes To Financial Statements (continued)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Long-term payables (continued)

As at 30 June 2012, the five highest amounts of long-term payables were as follows:

	Term	Initial amount	Annual interest rate %	Accrued interest (Unaudited)	Closing balance (Unaudited)	Borrowing terms
Company 1	From 2011-7-15 to 2018-7-15	552,045	Benchmark rate of over-five-year bank loans	95,028	483,039	Nil
Company 2	From 2012-6-8 to 2017-6-8	500,000	Benchmark rate of five-year bank loans	71,160	403,409	Nil
Company 3	From 2011-6-29 to 2018-6-29	311,015	Benchmark rate of over-five-year bank loans	41,710	222,153	Nil
Company 4	From 2012-3-22 to 2017-3-22	242,214	Benchmark rate of over-five-year bank loans plus 0.69%	23,977	156,694	Nil
Company 5	From 2011-9-2 to 2016-9-2	264,883	Benchmark rate of four-year bank loans floating 5%	19,033	153,141	Nil
		1,870,157		250,908	1,418,436	

As at 31 December 2011, the five highest amounts of long-term payables were as follows:

	Term	Initial amount	Annual interest rate %	Accrued interest	Closing balance	Borrowing terms
Company 1	From 2011-7-15 to 2018-7-15	552,045	Benchmark rate of over-five-year bank loans	113,478	529,043	Nil
Company 2	From 2011-6-29 to 2018-6-29	311,015	Benchmark rate of over-five-year bank loans	50,220	244,369	Nil
Company 3	From 2011-5-26 to 2015-5-26	291,355	Benchmark rate of four-year bank loans floating 10%	27,937	192,000	Nil
Company 4	From 2011-9-2 to 2016-9-2	264,883	Benchmark rate of four-year bank loans floating 5%	25,335	173,327	Nil
Company 5	From 2011-12-12 to 2015-12-12	175,993	Benchmark rate of four-year bank loans floating 20%	15,278	116,717	Nil
		1,595,291		232,248	1,255,456	

As at 30 June 2012, no independent third party has provided a guarantee for the Group's finance leases (31 December 2011: nil).

As at 30 June 2012 and 31 December 2011, the Group's finance lease payables were for the purchases of machinery and equipment and were measured in RMB.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Special payables

	For the six months ended 30 June 2012			
	Opening balance	Additions (Unaudited)	Decrease (Unaudited)	Closing balance (Unaudited)
Research and development funds	89,867	—	(32,911)	56,956
Specific projects funds	213,855	36,432	(32,768)	217,519
Others	664	—	(48)	616
	304,386	36,432	(65,727)	275,091
	2011			
	Opening balance	Additions	Decrease	Closing balance
Research and development funds	49,921	51,296	(11,350)	89,867
Specific projects funds	194,836	42,426	(23,407)	213,855
Others	1,318	—	(654)	664
	246,075	93,722	(35,411)	304,386

35. Deferred income

	30 June 2012 (Unaudited)	31 December 2011
Government grants related to assets	179,339	151,174
Government grants related to income	5,788	5,788
	185,127	156,962
Less: current portion of deferred income	(23,912)	(25,956)
	161,215	131,006

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Share capital

	For the six months ended 30 June 2012		
	Opening balance	Movements in the current year Restricted shares transferred to ordinary shares (Unaudited)	Closing balance (Unaudited)
Restricted shares			
– NSSF	245,000	—	245,000
Unrestricted shares			
– RMB ordinary shares (A shares)	10,016,246	—	10,016,246
– Overseas listed foreign shares (H shares)	2,076,296	—	2,076,296
	12,337,542	—	12,337,542

	2011		
	Opening balance	Movements in the current year Restricted shares transferred to ordinary shares	Closing balance
Restricted shares			
– State-owned shares	7,566,246	(7,566,246)	—
– NSSF	245,000	—	245,000
Unrestricted shares			
– RMB ordinary shares (A shares)	2,450,000	7,566,246	10,016,246
– Overseas listed foreign shares (H shares)	2,076,296	—	2,076,296
	12,337,542	—	12,337,542

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Capital reserve

	For the six months ended 30 June 2012			
	Opening balance	Increase (Unaudited)	Decrease (Unaudited)	Closing balance (Unaudited)
Share premium	34,746,711	—	—	34,746,711
Others	(749,035)	7,564	(145,857)	(887,328)
	33,997,676	7,564	(145,857)	33,859,383

	2011			
	Opening balance	Increase	Decrease	Closing balance
Share premium	34,746,711	—	—	34,746,711
Others	(760,477)	56,487	(45,045)	(749,035)
	33,986,234	56,487	(45,045)	33,997,676

38. Special reserve

The Group provided for and utilized safety production expenses according to the *Circular on Printing and Issuing the Management Measures on the Enterprises Production Safety Expense of Enterprises appropriation and utilization* and the *Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilization* (2012. No.16), issued by the Ministry of Finance and the State Administration of Work Safety. For details, please refer to Note II.30.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Surplus reserve

		For the six months ended 30 June 2012			
		Opening balance	Increase (Unaudited)	Decrease (Unaudited)	Closing balance (Unaudited)
Statutory surplus reserve	Note	855,536	—	—	855,536

		2011			
		Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	Note	855,536	—	—	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% 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 accumulated losses or to increase share capital.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Retained earnings

	For the six months ended 30 June 2012 (Unaudited)	2011
Retained earnings at beginning of the period/year	17,338,492	10,101,077
Net profit attributable to the owners	3,188,436	7,854,292
Less: ordinary share cash dividends declared	(1,233,754)	(616,877)
Retained earnings at the period/year end	19,293,174	17,338,492

41. Revenue and cost of sales

The operating revenue is as follows:

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Revenue from principal operations	183,784,204	210,457,949
Other operating revenue	747,706	948,146
	184,531,910	211,406,095

The operating cost is as follows:

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Cost of sales	165,292,988	190,752,891

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Revenue and cost of sales (continued)

An analysis of the Group's operating revenue and cost of sales by sector is as follows:

(Unaudited) Sectors	For the six months ended 30 June			
	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
Construction operations	162,257,125	146,270,226	189,442,655	171,977,756
Survey, design and consultancy operations	2,798,794	1,829,611	3,267,368	2,171,302
Manufacturing operations	3,488,165	2,696,486	4,082,998	3,293,026
Other business operations	15,987,826	14,496,665	14,613,074	13,310,807
	184,531,910	165,292,988	211,406,095	190,752,891

Information related to the Group's operating revenue and cost of sales is analyzed by region as follows:

(Unaudited) Regions	For the six months ended 30 June			
	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
Mainland China	176,613,378	158,252,014	204,896,087	184,818,845
Outside Mainland China	7,918,532	7,040,974	6,510,008	5,934,046
	184,531,910	165,292,988	211,406,095	190,752,891

For the six months ended 30 June 2012, operating revenues from customers with the five highest amounts were as follows:

	Amount (Unaudited)	Percentage of total operating revenue
Customer 1	3,881,090	2.10
Customer 2	3,456,116	1.87
Customer 3	2,530,747	1.37
Customer 4	2,414,222	1.31
Customer 5	2,291,365	1.24
	14,573,540	7.89

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Revenue and cost of sales (continued)

For the six months ended 30 June 2011, operating revenues from customers with the five highest amounts were 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

42. Business tax and surcharges

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Business tax	4,654,319	5,672,880
City maintenance and construction tax	246,310	262,295
Others	341,323	310,527
	5,241,952	6,245,702

Refer to Note III. Taxes for details of applicable tax rates of business tax and surcharges.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Selling and distribution expenses

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Employee compensation costs	245,382	271,559
Transportation expenses	117,103	187,207
Business development expenses	100,813	99,058
Agency service fees	59,828	49,975
Advertising expenses	57,316	68,013
Repair and maintenance expenses	10,826	29,266
Others	75,323	71,054
	666,591	776,132

44. General and administrative expenses

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Employee compensation costs	3,049,734	2,857,212
Research and development expenses	2,455,725	3,467,825
Depreciation expenses	414,949	367,859
Entertainment expenses	403,431	434,437
Traveling expenses	325,931	286,098
Office expenses	248,616	264,424
Others	990,961	924,396
	7,889,347	8,602,251

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Finance costs

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Interest expenses	2,829,039	1,366,235
Less: interest income	(1,000,087)	(633,520)
capitalized interest	(475,746)	(225,281)
Exchange losses/(gains)	121,133	(69,179)
Bank charges and others	235,408	196,952
	1,709,747	635,207

The amount of capitalized interest has been included in the balances of construction in progress (Note V.14), intangible assets (Note V.15) and properties under development (Note V.7(a)).

46. Impairment (reversal)/losses

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Reversal of provisions for bad debts	(33,666)	(2,239)
Reversal of provisions for decline in value of inventories	(589)	(1,206)
Provisions for foreseeable contract losses	6,426	7,724
Impairment of fixed assets	2,536	—
	(25,293)	4,279

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Gains/(loss) arising from fair value changes

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Financial assets held for trading	1,748	(9,089)

48. Investment income

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Share of net profits of associates	1,653	34
Share of net profits of jointly controlled entities	29,947	3,208
Investment income from disposal of long-term equity investments	86,885	16,600
Gains from holding funds	—	7,043
Investment income gained during the period in which the Company held available-for-sale financial assets	4,447	603
Dividend income received from long-term equity investments	1,488	55,279
	124,420	82,767

Among the above income from long-term equity investments under the equity method, the four highest amounts of investees in terms of proportion of their investment income to the Group's total profit are presented as follows:

(Unaudited)	For the six months ended 30 June		Reason for fluctuation
	2012	2011	
PetroChina-CRCC Petroleum Marketing Co., Ltd.	32,295	13,328	Increase in profits
CRCC-HC-CR15G JV	4,003	—	Increase in profits
Guangdong Waterway Engineering Design and Consulting Co., Ltd.	3,576	—	New investment
Chongqing Monorail Transit Engineering Co., LTD.	1,077	—	Increase in profits
	40,951	13,328	

As at 30 June 2012, the remittance of the Group's investment income was not subject to significant restrictions.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

49. Non-operating income

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Government grants	98,836	52,198
Gains on disposal of non-current assets	41,985	39,619
Including:		
Gains on disposal of fixed assets	41,625	39,432
Gains on disposal of intangible assets	360	187
Gains on compensation, penalties and fines	13,191	33,297
Gains on debt restructuring	1,970	14,632
Others	41,492	54,315
	197,474	194,061

Government grants credited to profit or loss for the current period are as follows:

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Enterprise development funding	45,688	13,462
Relocation compensation	29,045	7,017
Refund of taxes	8,013	18,270
Equipment funding from the Ministry of Railways	8,000	8,150
Others	8,090	5,299
	98,836	52,198

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Non-operating expenses

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Loss on disposal of non-current assets	35,206	109,125
Including:		
Loss on disposal of fixed assets	31,372	108,830
Loss on disposal of intangible assets	3,834	295
Loss on compensation, penalties and fines	17,078	21,331
Loss on stocktaking	2,635	15
Donations	1,140	1,576
Others	14,063	13,458
	70,122	145,505

51. Income tax expenses

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Current tax expenses — Mainland China	764,489	771,885
Current tax expenses — Hong Kong	312	387
Current tax expenses — Others	10,377	19,777
Deferred tax expenses	12,262	94,142
	787,440	886,191

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Income tax expenses (continued)

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	
	2012 (Unaudited)	2011 (Unaudited)
Total profit	4,010,098	4,511,867
Income tax at the statutory income tax rate (Note (a))	1,002,525	1,127,967
Tax effect of lower tax rates for some subsidiaries	(145,592)	(225,570)
Tax effect of share of profits and losses of jointly controlled entities and associates	(7,355)	3,503
Income not subject to tax	(7,783)	(8,477)
Expenses not deductible for tax purpose	74,712	85,269
Tax losses utilised from previous years	(31,461)	(16,757)
Income tax benefits on locally purchased machinery and research and development expenses	(120,312)	(111,373)
Tax losses not recognized	162,845	46,789
Adjustments in respect of current income tax of previous periods	(83,146)	(28,477)
Others	(56,993)	13,317
Tax expense at the Group's effective tax rate	787,440	886,191

Notes:

- (a) The income tax of the Group is calculated based on the estimated taxable profit arising 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 RMB3,193,000 (30 June 2011: RMB1,640,000) and RMB681,000 (30 June 2011: RMB98,000), respectively, is included in the "Investment income-share of profits and losses of associates and jointly controlled entities" on the face of the consolidated income statement.

Notes To Financial Statements (continued)

30 June 2012

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

52. 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	
	2012 (Unaudited)	2011 (Unaudited)
Earnings		
Net profit attributable to ordinary shareholders of the Company	3,188,436	3,639,152
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)	0.26	0.29

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 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

53. Other comprehensive (loss)/income

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Gains/(losses) from available-for-sale financial assets	7,564	(3,604)
Less: tax effects of available-for-sale financial assets	(1,638)	425
	5,926	(3,179)
Exchange differences on foreign currency translation	(73,880)	65,631
	(67,954)	62,452

54. Notes to consolidated cash flow statement

(1) Cash paid for other operating activities:

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Cash paid relating to other operating activities:		
Deposits	1,140,628	1,004,711
Entertainment expenses	410,078	464,878
Traveling expenses	336,228	284,867
Office expenses	256,301	242,114
Transportation costs	118,849	203,879
Consulting fees	113,270	103,638
Business development expenses	103,962	154,711
Repair and maintenance costs	86,935	111,706
Energy costs	81,594	132,719
Agency service fees	66,874	88,749
Insurance fees	41,524	47,858
Others	9,413	305,762
	2,765,656	3,145,592

(2) Cash received from other investing activities

Cash received from other investing activities included an amount of RMB1,222 million for the newly registered capital of Finance Company, which was due to that Finance Company is within the consolidation scope since the current period. Refer to Note VI.5(f) for details.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

55. Supplementary information to the consolidated cash flow statement

(1) Supplementary information to the consolidated cash flow statement

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Reconciliation of net profit to cash flows used in operating activities		
Net profit	3,222,658	3,625,676
Plus:		
(Reversal)/provision for impairment of assets	(25,293)	4,279
Depreciation of fixed assets	4,535,350	4,422,806
Amortization of intangible assets	95,507	87,809
(Gains)/losses from disposal of fixed assets, intangible assets and other long-term assets	(6,779)	69,506
(Gains)/losses from changes in fair value	(1,748)	9,089
Finance costs	1,474,339	438,255
Investment income	(124,420)	(82,767)
Increase in deferred tax assets	12,506	95,559
Decrease in deferred tax liabilities	(431)	(1,417)
Increase in inventories	(4,730,759)	(14,209,094)
Net increase in construction contracts	(8,700,769)	(6,206,593)
Increase in operating receivables	(9,367,574)	(17,033,532)
Increase in operating payables	10,299,764	16,210,409
Net cash flows used in operating activities	(3,317,649)	(12,570,015)

Changes in cash and cash equivalents:

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Cash at the end of period	67,087,744	57,727,864
Less: opening balance of cash	(60,466,792)	(54,141,998)
Plus: closing balance of cash equivalents	2,790,653	5,341,567
Less: opening balance of cash equivalents	(13,700,791)	(1,781,146)
Net (decrease)/increase in cash and cash equivalents	(4,289,186)	7,146,287

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

55. Supplementary information to the consolidated cash flow statement (continued)

(2) Cash and cash equivalents

	30 June 2012 (Unaudited)	31 December 2011
Cash	67,087,744	60,466,789
Including: cash on hand	627,226	518,814
bank deposits on demand	66,460,518	59,947,975
Cash equivalents	2,790,653	13,700,794
Closing balance of cash and cash equivalents	69,878,397	74,167,583

(3) Information related to acquisition of a subsidiary

	30 June 2012 (Unaudited)
Considerations for acquisitions of subsidiary	300,000
Cash and cash equivalents paid for acquisitions of subsidiary	300,000
Less: Amount of cash and cash equivalents in the subsidiary	(175,885)
Net amount of cash paid for acquisitions of subsidiary	124,115

Notes To Financial Statements (continued)

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(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	Beijing	Meng Fengchao	Construction and management	5,969,888	61.33	61.33	10001066-0

2. Subsidiaries

Refer to note IV – “Consolidation scope of the consolidated financial statements”.

3. Jointly controlled enterprises and associates

Company name	Relationship With the Group	Organization code
Nanchang Railway 2nd 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
Chongqing Yurong Highway Co., Ltd.	Associate	55675000-X
Gansu China Railway Construction and Estate Investment Co., Ltd.	Associate	55627243-1
Wuhan Lvyin Lawn Engineering Co., Ltd.	Associate	71199357-1
Wuhan Beitong Technology Co., Ltd.	Associate	722741230
Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.	Associate	582464912
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
Groupement 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 2012

(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 Tiefsa 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

(1) Construction operations revenue (Note (a))	For the six months ended 30 June			
	2012 (Unaudited)		2011 (Unaudited)	
	Amount	Percentage	Amount	Percentage
Chongqing Yurong Highway Co., Ltd.	918,526	0.57	853,200	0.45
Groupement CITIC-CRCC Joint Venture	152,566	0.09	154,058	0.08
Chongqing Monorail Transportation Engineering Co., Ltd.	88,457	0.05	82,297	0.04
CRCCG (Note (e))	59,230	0.04	126,766	0.07
Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.	10,393	0.01	—	—
CRCC-HC-CR 15G Joint Venture	9,972	0.01	—	—
Chongqing Tiefsa Suiyu Highway Co., Ltd. (Note (e))	187	—	772	—
Beijing Tongda Jingcheng Highway Co., Ltd. (Note (e))	—	—	58	—
	1,239,331	0.77	1,217,151	0.64

(2) Survey, design and consultancy operations revenue (Note (b))	For the six months ended 30 June			
	2012 (Unaudited)		2011 (Unaudited)	
	Amount	Percentage	Amount	Percentage
CRCCG (Note (e))	560	0.02	238	0.01

Notes To Financial Statements (continued)

30 June 2012

(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			
	2012 (Unaudited)		2011 (Unaudited)	
(3) Other income (Note (c))	Amount	Percentage	Amount	Percentage
Chongqing Monorail Transportation Engineering Co., Ltd.	4,824	0.02	—	—
Beijing Tongda Jingcheng Highway Co., Ltd. (Note (e))	143	—	—	—
CRCCG (Note (e))	—	—	26,626	0.14
	4,967	0.02	26,626	0.14

	For the six months ended 30 June			
	2012 (Unaudited)		2011 (Unaudited)	
(4) Purchase of goods and rendering of services (Note (d))	Amount	Percentage	Amount	Percentage
PetroChina-CRCC Petroleum Marketing Co., Ltd.	287,503	0.17	374,690	0.20
Groupement CITIC-CRCC Joint Venture	—	—	11,624	0.01
	287,503	0.17	386,314	0.21

	For the six months ended 30 June			
	2012 (Unaudited)		2011 (Unaudited)	
(5) Other expenses (Note (c))	Amount	Percentage	Amount	Percentage
CRCCG (Note (e))	17,214	0.01	15,000	0.01
Jinli Assets Management Center (Note (e))	490	—	227	—
China Great Wall Finance Company (Note(f))	—	—	105,916	0.06
	17,704	0.01	121,143	0.07

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Related party transactions (continued)

- (6) Related party guarantee

Granted to a related party

30 June 2012 (Unaudited) and 31 December 2011

	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

Notes:

- (a) The terms of the construction service agreements entered into by the Group and related parties were mutually agreed by the parties.
- (b) The terms of the survey, design and consultancy service agreements entered into by the Group and related parties were mutually agreed by the parties.
- (c) 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.
- (d) The terms of the purchase agreements of goods and services entered into by the Group and related parties were mutually agreed by the parties.
- (e) The above related party transactions also constitute a connected transaction or continuous related party transactions defined in chapter 14A of the "Hong Kong Listing Rules".
- (f) According to the "Proposal in relation to investment in the Finance Company" approved at the 44th meeting of the first session of the Board held on 13 May 2011, and the announcement made to the Hong Kong Exchanges and Clearing Limited and Shanghai Stock Exchange on 19 May 2011 and 20 May 2011, respectively, the Company would participate in the proposed restructuring of China Great Wall Finance Company ("Finance Company") with CRCCG, and would subscribe for RMB1,222 million of the newly registered capital by cash. Upon the completion of the capital increase and restructuring, shareholding of the Company in it will be 94%. The Company undertook the restructuring and performing cost of RMB106 million according to the shareholding. As at 31 December 2011, the company has made the payment for the capital increase of the Finance Company, but the industrial and commercial registration of the Finance Company has not finished yet, so the investment is disclosed in other receivables. As at 30 June 2012, the industrial and commercial registration of the Finance Company has finished. Finance Company is newly consolidated in the current year.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

6. Amounts due from/to related parties

	30 June 2012 (Unaudited)		31 December 2011	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable (Note (a))				
Chongqing Monorail Transportation Engineering Co., Ltd.	37,919	—	45,263	—
CRCCG (Note (b))	16,580	—	14,486	—
Chongqing Tiefu Suiyu Highway Co., Ltd.	4,301	—	4,243	—
Xi'an Tianchuang Real Estate Co., Ltd.	584	—	584	—
Nanchang Railway 2nd Construction Engineering Co., Ltd.	530	—	530	—
Beijing Tongda Jingcheng Highway Co., Ltd.	495	—	3,405	—
Chongqing Yurong Highway Co., Ltd.	—	—	119,676	—
CRCC-HC-CR15G Joint Venture	—	—	4,976	—
	60,409	—	193,163	—
Amounts due from customers for contract work (Note (a))				
Groupement CITIC-CRCC Joint Venture	99,913	—	192,765	—
CRCCG (Note (c))	60,299	—	110,719	—
Chongqing Monorail Transportation Engineering Co., Ltd.	29,858	—	73,330	—
Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.	1,093	—	—	—
	191,163	—	376,814	—

Notes To Financial Statements (continued)

30 June 2012

(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 2012 (Unaudited)		31 December 2011	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Advance to supplier (Note (a))				
PetroChina-CRCC Petroleum Marketing Co., Ltd.	12,803	—	—	—
Other receivables (Note (a))				
China-Africa Lekkil Investment Co., Ltd.	184,967	—	137,123	—
CRCC-Tongguan Investment Co., Ltd.	128,465	—	2,160	—
Nanchang Xinlong Real Estate Co., Ltd.	26,599	475	26,599	475
Nanchang Railway 2nd Construction Engineering Co., Ltd.	5,980	31	6,130	31
Petrochina-CRCC Petroleum Marketing Co., Ltd.	3,807	—	—	—
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	2,178	—	1,828	—
Shaanxi Jiuzheng Medical Technology Co., Ltd.	910	329	1,360	329
Chongqing Monorail Transportation Engineering Co., Ltd.	384	—	384	—
China Great Wall Finance Company (Note (d))	—	—	1,222,000	—
Groupement CITIC-CRCC Joint Venture	—	—	166,295	—
Chongqing Yurong Highway Co., Ltd.	—	—	19,536	—
	353,290	835	1,583,415	835
Current portion of non-current asset				
CRCCG (Note (e))	500,000	—	500,000	—
Long-term receivable				
CRCCG (Note (e))	500,000	—	1,000,000	—

Notes To Financial Statements (continued)

30 June 2012

(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 2012 (Unaudited)	31 December 2011
Accounts payable (Note (a))		
Wuhan Beitong Technology Co., Ltd.	1,743	1,743
Wuhan Lvyin Lawn Engineering Co., Ltd.	6	88
PetroChina-CRCC Petroleum Marketing Co., Ltd.	—	25,914
	1,749	27,745
Amounts due to customers for contract work (Note (a))		
CRCC-HC-CR15G-Joint Venture	348,190	—
Groupement CITIC-CRCC Joint Venture	—	34,588
Chongqing Monorail Transportation Engineering Co., Ltd.	—	2,087
	348,190	36,675
Advances from customers (Note (a))		
Chongqing Yurong Highway Co., Ltd.	196,961	124,512
Groupement CITIC-CRCC Joint Venture	—	75,490
	196,961	200,002

Notes To Financial Statements (continued)

30 June 2012

(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 2012 (Unaudited)	31 December 2011
Dividend payable (Note (a))		
CRCCG	756,625	—
Other payables (Note (a))		
Groupement CITIC-CRCC Joint Venture	1,771,423	2,017,951
CRCCG (Note (f))	1,085,107	202,275
Hubei Wanjia Real Estate Development Limited	41,000	4,000
Jinli Assets Management Center	3,533	2,170
China Railway Communications International Engineering and Technology Co., Ltd.	930	930
Chongqing Tiefa Suiyu Highway Co., Ltd.	—	200,000
Shaanxi Jiuzheng Medical Technology Co., Ltd.	—	450
Nanchang Railway 2nd Construction Engineering Co., Ltd.	—	150
	2,901,993	2,427,926

Notes:

- (a) The amounts due from/to the related parties were interest-free, unsecured, with no fixed terms of repayment.
- (b) The accounts receivable from CRCCG mainly arose from China Railway Construction Group Ltd., one of the Group's subsidiaries, which was constructed Research Building for CRCCG.
- (c) The gross amounts due from contract customers — CRCCG mainly arose from China Railway 14th Bureau Group Co., Ltd. and China Railway 15th Bureau Group Co., Ltd., subsidiaries of the Group, which provide construction services for the Nanjing Changjiang Tunnel Project to CRCCG.
- (d) For details, refer to Note VI.5 (note f).
- (e) The long-term receivable represented the balance due from the CRCCG in regard to the transfer consideration of the Mecca Light Rail Project. The Company entered into the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project about remaining rights and obligations of CRCCG. 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 2012, an amount of RMB500,000,000 shall be paid within one year and the remaining amount of RMB500,000,000 shall be paid in 2014 by CRCCG.
- (f) The amount due to CRCCG mainly represented deposits in the Center of Settling Accounts of Fund of the Group from CRCCG, and 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.29).

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

VII. CONTINGENCIES

- 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 2012 (Unaudited)	31 December 2011
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 2012 (Unaudited)	31 December 2011
Subsidiaries	3,173,669	3,011,317
Jointly controlled entity	1,067,204	1,067,204
An investee of the Company	117,600	117,600
	4,358,473	4,196,121

In addition, certain interest-bearing bank and other loans of the Company of approximately RMB53,410,000 (31 December 2011: RMB58,466,000) were guaranteed by the subsidiaries of the Company as at 30 June 2012.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

VIII. COMMITMENTS

	30 June 2012 (Unaudited)	31 December 2011
Capital commitments		
Contracted, but not provided for	825,746	932,050
Authorized by the board, but not contracted for	105,586	72,672
	931,332	1,004,722
Investment commitments		
Contracted, but not fulfilled	625,000	625,000
Authorized by the board, but not contracted for	2,500,000	3,000,000
	3,125,000	3,625,000

IX. EVENTS AFTER THE BALANCE SHEET DATE

- The Company issued first phase short-term financing bonds of 2012 on 18 July 2012, with an amount of RMB10,000,000,000. The period of the short-term bonds is one year, with a coupon rate at 3.6%. On 19 July 2012, the Company has fully received the funds raised.
- Except for the above event, no significant events took place subsequent to 30 June 2012 until the date of the financial statements were approved and authorized for issue.

X. OTHER SIGNIFICANT EVENTS

1. Leases

As the lessee

Finance leases: As at 30 June 2012, the balance of unrecognized financing charges was RMB547,019,000 (31 December 2011: RMB431,076,000), which was amortized using the effective interest rate method over the lease terms. The future minimum lease payments under non-cancellable finance leases are as follows:

	30 June 2012 (Unaudited)	31 December 2011
Less than 1 year (including 1 year)	831,362	623,156
1 to 2 years (including 2 years)	738,722	567,524
2 to 5 years (including 5 years)	1,637,139	1,193,758
Over 5 years	217,699	275,214
	3,424,922	2,659,652

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

X. OTHER SIGNIFICANT EVENTS (continued)

1. Leases (continued)

As the lessee (continued)

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 as follows:

	30 June 2012 (Unaudited)	31 December 2011
Less than 1 year (including 1 year)	54,509	68,622
1 to 2 years (including 2 years)	15,521	44,761
2 to 3 years (including 3 years)	11,245	12,537
Over 3 years	23,405	27,928
	104,680	153,848

2. Assets and liabilities measured at fair value

	For the six months ended 30 June 2012			
	Opening balance	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	46,919	1,748	—	48,752
Available-for-sale financial assets	242,097	—	7,564	249,661
	289,016	1,748	7,564	298,413

	2011			
	Opening balance	Loss from changes in fair value in the current year	Accumulated changes in fair value charged to equity	Closing balance
Financial assets				
Financial assets at fair value through profit or loss	75,490	(27,109)	—	46,919
Available-for-sale financial assets	273,773	—	(31,634)	242,097
	349,263	(27,109)	(31,634)	289,016

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

X. OTHER SIGNIFICANT EVENTS (continued)

3. Segment reporting

Operating segments

For management purposes, the Group is organized into the following four operating 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.

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.

Notes To Financial Statements (continued)

30 June 2012

(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 2012 (Unaudited)					Total
	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Other business operations	Eliminations and adjustments	
Revenue from external customers	162,257,125	2,798,794	3,488,165	15,987,826	—	184,531,910
Inter-segment sales	1,377,724	1,387	585,927	1,937,397	(3,902,435)	—
	163,634,849	2,800,181	4,074,092	17,925,223	(3,902,435)	184,531,910
Share of profits and losses of jointly controlled entities and associates	(156)	(540)	—	32,296	—	31,600
Impairment losses (reversed)/recognized	(26,714)	3,050	1,188	(2,817)	—	(25,293)
Depreciation and amortization	4,272,306	102,589	143,109	112,853	—	4,630,857
Profit before tax	2,772,713	344,545	309,473	545,686	37,681	4,010,098
Segment assets (i)	358,526,070	12,198,072	13,088,090	94,440,629	(35,803,839)	442,449,022
Segment liabilities (ii)	314,442,871	9,225,416	8,729,257	79,102,321	(36,537,866)	374,961,999
Other segment information						
Investments in jointly controlled entities and associates	2,152,422	10,955	32,739	155,894	—	2,352,010
Increase in non-current assets other than long-term equity investments	3,849,706	48,696	378,042	107,123	—	4,383,567

Notes To Financial Statements (continued)

30 June 2012

(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 2011 (Unaudited)					Total
	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Other business operations	Eliminations and adjustments	
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 (reversed)/recognized	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 investments	6,166,513	129,101	342,745	313,078	–	6,951,437

(i) Segment assets do not include deferred tax assets of RMB2,003,561,000 (31 December 2011: RMB1,986,991,000) as the Group does not manage these assets based on operating segments. In addition, inter-segment receivables of RMB37,807,400,000 (31 December 2011: RMB 37,795,013,000) are eliminated on consolidation.

(ii) Segment liabilities do not include deferred tax liabilities of RMB279,223,000 (31 December 2011: RMB278,016,000) and corporate income tax payable of RMB990,311,000 (31 December 2011: RMB1,429,113,000) as the Group does not manage these liabilities based on operating segments. In addition, inter-segment payables of RMB37,807,400,000 (31 December 2011: RMB37,795,013,000) are eliminated on consolidation.

Notes To Financial Statements (continued)

30 June 2012

(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	
	2012 (Unaudited)	2011 (Unaudited)
Mainland China	176,613,378	204,896,087
Outside Mainland China	7,918,532	6,510,008
	184,531,910	211,406,095

Non-current assets (i)

	30 June 2012 (Unaudited)	31 December 2011
	Mainland China	47,176,436
Outside Mainland China	2,069,392	2,296,545
	49,245,828	49,606,804

In the geographical information above, revenue from external customers is based on the location of the customers. Non-current asset 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 2012 and during the year of 2011.

Notes To Financial Statements (continued)

30 June 2012

(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, deposits from customers, bonds payable, short-term corporate bonds, finance lease liabilities, and cash and bank balances. 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 2012.

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 2012 (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	—	1,245	—	—	1,245
Available-for-sale financial assets	—	—	—	249,661	249,661
Long-term equity investments under cost method	—	—	—	2,525,057	2,525,057
Bills receivable	—	—	1,234,126	—	1,234,126
Accounts receivable	—	—	56,875,259	—	56,875,259
Interest receivables	—	—	80,081	—	80,081
Dividends receivable	—	—	49,261	—	49,261
Other receivables	—	—	29,978,796	—	29,978,796
Long-term receivables	—	—	7,239,773	—	7,239,773
Current portion of non-current assets	—	—	13,703,222	—	13,703,222
Financial assets held for trading	48,752	—	—	—	48,752
Cash and bank balances	—	—	80,257,676	—	80,257,676
	48,752	1,245	189,418,194	2,774,718	192,242,909

Notes To Financial Statements (continued)

30 June 2012

(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)

The carrying amount of each of the categories of financial instruments at the end of the reporting period are as follows (continued):

30 June 2012 (Unaudited) (continued)

Financial liabilities	Financial liabilities at amortized cost
Short-term borrowings	33,572,141
Deposits from customers	3,462
Short-term bonds payable	9,547,556
Bills payable	16,611,552
Accounts payable	144,698,302
Interest payables	852,770
Dividends payable	1,343,902
Other payables	34,715,843
Current portion of non-current liabilities	21,384,256
Long-term borrowings	14,328,457
Bonds payable	12,400,843
Long-term payables	3,482,950
	<hr/> 292,942,034 <hr/>

Notes To Financial Statements (continued)

30 June 2012

(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)

The carrying amount of each of the categories of financial instruments at the end of the reporting period are as follows (continued):

31 December 2011

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	—	1,269	—	—	1,269
Available-for-sale financial assets	—	—	—	242,097	242,097
Long-term equity investments under cost method	—	—	—	2,317,472	2,317,472
Bills receivable	—	—	2,014,619	—	2,014,619
Accounts receivable	—	—	62,918,831	—	62,918,831
Interest receivables	—	—	60,370	—	60,370
Dividends receivable	—	—	46,844	—	46,844
Other receivables	—	—	25,335,878	—	25,335,878
Long-term receivables	—	—	8,504,060	—	8,504,060
Current portion of non-current assets	—	—	10,546,813	—	10,546,813
Financial assets held for trading	46,919	—	—	—	46,919
Cash and bank balances	—	—	83,057,641	—	83,057,641
	46,919	1,269	192,485,056	2,559,569	195,092,813

Notes To Financial Statements (continued)

30 June 2012

(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)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows (continued):

31 December 2011 (continued)

Financial liabilities	Financial liabilities at amortized cost
Short-term borrowings	34,159,994
Short-term bonds payable	7,504,783
Bills payable	10,972,454
Accounts payable	149,398,973
Interest payables	314,013
Dividends payable	57,489
Other payables	32,532,577
Current portion of non-current liabilities	13,961,260
Long-term borrowings	18,218,813
Bonds payable	12,392,517
Long-term payables	3,453,826
	282,966,699

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 bank balances, available-for-sale financial assets, other receivables, arising from the 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 bank balances 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 2012

(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 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 2012 and 31 December 2011, 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 are disclosed in Notes 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 estimated 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 from several PRC banks of up to RMB611.5 billion as at 30 June 2012, of which an amount of approximately RMB213.5 billion 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 based on the carrying amount of borrowings reflected in the financial statements. As at 30 June 2012, 70.5% (31 December 2011: 64.3%) of the Group's borrowings would mature in less than one year.

Notes To Financial Statements (continued)

30 June 2012

(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 2012 (Unaudited)					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	—	33,572,141	—	—	—	33,572,141
Deposits from customers	—	3,462	—	—	—	3,462
Short-term bonds payable	—	9,547,556	—	—	—	9,547,556
Bills payable	—	16,611,552	—	—	—	16,611,552
Accounts payable	—	144,698,302	—	—	—	144,698,302
Interest payables	—	852,770	—	—	—	852,770
Dividends payable	—	1,343,902	—	—	—	1,343,902
Other payables	—	34,715,843	—	—	—	34,715,843
Current portion of non-current liabilities	—	21,384,256	—	—	—	21,384,256
Long-term loans	—	—	6,402,821	7,173,304	752,332	14,328,457
Bonds payable	—	—	—	12,400,843	—	12,400,843
Long-term payables	—	—	1,419,820	1,809,460	253,670	3,482,950
Unrecognized financing charges in connection with finance leases	—	191,490	147,959	196,528	11,042	547,019
Interest payments on financial liabilities	—	2,712,842	922,441	1,828,632	1,441,698	6,905,613
Guarantees given to banks in connection with facilities granted to a jointly controlled entity, and other investees	1,184,804	—	—	—	—	1,184,804
	1,184,804	265,634,116	8,893,041	23,408,767	2,458,742	301,579,470

Notes To Financial Statements (continued)

30 June 2012

(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 (continued):

	31 December 2011					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	—	34,159,994	—	—	—	34,159,994
Short-term bonds payable	—	7,504,783	—	—	—	7,504,783
Bills payable	—	10,972,454	—	—	—	10,972,454
Accounts payable	—	149,398,973	—	—	—	149,398,973
Interest payables	—	314,013	—	—	—	314,013
Dividends payable	—	57,489	—	—	—	57,489
Other payables	—	32,532,577	—	—	—	32,532,577
Current portion of non-current liabilities	—	13,961,260	—	—	—	13,961,260
Long-term loans	—	—	11,414,809	6,256,888	547,116	18,218,813
Bonds payable	—	—	—	12,392,517	—	12,392,517
Long-term payables	—	—	1,712,243	1,443,587	297,996	3,453,826
Unrecognized financing charges in connection with finance leases	—	140,672	110,384	159,780	20,240	431,076
Interest payments on financial liabilities	—	2,867,193	922,234	1,908,722	1,525,037	7,223,186
Guarantees given to banks in connection with facilities granted to a jointly controlled entity, and other investees	1,184,804	—	—	—	—	1,184,804
	1,184,804	251,909,408	14,159,670	22,161,494	2,390,389	291,805,765

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.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

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. With its borrowings issued at fixed and floating interest rates, the group is exposed to both fair value and cash flow interest rate risks. 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 rates.

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 amortized 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 on cash flow interest rate risk resulting from the changes in interest rates because most of the Group's borrowings as at 30 Jun 2012 were at fixed interest rates.

If there were 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 RMB281,674,000 for the period (for the six months ended 30 June 2011: RMB174,298,000), 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 Jun 2012 and the exposure to interest rate risk has been applied 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 from now 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, RMB 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.

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

X. OTHER SIGNIFICANT EVENTS (continued)

4. Financial instruments and their risks (continued)

Market risk (continued)

Foreign currency risk (continued)

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 rates 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 2012 and the year ended 31 December 2011 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 exchange rates of United States dollar, Euro, Nigerian naira, Algerian dinar, Hong Kong dollar, with all other variables held constant, of the Group's net profit.

Effect on net profit

		Increase/ (decrease) in net profit For the six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
Increase in the United States dollar rate	3%	(91,800)	(55,300)
Decrease in the United States dollar rate	(3%)	91,800	55,300
Increase in the Euro rate	7%	(38,400)	(31,700)
Decrease in the Euro rate	(7%)	38,400	31,700
Increase in the Nigerian naira rate	6%	57,500	12,000
Decrease in the Nigerian naira rate	(6%)	(57,500)	(12,000)
Increase in the Algerian dinar rate	5%	7,700	4,200
Decrease in the Algerian dinar rate	(5%)	(7,700)	(4,200)
Increase in the Hong Kong dollar rate	3%	1,600	1,800
Decrease in the Hong Kong dollar rate	(3%)	(1,600)	(1,800)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 30 June 2012 and the exposure to foreign currency risk has been applied 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 from now until the end of the next annual reporting period.

Notes To Financial Statements (continued)

30 June 2012

(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

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 six months periods ended 30 June 2012 and 30 June 2011.

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, deposits from customers, short-term bonds payable, bills payable, accounts payable, employee benefits payable (excluding the provision for early retirement benefits), interest payables, dividends payable, other payables, current portion of non-current liabilities, bonds payable and long-term payables less cash and bank balances. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position.

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 were presented are as follows:

Notes To Financial Statements (continued)

30 June 2012

(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)

	30 June 2012 (Unaudited)	31 December 2011
Short-term loans	33,572,141	34,159,994
Long-term loans	14,328,457	18,218,813
Deposits from customers	3,462	—
Short-term bonds payable	9,547,556	7,504,783
Bills payable	16,611,552	10,972,454
Accounts payable	144,698,302	149,398,973
Employee benefits payable (excluded provision for early retirement benefits) (Note V.25)	9,277,841	8,719,250
Interest payables	852,770	314,013
Dividends payable	1,343,902	57,489
Other payables	34,715,843	32,532,577
Current portion of non-current liabilities	21,384,256	13,961,260
Bonds payable	12,400,843	12,392,517
Long-term payables	3,482,950	3,453,826
Less: cash and bank balances	(80,257,676)	(83,057,641)
Net debt	221,962,199	208,628,308
Total equity	67,487,023	65,718,772
Total equity and net debt	289,449,222	274,347,080
Gearing ratio	77%	76%

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 bank balances, bills receivable, accounts receivable, bills payable, accounts payable and similar instruments are 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, long-term and short-term loans, bonds payable and similar instruments are calculated by discounting the estimated 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 2012

(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 2012 (Unaudited)	31 December 2011	30 June 2012 (Unaudited)	31 December 2011
Financial assets				
Held-to-maturity investments	1,245	1,269	1,245	1,269
Available-for-sale financial assets	249,661	242,097	249,661	242,097
Long-term equity investments				
under cost method	2,525,057	2,317,472	2,525,057	2,317,472
Bills receivable	1,234,126	2,014,619	1,234,126	2,014,619
Accounts receivable	56,875,259	62,918,831	56,875,259	62,918,831
Interest receivable	80,081	60,370	80,081	60,370
Dividends receivable	49,261	46,844	49,261	46,844
Other receivables	29,978,796	25,335,878	29,978,796	25,335,878
Current portion of				
non-current assets	13,703,222	10,546,813	13,703,222	10,546,813
Long-term receivables	7,239,773	8,504,060	7,239,773	8,504,060
Financial assets held for trading	48,752	46,919	48,752	46,919
Cash and bank balances	80,257,676	83,057,641	80,257,676	83,057,641
	192,242,909	195,092,813	192,242,909	195,092,813
Financial liabilities				
Short-term loans	33,572,141	34,159,994	33,572,141	34,159,994
Deposits from customers	3,462	—	3,462	—
Short-term bonds payable	9,547,556	7,504,783	9,547,556	7,504,783
Bills payable	16,611,552	10,972,454	16,611,552	10,972,454
Accounts payable	144,698,302	149,398,973	144,698,302	149,398,973
Interest payables	852,770	314,013	852,770	314,013
Dividends payable	1,343,902	57,489	1,343,902	57,489
Other payables	34,715,843	32,532,577	34,715,843	32,532,577
Current portion of				
non-current liabilities	21,384,256	13,961,260	21,384,256	13,961,260
Long-term loans	14,328,457	18,218,813	14,240,838	18,162,902
Bonds payable	12,400,843	12,392,517	12,400,843	12,392,517
Long-term payables	3,482,950	3,453,826	3,482,158	3,444,660
	292,942,034	282,966,699	292,853,623	282,901,622

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

X. OTHER SIGNIFICANT EVENTS (continued)

5. Other financial information

- (i) Supplementary information to the balance sheet

Group

	30 June 2012 (Unaudited)	31 December 2011
Net current assets		
Current assets	381,074,099	360,324,148
Less: current liabilities	(340,583,689)	(318,741,720)
Net current assets	40,490,410	41,582,428

	30 June 2012 (Unaudited)	31 December 2011
Total assets less current liabilities		
Total assets	442,449,022	422,982,841
Less: current liabilities	(340,583,689)	(318,741,720)
Total assets less current liabilities	101,865,333	104,241,121

Company

	30 June 2012 (Unaudited)	31 December 2011
Net current assets		
Current assets	59,232,636	60,094,271
Less: current liabilities	(34,696,963)	(34,381,420)
Net current assets	24,535,673	25,712,851

	30 June 2012 (Unaudited)	31 December 2011
Total assets less current liabilities		
Total assets	108,222,267	110,762,169
Less: current liabilities	(34,696,963)	(34,381,420)
Total assets less current liabilities	73,525,304	76,380,749

Notes To Financial Statements (continued)

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

X. OTHER SIGNIFICANT EVENTS (continued)

5. Other financial information (continued)

- (ii) Compensation of directors, supervisors and key management personnel

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Compensation of directors, supervisors and key management personnel	2,375	3,151

XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

An ageing analysis of accounts receivable is as follows:

	30 June 2012 (Unaudited)	31 December 2011
Within 1 year	904,152	666,357

Accounts receivable by category are as follows:

	30 June 2012 (Unaudited)			
	Amount	Percentage	Provision for bad debts	Percentage
Individually significant and subject to separate provision for bad debts	904,152	100	—	—
	31 December 2011			
	Amount	Percentage	Provision for bad debts	Percentage
Individually significant and subject to separate provision for bad debts	650,295	97.59	—	—
Individually not significant but subject to separate provision for bad debts	16,062	2.41	—	—
	666,357	100.00	—	—

Notes To Financial Statements (continued)

30 June 2012

(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 2012, no amount due from shareholders that held 5% or more of the Company's voting rights was included in the aforesaid balance of accounts receivable (31 December 2011: nil).

As at 30 June 2012, significant accounts receivable were as follows:

	Relationship with the Company	Amount (Unaudited)	Ageing	Percentage of total accounts receivable
Company 1	Third party	471,524	Within 1 year	52.16
Company 2	Third party	432,628	Within 1 year	47.84
		904,152		100.00

As at 31 December 2011, significant accounts receivable were as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total accounts receivable
Company 1	Third party	480,207	Within 1 year	72.07
Company 2	Third party	126,294	Within 1 year	18.95
Company 3	Third party	43,794	Within 1 year	6.57
Others		16,062	Within 1 year	2.41
		666,357		100.00

Notes To Financial Statements (continued)

30 June 2012

(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 as follows:

	30 June 2012 (Unaudited)	31 December 2011
Within 1 year	39,960,277	37,998,155
1 to 2 years	118,146	6,812
2 to 3 years	6,159	115,129
Over 3 years	165,587	138,858
	40,250,169	38,258,954

Other receivables by category are as follows:

	30 June 2012 (Unaudited)			
	Amount	Percentage	Provision for bad debts	Percentage
Individually significant and subject to separate provision for bad debts	40,048,957	99.50	—	—
Individually not significant but subject to separate provision for bad debts	201,212	0.50	—	—
	40,250,169	100.00	—	—
	31 December 2011			
	Amount	Percentage	Provision for bad debts	Percentage
Individually significant and subject to separate provision for bad debts	38,043,194	99.44	—	—
Individually not significant but subject to separate provision for bad debts	215,760	0.56	—	—
	38,258,954	100.00	—	—

Notes To Financial Statements (continued)

30 June 2012

(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 2012, the five highest amounts of other receivables were as follows:

	Relationship with the Company	Amount (Unaudited)	Ageing	Percentage of total other receivables
Company 1	Subsidiary	18,515,000	Within 1 year	46.00
Company 2	Subsidiary	6,442,656	Within 1 year	16.01
Company 3	Subsidiary	4,097,625	Within 1 year	10.18
Company 4	Subsidiary	1,260,564	Within 1 year	3.13
Company 5	Subsidiary	1,226,000	Within 1 year	3.05
		31,541,845		78.37

As at 31 December 2011, the five highest amounts of other receivables were as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
Company 1	Subsidiary	18,515,000	Within 1 year	48.39
Company 2	Subsidiary	8,282,553	Within 1 year	21.65
Company 3	Subsidiary	1,664,772	Within 1 year	4.35
Company 4	Subsidiary	1,248,142	Within 1 year	3.26
China Great Wall Finance Company (note)	Fellow subsidiary	1,222,000	Within 1 year	3.19
		30,932,467		80.84

As at 30 June 2012, no amount due from shareholders that held 5% or more of the Company's voting rights was included in the aforesaid balance of other receivables (31 December 2011: nil).

Notes To Financial Statements (continued)

30 June 2012

(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 2012, other receivables from related parties were as follows:

	30 June 2012 (Unaudited)	31 December 2011
Subsidiaries	40,034,753	36,805,765
Fellow subsidiary (note)	—	1,222,000
Jointly controlled entities	2,222	174,789
	40,036,975	38,202,554

Note: For details, refer to Note VI.6 (note d).

3. Long-term equity investments

		30 June 2012 (Unaudited)	31 December 2011
Cost method			
Equity investment in entities with no joint control or significant influence	(i)	8,652	1,508,652
Subsidiaries	(ii)	48,234,663	46,708,615
Equity method			
Jointly controlled entities	(iii)	73,594	1,277,739
		48,316,909	49,495,006

Note: All the long-term equity investments are invested in unlisted companies.

Notes To Financial Statements (continued)

30 June 2012

(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)

(i) Equity investment in entities with no joint control or significant influence

Company name	Investment cost	Opening balance	Decrease	Closing balance (Unaudited)	Percentage of ownership	Percentage of voting rights
Guotai Jun'an Securities Corporation Limited	8,652	8,652	—	8,652	0.16	0.16
Beijing Guangzhou Passenger Railway He'nan Company Limited	—	1,500,000	(1,500,000)	—	5.00	5.00
		1,508,652	(1,500,000)	8,652		

(ii) Subsidiaries

Company name	30 June 2012 Percentage of equity interest attributable to the Company (Unaudited)	30 June 2012 Carrying amount (Unaudited)	31 December 2011 Carrying amount
China Civil Engineering Construction Ltd.	100%	2,265,071	2,265,071
China Railway 11 th Bureau Group Co., Ltd.	100%	1,893,912	1,893,912
China Railway 12 th Bureau Group Co., Ltd.	100%	2,075,868	2,075,868
China Railway 13 th Bureau Group Co., Ltd.	100%	1,396,621	1,396,621
China Railway 14 th Bureau Group Co., Ltd.	100%	2,130,105	2,130,105
China Railway 15 th Bureau Group Co., Ltd.	100%	1,446,941	1,446,941
China Railway 16 th Bureau Group Co., Ltd.	100%	1,405,744	1,405,744
China Railway 17 th Bureau Group Co., Ltd.	100%	1,653,322	1,653,322
China Railway 18 th Bureau Group Co., Ltd.	100%	1,103,234	1,103,234
China Railway 19 th Bureau Group Co., Ltd.	100%	1,454,638	1,454,638
China Railway 20 th Bureau Group Co., Ltd.	100%	1,594,294	1,594,294
China Railway 21 st Bureau Group Co., Ltd.	100%	1,357,251	1,357,251
China Railway 22 nd Bureau Group Co., Ltd.	100%	1,256,558	1,256,558
China Railway 23 rd Bureau Group Co., Ltd.	100%	1,411,847	1,411,847
China Railway 24 th Bureau Group Co., Ltd.	100%	1,424,517	1,424,517
China Railway 25 th Bureau Group Co., Ltd.	100%	1,107,177	1,107,177
China Railway Construction Group Ltd.	100%	2,340,101	2,340,101
China Railway Electrification Bureau Group Co., Ltd.	100%	1,105,530	1,105,530
China Railway Real Estate Group Co., Ltd.	100%	7,062,941	7,062,941

Notes To Financial Statements (continued)

30 June 2012

(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 2012 Percentage of equity interest attributable to the Company (Unaudited)	30 June 2012 Carrying amount (Unaudited)	31 December 2011 Carrying amount
China Railway First Survey and Design Institute Group Co., Ltd.	100%	623,730	623,730
China Railway Fourth Survey and Design Institute Group Co., Ltd.	100%	1,015,309	1,015,309
China Railway Fifth Survey and Design Institute Group Co., Ltd.	100%	291,811	291,811
China Railway Shanghai Design Institute Group Co., Ltd.	100%	267,624	267,624
China Railway Goods and Materials Group Co., Ltd.	100%	1,314,805	1,314,805
Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	100%	1,349,792	1,349,792
China Railway Construction Heavy Industry Co., Ltd.	100%	1,234,810	1,234,810
Beijing Tiecheng Construction Supervision Co., Ltd.	80.02%	26,385	26,385
China Railway Construction (HK) Limited	100%	5,898	5,898
Chenghe Insurance Broker Co., Ltd.	100%	53,290	53,290
China Railway Construction (Beijing) Business Management Co., Ltd.	100%	18,313	18,313
China Railway Construction (Caribbean) Co., Ltd.	100%	1,168	1,168
CRCC China-Africa Construction Limited	100%	1,000,000	1,000,000
China Railway Construction USA Co., Ltd.	100%	20,008	20,008
China Railway Construction Investment Co., Ltd.	100%	3,000,000	3,000,000
China Railway Construction and Waterway Bureau Co., Ltd.	100%	1,304,048	1,000,000
CRCC Finance Company Limited	94%	1,222,000	—
		48,234,663	46,708,615

Notes To Financial Statements (continued)

30 June 2012

(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 2012 (Unaudited)

Company name	Investment cost	Opening balance	Movements			Closing balance	Percentage of equity %	Percentage of voting rights %
			Share of the profit/ (loss)	Distribution of cash dividends	Transfer out			
CRCC-Tongguan Investment Co., Ltd.	—	1,200,000	—	—	(1,200,000)	—	—	—
China-Africa Lekkil Investment Co., Ltd.	49,554	69,083	(6,351)	—	—	62,732	35	35
Others	—	8,656	2,287	(81)	—	10,862	—	—
		1,277,739	(4,064)	(81)	(1,200,000)	73,594		

2011

Company name	Investment cost	Opening balance	Movements		Closing balance	Percentage of equity %	Percentage of voting rights %
			Share of the profit/ (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	19,529	—	69,083	35	35
Others	—	912	13,862	(6,118)	8,656		
		1,250,466	33,391	(6,118)	1,277,739		

Notes To Financial Statements (continued)

30 June 2012

(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 as follows:

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Operating revenue from principal operations	331,439	3,149,562
Other operating revenue	1,030	7,304
	332,469	3,156,866

The operating cost is as follows:

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Operating cost	228,684	3,029,692

Information related to the Company's operating revenue and cost of sales by sector is as follows:

Sectors	For the six months ended 30 June			
	2012 (Unaudited)		2011 (Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Construction operations	316,621	224,377	3,149,562	3,028,120
Others	15,848	4,307	7,304	1,572
	332,469	228,684	3,156,866	3,029,692

Notes To Financial Statements (continued)

30 June 2012

(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 2012 operating revenues from the two highest amounts of customers were as follows:

	Amount (Unaudited)	Percentage of total operating revenue
Customer 1	222,058	66.79
Customer 2	94,563	28.44
	316,621	95.23

For the six months ended 30 June 2011, operating revenues from the five highest amounts of customers were 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 2012

(All amounts in RMB'000 unless otherwise stated)

XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

5. Investment income

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Share of net loss of jointly controlled entity	(4,064)	(6,827)
Dividend income received from long-term equity investments under cost method	3,682,128	—
Gains on fund holding	—	7,043
Others	2,524	—
	3,680,588	216

As at 30 June 2012, the remittance of the Company's investment income was not subject to significant restriction.

6. Supplementary information to the cash flow statement

(1) Supplementary information to cash flow statement

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Reconciliation of net profit to cash flows from/(used in) operating activities		
Net profit	3,146,594	93,480
Plus:		
Depreciation of fixed assets	6,166	7,246
Amortization of intangible assets	28	19
Losses from disposal of fixed assets	8	19
(Gains)/losses from changes in fair value	(2,699)	5,651
Financial cost/(income)	493,144	(188,374)
Investment income	(3,680,588)	(216)
Decrease in deferred tax assets	679	—
Decrease in deferred tax liabilities	—	(1,413)
Decrease in inventories	1	814
Net decrease in construction contracts	694,479	663,859
Increase in operating receivables	(769,539)	(1,305,845)
Decrease/(increase) in operating payables	422,249	(1,654,144)
Net cash flows from/(used in) operating activities	310,522	(2,378,904)

Notes To Financial Statements (continued)

30 June 2012

(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) Significant investing and financing activities not involving cash:

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Investment income from subsidiaries transferred into capital	—	3,660,630
Long term investment transferred into debts of subsidiaries	2,700,000	—
Debts of subsidiaries transferred into capital	1,220,000	5,147,218
	3,920,000	8,807,848

(3) Cash and cash equivalents

	30 June 2012 (Unaudited)	31 December 2011
	Cash	2,888,204
Including: Cash on hand	2,932	1,634
Bank deposits on demand	2,885,272	1,518,215
Cash equivalents	9,896,821	12,383,403
Closing balance of cash and cash equivalents	12,785,025	13,903,252

Supplementary Information

30 June 2012

(All amounts in RMB'000 unless otherwise stated)

1. SUMMARY OF NON-RECURRING PROFIT OR LOSS

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
(Gains)/losses from disposal of fixed assets, intangible assets and other long-term assets	(6,779)	69,506
Gains from disposal of long-term equity investments	(86,885)	(16,600)
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)	(90,686)	(42,048)
Net gains from debt restructuring	(1,852)	(14,632)
(Gains)/losses from changes in fair value of held-for-trading financial assets	(1,748)	9,089
Reversal of impairment for accounts receivable	(71,087)	(42,341)
Other non-operating income and expenses other than the above items	(19,885)	(51,232)
Impact on income tax	69,730	22,065
Impact on non-controlling interests (after tax)	2,221	(246)
Non-recurring profit or loss, net	(206,971)	(66,439)

Supplementary Information (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

1. SUMMARY OF NON-RECURRING PROFIT OR LOSS (continued)

Non-recurring profit or loss items included in non-operating income and non-operating expenses for the six months period ended 30 June 2012 and 30 June 2011 were as follows:

Non-operating income

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Gains on disposal of non-current assets	41,985	39,619
Including:		
Gains on disposal of fixed assets	41,625	39,432
Gains on disposal of intangible assets	360	187
Government grants	90,686	42,048
Gains on compensation, penalties and fines	13,191	33,297
Gains on debt restructuring	1,970	14,632
Others	41,492	54,315
	189,324	183,911

Non-operating expenses

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Loss on disposal of non-current assets	35,206	109,125
Including:		
Loss on disposal of fixed assets	31,372	108,830
Loss on disposal of intangible assets	3,834	295
Loss on stocktaking	2,635	—
Loss on compensation, penalties and fines	17,078	21,331
Donations	1,140	1,576
Others	14,063	13,473
	70,122	145,505

Supplementary Information (continued)

30 June 2011

(All amounts in RMB'000 unless otherwise stated)

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE ("EPS")

Group

For the six months period ended 30 June 2012 (Unaudited)	Weighted average return on net assets %	EPS (RMB) Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	4.86	0.26	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	4.54	0.24	N/A
For the six months period 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

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 (a) which are with fluctuation of 30% or above, (b) representing 5% or above of the Group's total assets at the balance sheet date, (c) representing 10% or above of the total profits of the reporting period, (d) whose accounts are not designated by the Accounting Standards for Business Enterprises, or (e) whose account nature or contents could not be reflected by their names, are analyzed as follows:

- (1) As at 30 June 2012, cash and cash equivalents decreased by 3.4% to RMB80,257,676,000 as compared to 31 December 2011, which was mainly due to cash and bank deposits used in operating activities of the Group.
- (2) As at 30 June 2012, bills receivable decreased by 38.7% to RMB1,234,126,000 as compared to 31 December 2011, which was mainly due to the maturity of bills receivable during the period.
- (3) As at 30 June 2012, accounts receivable decreased by 9.6% to RMB56,875,259,000 as compared to 31 December 2011, which was mainly due to the intensity to collect accounts receivable conducted by the group enhanced, then accounts receivable recovery increased.
- (4) As at 30 June 2012, advances to suppliers increased by 34.6% to RMB35,086,652,000 as compared to 31 December 2011, which was mainly due to that the government required to ensure the fund payment of the major infrastructure projects under construction, then the Group increased advance payment to suppliers for materials and equipment accordingly.
- (5) As at 30 June 2012, interest receivables increased by 32.7% to RMB80,081,000 as compared to 31 December 2011, which was mainly due to accrued interest for fixed bank deposit during the period.
- (6) As at 30 June 2012, other receivables increased by 18.3% to RMB29,978,796,000 as compared to 31 December 2011, which was mainly due to the increase in rental and purchase deposits, performance bonds and various other deposits paid for construction projects, which were undertaken by the Group in 2011 and entered into major construction phase during the period.
- (7) As at 30 June 2012, inventories increased by 6.9% to RMB81,224,191,000 as compared to 31 December 2011, which was mainly due to the additions of properties under development and completed properties held for sale in line with the expansion of the Group's real estate business.
- (8) As at 30 June 2012, amount due from customers for contract work increased by 11.1% to RMB82,437,505,000 as compared to 31 December 2011, which was mainly due to the fact that overall construction settlements were comparatively slower and construction costs unbilled rose accordingly.
- (9) As at 30 June 2012, other current assets increased by 152.2% to RMB98,578,000 as compared to 31 December 2011, was mainly due to prepaid taxes for real estate development, such as income tax, land value increment tax, etc. which increased accordingly with the increase of advances from customers.
- (10) As at 30 June 2012, fixed assets decreased by 3.9% to RMB36,993,019,000 as compared to 31 December 2011, which was mainly due to the impact of the implementation of macroeconomic regulation and control policies and slowing down in the investment in railway construction, leading to reduced of demand for fixed assets.

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)

- (11) As at 30 June 2012, short-term loans decreased by 1.7% to RMB33,572,141,000 as compared to 31 December 2011, which was mainly due to the gradual change in the financing method by issuing short-term unsecured corporate bonds with lower interest rate instead of using short-term loans.
- (12) As at 30 June 2012, bills payables increased by 51.4% to RMB16,611,552,000 as compared to 31 December 2011, which was mainly due to certain suppliers and subcontractors of the Group requiring bill settlement.
- (13) As at 30 June 2012, accounts payable decreased by 3.1% to RMB144,698,302,000 as compared to 31 December 2011, which was mainly due to enhanced funds collection by suppliers and subcontractors of the Group.
- (14) As at 30 June 2012, advances from customers increased by 23.7% to RMB48,655,366,000 as compared to 31 December 2011, which was mainly due to the government requiring that fund payment for major infrastructure projects under construction are made, therefore the owners of certain projects increased payment to the Group.
- (15) As at 30 June 2012, interest payables increased by 171.6% to RMB852,770,000 as compared to 31 December 2011, which was mainly due to the increase in accrued interest on the corporate bonds issued by the Group and has not yet due for payment during the period.
- (16) As at 30 June 2012, dividends payable increased by 2,237.7% to RMB1,343,902,000 as compared to 31 December 2011, which was mainly due to the accrued dividend by the Group that was not paid during the period.
- (17) As at 30 June 2012, other payables increased by 6.7% to RMB34,715,843,000 as compared to 31 December 2011, which was mainly due to the increase in payables for guarantees and deposits.
- (18) As at 30 June 2012, current portion of non-current liabilities increased by 53.2% to RMB21,384,256,000 as compared to 31 December 2011, which was mainly due to long-term loans due within one year increased significantly.
- (19) As at 30 June 2012, the capital reserve decreased by 0.4% to RMB33,859,383,000 as compared to 31 December 2011, which was mainly due to China Railway Real Estate Group Co., Ltd., a subsidiary of the Group, acquiring the share of non-controlling interests.
- (20) For the six months ended 30 June 2012, revenue decreased by 12.7% to RMB184,531,910,000 as compared to the corresponding period of 2011, which was mainly due to less spending on railway construction granted by the government and the slowing down in investment in infrastructure, so there were fewer new construction projects and large railway construction projects were undertaken 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)

- (21) For the six months ended 30 June 2012, cost of sales decreased by 13.3% to RMB165,292,988,000 as compared to the corresponding period of 2011, which was in line with the decline in revenue.
- (22) For the six months ended 30 June 2012, business tax and surcharges decreased by 16.1% to RMB5,241,952,000 as compared to the corresponding period of 2011, which was in line with the decline in revenue.
- (23) For the six months ended 30 June 2012, selling and distribution expenses decreased by 14.1% to RMB666,591,000 as compared to the corresponding period of 2011, was mainly due to the decrease in transportation expense.
- (24) For the six months ended 30 June 2012, general and administrative expenses decreased by 8.3% to RMB7,889,347,000 as compared to the corresponding period of 2011, was mainly due to the decrease in research and development expense.
- (25) For the six months ended 30 June 2012, finance costs increased by 169.2% to RMB1,709,747,000 as compared to the corresponding period of 2011, which was mainly due to increase in interest on loans and other borrowings.
- (26) For the six months ended 30 June 2012, gains/(losses) from changes in fair value increased gains by 119.2% to RMB1,748,000 as compared to losses in the corresponding period of 2011, which was mainly due to the increase in fair value of held-for-trading financial assets.
- (27) For the six months ended 30 June 2012, impairment losses (reversed)/recognized increased gains by 691.1% to RMB 25,293,000 as compared to losses in the corresponding period of 2011, which was mainly due to the reversal of provisions for bad debts incurred in prior period.
- (28) For the six months ended 30 June 2012, investment income increased by 50.3% to RMB124,420,000 as compared to the corresponding period of 2011, which was mainly due to the increase in gains from disposal of long-term equity investments.
- (29) For the six months ended 30 June 2012, non-operating expenses decreased by 51.8% to RMB70,122,000 as compared to the corresponding period of 2011, which was mainly due to a decrease in losses from disposal of non-current assets.
- (30) For the six months ended 30 June 2012, income tax expenses decreased by 11.1% to RMB787,440,000 as compared to the corresponding period of 2011, which was mainly due to the decrease in operating profit.

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.

China Railway Construction Corporation Limited

Chairman: **MENG Fengchao**

30 August 2012



中国铁建

中國鐵建股份有限公司
China Railway Construction Corporation Limited