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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)

2011 ANNUAL RESULTS ANNOUNCEMENT

The Board of the Company is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2011. This announcement, containing the full text of the 2011 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of the annual results. Printed version of the Company's 2011 Annual Report will be sent to the H shareholders of the Company and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and of the Company at http://www.crcc.cn on or before 30 April 2012.

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Definitions

"Company"	China Railway Construction Corporation Limited (中國鐵建股份有限公司)
"Group"	China Railway Construction Corporation Limited and its wholly-owned and non wholly-owned subsidiaries
"Controlling Shareholder" or "CRCCG"	China Railway Construction Corporation (中國鐵道建築總公司)
"General Meeting"	a general meeting of China Railway Construction Corporation Limited
"Board"	the board of directors of China Railway Construction Corporation Limited
"Independent Shareholder"	a person who assumes no duties in the Company except the duty of Director, and has no relation with the Company and its substantial shareholders which could hinder his independent and objective judgments
"Supervisory Committee"	the supervisory committee of China Railway Construction Corporation Limited
"Articles of Association"	the articles of association of China Railway Construction Corporation Limited
"PRC"	the People's Republic of China which, for the purposes of this report, excluding Hong Kong Special Administrative Region and Macau Special Administrative Region and Taiwan
"previous year"	year 2010
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Shanghai Listing Rules"	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"CSRC"	China Securities Regulatory Commission
"Reporting Period"	from January to December 2011
"end of the Reporting Period"	31 December 2011
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"Company Law"	the Company Law of the People's Republic of China
"Securities Law"	the Securities Law of the People's Republic of China
"SASAC"	State-owned Assets Supervision and Administration Commission

Important Notice

1. The Board and the Supervisory Committee of the Company and the directors (the "Directors"), supervisors and members of the senior management confirm that there are no misrepresentation or misleading statements contained in, or material omissions from, this report, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents herein.

2. Eight out of the nine Directors of the Company who were eligible to attend the eleventh meeting of the second session of the Board attended the meeting. Mr. ZHAO Guangjie, an independent non-executive Director, appointed Mr. WU Taishi to vote on his behalf due to other work engagement.

3. According to the resolutions relating to the change of auditors and amendments to the Articles of Association passed at the 2010 Annual General Meeting of the Company, the 2011 annual results of the Company will be prepared under the Accounting Standards for Business Enterprises Issued by the Ministry of Finance of the PRC and relevant regulations ("PRC GAAP") only. Accordingly, the Company will provide the same version of 2011 annual report prepared under the PRC GAAP to all shareholders, instead of separately providing a report prepared under the PRC GAAP to holders of A shares and a report prepared under the International Financial Reporting Standards ("IFRSs") to holders of H shares.

4. The contents of this annual report are in compliance with all the requirements in relation to information to be disclosed in annual report under the Shanghai Listing Rules and the Hong Kong Listing Rules. In addition, this annual report will be simultaneously published in the PRC and Hong Kong. Should there be any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

5. The 2011 annual financial report of the Company is prepared under the PRC GAAP. Ernst & Young Hua Ming Certified Public Accountants has issued a standard and unqualified audit report. Unless specifically indicated, Renminbi is the reporting currency in this annual report.

6. There was no appropriation of funds of the Company by the Controlling Shareholder and its related parties for purposes other than for business.

7. There were no guarantees granted to external parties by the Company which are against the prescribed decision-making procedures.

8. MENG Fengchao, Chairman of the Board, ZHUANG Shangbiao, Chief Financial Officer, and CAO Xirui, Head of the Finance Department, confirm that the financial report in this annual report is true and complete.

Basic Corporate Information

(I) CORPORATE PROFILE

As the successor of the Railway Corps of the People's Liberation Army, China Railway Construction Corporation Limited was established by China Railway Construction Corporation as the sole promoter in Beijing on 5 November 2007 and is an ultra-large construction enterprise supervised by the State-owned Assets Supervision and Administration Commission of the State Council. The Company successfully issued RMB denominated domestic shares (A shares) and overseas listed foreign shares (H shares), which were listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange on 10 March 2008 and 13 March 2008, respectively.

The Company is one of the most strengthful ultra-large integrated construction enterprises in China and in the world. It was included among the "Top 225 Global Contractors" consecutively by Energy News-Record (ENR) and ranked No.1 in succession in 2011. It was listed among the Fortune "Global 500 Companies" consecutively, ranking No.105 in 2011. It was listed among the "Top 500 Chinese Enterprises" consecutively, ranking No.7 in 2011.

The activities of the Company comprise construction, survey, design and consultancy, manufacturing, real estate development, logistics and materials trading, which constitute a seamless industry chain covering research and development, planning, survey, design, construction, supervision, maintenance, operation and investment and financing. The Company has established a leading position in the industry of engineering design and construction of plateau railways, high-speed railways, highways, bridges, tunnels and urban rail transits. Since 1980s, the Company has received 426 national-level awards in construction, survey, design and consultancy, including 61 National Prizes for Progress in Science and Technology, 83 National Prizes for "Four Excellences" in Survey and Design, 46 Zhan Tianyou Civil Engineering Awards, 155 National High-Quality Projects Awards and 81 Lu ban Prizes for China Construction. The Company holds 1,037 patents and 179 national-level engineering methods.

At present, the Company's operations cover 33 provinces (municipalities) and autonomous regions and special administrative regions in China (excluding Taiwan), as well as 48 foreign countries and regions in the world. The Company boasts a professional team consisting of one member of Chinese Academy of Engineering, 6 National Survey and Design Masters and 191 experts who are recipients of special subsidies granted by the State Council.

(II) CORPORATE INFORMATION

1.	**Legal name of the Company in Chinese:**	中國鐵建股份有限公司
	Chinese abbreviation:	中國鐵建
	English name of the Company:	China Railway Construction Corporation Limited
	English abbreviation:	CRCC
2.	**Legal representative of the Company:**	MENG Fengchao
3.	**Secretary to the Board:**	YU Xingxi;
	Joint Company Secretaries:	YU Xingxi, LAW Chun Biu
	Telephone:	010-52688600
	Fax:	010-52688302
	E-mail:	ir@crcc.cn
	Correspondence address:	East, No. 40 Fuxing Road, Haidian District, Beijing

4.	**Registered office of the Company:**	East, No. 40 Fuxing Road, Haidian District, Beijing
	Principal place of business in the PRC:	East, No. 40 Fuxing Road, Haidian District, Beijing (Postal Code: 100855)
	Principal place of business in Hong Kong:	23/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong
	Website address of the Company:	www.crcc.cn
	E-mail address:	ir@crcc.cn
5.	**Newspapers selected by the Company for information disclosure:**	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times
	Website designated by CSRC for publishing the annual report of the Company:	www.sse.com.cn
	Website designated by the Hong Kong Stock Exchange for publishing the annual report of the Company:	www.hkex.com.hk
	Place of inspection of the annual report of the Company:	Secretariat of the Board of CRCC, East, No. 40 Fuxing Road, Haidian District, Beijing
6.	**Place of listing for A shares of the Company:**	Shanghai Stock Exchange
	Stock name for A shares of the Company:	China Rail Cons
	Stock code for A shares of the Company:	601186
	Place of listing for H shares of the Company:	Hong Kong Stock Exchange
	Stock name for H shares of the Company:	China Rail Cons
	Stock code for H shares of the Company:	1186

7.	**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 Crowe Horwath China Certified Public Accountants 4/F, Tower 2, No. 16 Xisihuanzhong Road, Haidian 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 organisation code:	71093515-0

Basic Corporate Information (continued)

(III) AS AT 31 DECEMBER 2011, THE COMPANY HAS FOLLOWING MAJOR SUBSIDIARIES:

(1) China Civil Engineering Construction Corporation

(2) China Railway 11th Bureau Group Co., Ltd.

(3) China Railway 12th Bureau Group Co., Ltd.

(4) China Railway 13th Bureau Group Co., Ltd.

(5) China Railway 14th Bureau Group Co., Ltd.

(6) China Railway 15th Bureau Group Co., Ltd.

(7) China Railway 16th Bureau Group Co., Ltd.

(8) China Railway 17th Bureau Group Co., Ltd.

(9) China Railway 18th Bureau Group Co., Ltd.

(10) China Railway 19th Bureau Group Co., Ltd.

(11) China Railway 20th Bureau Group Co., Ltd.

(12) China Railway 21st Bureau Group Co., Ltd.

(13) China Railway 22nd Bureau Group Co., Ltd.

(14) China Railway 23rd Bureau Group Co., Ltd.

(15) China Railway 24th Bureau Group Co., Ltd.

(16) China Railway 25th Bureau Group Co., Ltd.

(17) China Railway Construction Group Ltd.

(18) China Railway Electrification Bureau Group Co., Ltd.

(19) China Railway Construction and Waterway Bureau Co., Ltd.

(20) China Railway Real Estate Group Co., Ltd.

Basic Corporate Information (continued)

(21) China Railway First Survey and Design Institute Group Co., Ltd.

(22) China Railway Fourth Survey and Design Institute Group Co., Ltd.

(23) China Railway Fifth Survey and Design Institute Group Co., Ltd.

(24) China Railway Shanghai Design Institute Group Co., Ltd.

(25) China Railway Goods and Materials Co., Ltd.

(26) Kunming China Railway Large Road Maintenance Machinery Co., Ltd.

(27) China Railway Construction Heavy Industry Co., Ltd.

(28) Beijing Tiecheng Construction Supervision Co., Ltd.

(29) China Railway Construction Investment Co., Ltd.

(30) China Railway Construction (USA) Company Limited

(31) CRCC China-Africa Construction Limited

(32) Chenghe Insurance Brokers Co., Ltd.

(33) China Railway Construction (Caribbean) Co., Ltd.

(34) China Railway Construction (HK) Limited

(35) China Railway Construction (Beijing) Business Management Co., Ltd.

Highlights Of Accounting and Operating Data

(I) MAJOR FINANCIAL INFORMATION FOR THIS REPORTING PERIOD

Unit: million

Major accounting data	**2011**	2010	2009
Operating revenue	**457,366.11**	470,158.79	355,520.77
Operating profit	**9,929.57**	5,839.62	8,193.53
Total profit	**10,055.89**	6,088.76	8,307.40
Net profit attributable to shareholders of the Company	**7,854.29**	4,246.22	6,599.07
Net profit excluding non-recurring profit or loss attributable to shareholders of the Company	**7,636.83**	3,929.57	6,195.11
Basic earnings per share *(yuan)*	**0.64**	0.34	0.53
Diluted earnings per share *(yuan)*	**N/A**	N/A	N/A
Basic earnings per share after deduction of non-recurring profit or loss *(yuan)*	**0.62**	0.32	0.50
Weighted average return on net assets %	**12.98**	7.85	13.12

Highlights Of Accounting and Operating Data (continued)

Major accounting data	**2011**	2010	2009
Weighted average return on net assets after deduction of non-recurring profit or loss %	**12.62**	7.26	12.31
Net cash flows (used in)/from operating activities	**-12,576.31**	6,252.57	17,474.45
Net cash flows per share (used in)/from operating activities *(yuan)*	**-1.02**	0.51	1.42
Total assets	**422,982.84**	350,265.20	282,990.27
Equity attributable to shareholders of the Company	**64,748.34**	57,403.31	53,265.49
Net assets per share attributable to shareholder of the Company *(yuan)*	**5.25**	4.65	4.32

Highlights Of Accounting and Operating Data (continued)

(II) DIFFERENCES BETWEEN THE PRC GAAP AND IFRSS

The Company used to prepare the A share financial report under the PRC GAAP, and the H share financial report in accordance with the IFRSs and requirements relating to disclosure under the Companies Ordinance. Pursuant to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong issued by the Hong Kong Stock Exchange in December 2010 and related amendments to the Hong Kong Listing Rules, as well as relevant documents issued by the Ministry of Finance of the PRC and CSRC, the Company no longer provides the annual reports prepared under the PRC GAAP and the IFRSs to holders of A shares and holders of H shares respectively starting from the 2011 financial year, as considered and approved at the general meeting of the Company but only the same version of annual report prepared under the PRC GAAP to all shareholders. All the financial information for the year ended 31 December 2010 in this annual report, for the purpose of comparison, is based on the information prepared under the PRC GAAP.

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

Unit: million

Item	**2011**	2010
Net profit attributable to ordinary shareholders/owners of the Company	**7,854.29**	4,246.22
Add/(less): non-recurring profit or loss items		
Losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	**147.13**	-7.69
Gains from disposal of long-term equity investment	**-8.42**	-56.80
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)	**-152.85**	-82.73
Gains or losses from debt restructuring	**-6.18**	-11.85
Losses from changes in fair value of financial assets held for trading	**27.11**	20.41
Investment gains from disposal of held for trading financial assets and available-for-sale financial assets	**-7.81**	-25.38
Reversal of impairment for accounts receivable	**-114.09**	-118.30
Other non-operating income and expenses other than the above items	**-175.86**	-146.86
Sub-total	**-290.97**	-429.20
Impact on income tax of non-recurring profit or loss, net	**72.74**	107.30
Impact of non-recurring profit or loss attributable to minority interests	**0.77**	5.25
Net effect of non-recurring profit or loss	**-217.46**	-316.65
Net profit excluding non-recurring profit or loss items attributable to ordinary shareholders of the Company	**7,636.83**	3,929.57

Highlights Of Accounting and Operating Data (continued)

(IV) ITEMS MEASURED AT FAIR VALUE

Unit: million

Item	Balance at the beginning of the year	Balance at the end of the year	Change during the year	Impact on profit for the year
Financial assets held for trading	75.49	46.92	-28.57	27.11
Available-for-sale financial assets	273.77	242.10	-31.67	—
Total	349.26	289.02	-60.24	27.11

Chairman's Statement

DEAR SHAREHOLDERS,

I would like to extend my heartfelt gratitude to all shareholders and people from all walks of life for the cares and supports to CRCC. I am pleased to present to the shareholders the annual report of the Company for 2011 in my capacity as the chairman of the Board.

Year 2011 heralds the beginning of the 12th Five-Year Plan and is a year for starting the implementation of new strategic plans of the Company. Facing the volatility of the domestic and overseas construction markets, we calmly coped with the difficulties with resolute decision-making, proposed a whole set of adjustment concepts and deployment plans, shifted our business focus in due time and took effective measures, thus achieving a good start for the 12th Five-Year Plan and laying a solid foundation for the sustainable and sound development of the Company. In 2011, new contract value for the year amounted to RMB681,178.6 million, down 8.84% on a year on year basis, revenues amounted to RMB457,366.1 million, down 2.72% on a year-on-year basis; net profits amounted to RMB7.882 billion, up 82.59% year on year; earnings per share (EPS) amounted to RMB0.64, up 88.24% year on year. In 2011, the Company remained in first place among ENR's "Top 225 Global Contractors"; its ranking on the "Fortune Global 500" listing moved up 28 places to the 105th place; and the Company ranked 7th on the "Top 500 Chinese Enterprises" listing. In the "China Securities Golden Bauhinia Awards" contest, the Company was awarded the "Chinese Listed Company with the Most Influential Brand Overseas" and the "Listed Company with the Highest Investment Value During the 12th Five-Year Plan Period".

The Group vigorously expanded off-road and overseas markets. Amid global economic downturn and construction market recession, especially the shrinkage of the domestic railway market, through rational analysis and active response, the Group adjusted its business philosophy in a timely fashion, made scientific and, accurate positioning for the transformation of economic growth mode and development direction, focused in the key areas for economic development, crucial industries for construction and the hot investment areas, including vigorously developing highway, housing construction, urban rail, municipal works, hydraulic engineering and other markets, thus reversing the unfavourable situation which may be brought about by over-concentration railway construction tasks and thereby accelerating the pace of strategic transformation and upgrading and achieving a reasonable allocation between scale and benefits as well as between structure and layout. In the meantime, the Group unswervingly implemented the "go global" strategy to improve the business layout, optimize the allocation of resources, and strive to expand overseas business and market, thus maintaining a rapid growth in new overseas contract value.

The Group attaches great importance to industrial restructuring. The Group positively develops the equipment manufacturing industry, controls a number of world-leading core technologies with full proprietary intellectual property rights, and is a domestic leader in the production of high-end shield equipment. Despite intensified national regulatory controls and the market downturn, the Group's real estate business recorded growth against the trend. Our brand enjoyed popular support, the scale of our real estate business gradually expanded with steady

growth in its profit contribution and its status in the industry. In addition, the scale and development of our logistics and material trading segment steadily expanded. China Railway Material Group Co., Ltd. vigorously expanded spot trade and international trade, being ranked the 5th among China's Top 50 Logistics Enterprises. In 2011, the Group established China Railway Construction and Waterway Bureau Co., Ltd., making up the shortfall of the Group in the hydraulic engineering market and achieving a good start. It also established China Railway Construction Investment Co., Ltd., aiming to centralise investment project management, optimize investment structure and improve management efficiency.

The scientific and technological strength of the Group was further enhanced. The Group further strengthened the construction of the scientific and technological management system, maintained its leading edge and made remarkable technological innovation achievements in aspects of design and manufacturing of high-speed railways, large railway maintenance machinery, shield design and manufacturing, long and large tunnels, bridge design and construction. The R&D project of "large-diameter full-face tunnel boring equipment and heavy and large engineering machinery equipment" of China Railway Construction Heavy Industry Co., Ltd. received support from the National 863 Program; the technology center of China Railway 12th Bureau Group Co., Ltd. was certificated as a national-level enterprise technology center, fulfilling the zero breakthrough in the national-level innovation platform. The significant improvement of the technological level provided strong supports for the enterprise to improve the development quality and enhance field control of the Group.

Looking into 2012, the Group will strengthen transformation and upgrading, cost reduction and efficiency enhancement as well as risk management under the main theme of "Transforming business mode, adjusting structure and promoting upgrading" while recognizing the challenges and difficulties, to ensure harmony and stability of the enterprise and maintain stable and rapid developments. Adhering to market orientation, the Group will accurately research and study, implement early warnings and proper deployment, give priority to the operation contracting in key industries, projects and regions, focus on the contracting in hot investment areas such as housing construction, municipal works, water conservancy and electric power and urban rail, actively explore emerging markets such as energy and mining, dredging and reclamation and environmental protection to increase our market share. In the meantime, the Group will further strengthen the corporate governance and internal control system, improve enterprise management level, focus on improving the development quality and efficiency, ensure the orderly and sound advancement of various businesses and tasks of the Group, maximize the overall interests and strive to enhance enterprise value, so as to deliver greater investment return to our shareholders.

Meng Fengchao
Chairman

Beijing, the PRC
29 March 2012

Changes In Share Capital and Shareholders

(I) SHARE CAPITAL STRUCTURE AND CHANGES IN SHARE CAPITAL

1. Share Capital Structure and Shareholding of Public Holders

As at 31 December 2011, the share capital structure of the Company is set out as follows:

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

Notes: 1. The lock-up period will end on 10 March 2014.

2. Including the H shares held by National Council for Social Security Fund.

As at the latest practicable date prior to the publication of this annual report, the public holders of the Company held 4,526.296 million shares (excluding 245 million A shares held by the National Council for Social Security Fund) , representing 36.69% of the issued capital of the Company. In particular, public holders of H shares held 2,076.296 million shares, representing 16.83% of the issued capital of the Company; public holders of A shares held 2,450 million shares, representing 19.86% of the issued share capital of the Company.

Changes In Share Capital and Shareholders (continued)

According to all public information and as far as the Directors are aware, the Company has sufficient public float which satisfies the requirement under the Hong Kong Listing Rules.

2. *Number of shares and the changes in shareholding*

Unit: share

	Before change		Increase / decrease in this change (+/-)					After change	
	Number	Percentage %	Issue of new shares	Bonus shares	Conversion from reserves	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium									
1. State-owned shares (Note)	7,566,245,500	61.33	—	—	—	-7,566,245,500	-7,566,245,500	—	—
2. State-owned legal person shares	245,000,000	1.98	—	—	—	—	—	245,000,000	1.98
3. Other domestic shares									
Including:									
Domestic legal person shares	—	—	—	—	—	—	—	—	—
Domestic natural person shares	—	—	—	—	—	—	—	—	—

Changes In Share Capital and Shareholders (continued)

Unit: share

	Before change		Increase / decrease in this change (+/-)					After change	
	Number	Percentage	Issue of new shares	Bonus shares	Conversion from reserves	Others	Sub-total	Number	Percentage
		%							(%)
4. Foreign shares									
Including:									
Overseas legal person shares	—	—	—	—	—	—	—	—	—
Overseas natural person shares	—	—	—	—	—	—	—	—	—
Total number of shares subject to trading moratorium	7,811,245,500	63.31	—	—	—	-7,566,245,500	-7,566,245,500	245,000,000	1.98
II. Shares not subject to trading moratorium									
1. Ordinary shares denominated in RMB	2,450,000,000	19.86	—	—	—	7,566,245,500	7,566,245,500	10,016,245,500	81.19
2. Domestically listed foreign shares									
3. Overseas listed foreign shares	2,076,296,000	16.83	—	—	—	—	—	2,076,296,000	16.83
4. Others									
Total number of shares not subject trading moratorium	4,526,296,000	36.69	—	—	—	7,566,245,500	7,566,245,500	12,092,541,500	98.02
III. Total shares	12,337,541,500	100	—	—	—	—	—	12,337,541,500	100

Note: The 7,566,245,500 shares held by CRCCG were released from the lock-up restrictions and became tradable on the market on 10 March 2011. For details, please refer to relevant announcements published on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange by the Company on 3 March 2011.

Changes In Share Capital and Shareholders (continued)

3. *Changes in Shares subject to Trading Moratorium*

Unit: share

Shareholder	Shares subject to trading moratorium at the beginning of the year	Increased shares subject to trading moratorium during the year	Shares released from the lock-up period	Shares subject to trading moratorium at the end of the year	Reasons	Date of the release from the trading moratorium
CRCCG	7,566,245,500	—	7,566,245,500	—	Undertaken upon the initial public offering of A shares	10 March 2011
National Council for Social Security Fund	245,000,000	—	—	245,000,000	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)	10 March 2014
Total	7,811,245,500	—	7,566,245,500	245,000,000		

(II) ISSUANCE AND LISTING OF SECURITIES

1. *Issuance of Securities during the Previous Three Years*

Not applicable

2. *Changes in the Structure of Assets and Liabilities arising from Changes in the Number of Total Shares and the Share Capital Structure*

During the Reporting Period, there was no change in the total number of shares of the Company due to issue of bonus shares or placement of shares. The release of 7,566,245,500 shares subject to trading moratorium from the lock-up period did not have any impact on the structure of assets and liabilities of the Company.

3. *Existing internal staff shares*

The Company had no internal staff shares as at the end of the Reporting Period.

Changes In Share Capital and Shareholders (continued)

(III) PARTICULARS OF SHAREHOLDERS AND ACTUAL CONTROLLER

1. *Total Number of Shareholders*

As at the end of the Reporting Period, the Company had 302,195 shareholders in total, of whom 277,453 were holders of A shares and 24,742 were holders of H shares. As at 29 February 2012, the Company had 296,434 shareholders in total, of whom 271,775 were holders of A shares and 24,659 were holders of H shares.

	As at the end of 2011 *(number of shareholder)*	**Number of shareholders at the end of the month prior to the date of the issuance of this annual report** *(number of shareholder)*
Total number of shareholders as at the end of the Reporting Period	302,195	296,434

2. *Particulars of shareholdings*

(1) Particulars of shareholdings of the top ten shareholders:

Name of shareholder	Nature of Shareholder	Shareholding percentage	Total number of shares held	Increase/ decrease during the Reporting Period	Number of shares subject to trading moratorium held	Number of pledged or frozen shares
CRCCG	State-owned shares	61.33%	7,566,245,500	—	—	—
HKSCC NOMINEES LIMITED	Overseas legal person	16.64%	2,053,182,881	-1,520,501	—	Unknown
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	1.98%	245,000,000	—	245,000,000	Unknown
National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)	Others	0.49%	60,999,870	15,499,969	—	Unknown

Changes In Share Capital and Shareholders (continued)

Name of shareholder	Nature of Shareholder	Shareholding percentage	Total number of shares held	Increase/ decrease during the Reporting Period	Number of shares subject to trading moratorium held	Number of pledged or frozen shares
China Construction Bank Corporation — Changsheng Tongqing Separately Traded Equity Securities Investment Fund (中國建設銀行股份有限公司—長盛同慶可分離交易股票型證券投資基金)	Others	0.40%	49,536,160	49,536,160	—	Unknown
Changjiang Securities Co., Ltd.	Others	0.27%	33,384,854	3,111,669	—	Unknown
China Merchants Securities co. Ltd. - Client Account of Collateral Securities for Margin Trading (招商證券股份有限公司客戶信用交易擔保證券賬戶)	Others	0.23%	28,396,731	24,335,031	—	Unknown
Bank of China - Harvest CSI 300 Index Securities Investment Fund(中國銀行 — 嘉實滬深300指數證券投資基金)	Others	0.14%	16,844,526	-801,843	—	Unknown
Hongta Securities Co., Ltd.	Others	0.13%	16,045,762	—	—	Unknown
CITIC Securities - CCB - CITIC Securities Integrated Asset Management Plan with Benefits for Both Securities and Bonds (中信證券—建行—中信證券股債雙贏集合資產管理計劃)	Others	0.13%	16,000,000	—	—	Unknown

Changes In Share Capital and Shareholders (continued)

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

Name of shareholder	Number of shares not subject to trading moratorium held at the end of the period	Class of shares
CRCCG	7,566,245,500	A
HKSCC NOMINEES LIMITED	2,053,182,881	H
National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)	60,999,870	A
China Construction Bank Corporation -Changsheng Tongqing Separately Traded Equity Securities Investment Fund (中國建設銀行股份有限公司－長盛同慶可分離交易股票型證券投資基金)	49,536,160	A
Changjiang Securities Co., Ltd.	33,384,854	A
China Merchants Securities co. Ltd. - Client Account of Collateral Securities for Margin Trading (招商證券股份有限公司客戶信用交易擔保證券賬戶)	28,396,731	A
Bank of China - Harvest CSI 300 Index Securities Investment Fund(中國銀行—嘉實滬深300指數證券投資基金)	16,844,526	A
Hongta Securities Co., Ltd.	16,045,762	A
CITIC Securities - CCB - CITIC Securities Integrated Asset Management Plan with Benefits for Both Securities and Bonds (中信證券—建行—中信證券股債雙贏集合資?管理計劃)	16,000,000	A
China Galaxy Securities - Client Account of Collateral Securities for Margin Trading (中國銀河證券股份有限公司客戶信用交易擔保證券賬戶)	12,856,191	A

Changes In Share Capital and Shareholders (continued)

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 as defined in the Measures for Management of Information Disclosure of Changes in Shareholding of Listed Companies.

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

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

(4) Agreed period of shareholding for strategic investors or general legal persons participating in the placing of new shares

During the Reporting Period, there were no strategic investors or general legal persons participating in the placing of new shares and no agreed shareholding restriction period.

Changes In Share Capital and Shareholders (continued)

3. *Particulars of Interests and Short Positions of Substantial Shareholders Disclosed in Accordance with the SFO*

So far as the Directors of the Company are aware, as at 31 December 2011, the persons other than Directors, supervisors or chief executive of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Section 336 of Part XV of the SFO were as follows:

Name of substantial shareholder	Class of shares	Capacity	Number of shares held [note 1]	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%
Callander Alex, Morrison Elaine, Plowden Charles, Tait Anthony, Telfer Andrew, Warden Alison	H shares	Interest of substantial shareholder in controlled corporations	105,064,500 (L)[note 2]	5.06%	0.85%
HSBC Global Asset Management (Hong Kong) Limited	H shares	Investment manager	103,947,382 (L)[note 3]	5.01%	0.84%

Notes: 1. L - long position.

2. Callander Alex, Morrison Elaine, Plowden Charles, Tait Anthony, Telfer Andrew and Warden Alison directly and indirectly held long positions in 105,064,500 H shares of the Company through certain corporations under their control.

3. As at 31 December 2011, HSBC Global Asset Management (Hong Kong) Limited held long positions in 103,947,382 H shares of the Company through certain corporations under its control.

4. *Profile of the controlling shareholder and actual controller*

(1) Corporate controlling shareholder

Name of controlling shareholder: China Railway Construction Corporation

Legal representative: MENG Fengchao

Registered capital: RMB5,969.89 million

Incorporation date: 28 August 1990

Principal businesses or management activities: engineering construction and management.

Changes In Share Capital and Shareholders (continued)

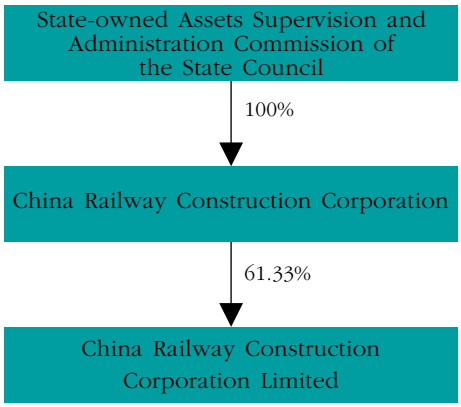
(2) Corporate actual controller

Name of actual controller: State-owned Assets Supervision and Administration Commission of the State Council

(3) Changes in controlling shareholder and actual controller

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

(4) The chart of the relationship between the Company and the actual controller on the property ownership and controlling rights



5. Other corporate shareholders holding more than 10% of the shares of the Company

As at the end of the Reporting Period, except for HKSCC NOMINEES LIMITED, CRCCG was the only corporate shareholder holding more than 10% of the shares of the Company.

(IV) REPURCHASE, SALES OR REDEMPTION OF THE SHARES OF THE COMPANY

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

Directors, Supervisors and Senior Management

(I) BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Gender	Age	Date of appointment	Date of expiry Note 1	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration received from the Company during the Reporting Period (before tax) Note 2 (RMB0'000)	Whether received remuneration and compensation from the shareholder entities or other related entities
MENG Fengchao	Executive Director and Chairman	Male	53	31 May 2011	4 November 2013	—	—	45.6556	No
ZHAO Guangfa	Executive Director and President	Male	59	31 May 2011	4 November 2013	—	—	76.1556	No
PENG Shugui	Executive Director and Vice Chairman	Male	57	31 May 2011	4 November 2013	—	—	67.6656	No
HU Zhenyi	Executive Director, Vice President and Chief Economist	Male	57	31 May 2011	4 November 2013	—	—	65.2056	No
ZHU Mingxian	Non-executive Director	Male	68	31 May 2011	4 November 2013	—	—	14.7004	No
LI Kecheng	Independent Non-executive Director	Male	68	31 May 2011	4 November 2013	—	—	15.9004	No
ZHAO Guangjie	Independent Non-executive Director	Male	67	31 May 2011	4 November 2013	—	—	17.4996	No
WU Taishi	Independent Non-executive Director	Male	64	31 May 2011	4 November 2013	—	—	17.9996	No
NGAI Wai Fung	Independent Non-executive Director	Male	50	31 May 2011	4 November 2013	—	—	13.8004	No
QI Xiaofei	Chairman of the Supervisory Committee	Male	54	31 May 2011	4 November 2013	—	—	22.3571	No
HUANG Shaojun	Supervisor	Male	55	31 May 2011	4 November 2013	—	—	46.4236	No
ZHANG Liangcai	Employee Supervisor	Male	53	31 May 2011	4 November 2013	—	—	24.5959	No
XIA Guobin	Vice President	Male	53	31 May 2011	31 May 2014	—	—	67.6656	No
FAN De	Vice President	Male	58	31 May 2011	31 May 2014	—	—	65.2056	No
ZHOU Zhiliang	Vice President	Male	47	31 May 2011	24 February 2012	—	—	64.8216	No
ZHUANG Shangbiao	Vice President, Chief Accountant and Chief Legal Adviser	Male	49	31 May 2011	31 May 2014	—	—	64.8216	No
ZHANG Zongyan	Vice President	Male	48	31 May 2011	31 May 2014	—	—	67.2816	No
LIU Ruchen	Vice President	Male	48	31 May 2011	31 May 2014	—	—	64.8216	No
YU Xingxi	Secretary to the Board	Male	53	31 May 2011	31 May 2014	—	—	34.9796	No

Note: 1. Mr. HUO Jingui, a non-executive Director of the first session of the Board of the Company, retired upon the election of the second session of the Board at the 2010 annual general meeting held on 31 May 2011. For reason of age, Ms. YU Fengli, the employee representative supervisor of the first session of the Supervisory Committee of the Company, ceased to serve as a supervisor of the Company on 31 May 2011. The total remuneration (before tax) Ms. YU Fengli received from the Company during the Reporting Period amounted to RMB292,305. Mr. PENG Shugui, chairman of the first session of the Supervisory Committee of the Company, retired and ceased to be the supervisor of the Company upon the election of the shareholder representative supervisor for the second session of the Supervisory Committee at the 2010 Annual General Meeting held on 31 May 2011. The ninth meeting of the second session of the Board considered and approved the Proposal Regarding the Resignation of Mr. ZHOU Zhiliang as the Vice President of the Company. Mr. ZHOU Zhiliang has ceased to serve as the Vice President of the Company since 24 February 2012 due to job re-allocation.

2. The total remuneration Mr. MENG Fengchao received from the Company in 2011 was the aggregate sum of his basic salary for year of 2011 and the performance-based salary for November and December in 2010.

Directors, Supervisors and Senior Management (continued)

(II) MAJOR WORK EXPERIENCE AND OCCUPATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Directors

Mr. MENG Fengchao, aged 53, a Chinese with no right of abode overseas, the chairman and the secretary to the communist party committee of the Company. Mr. MENG is also the chairman, the general manager and deputy secretary to the communist party committee of CRCCG. He has in-depth knowledge and understanding of, profound expertise and extensive operation and management experience in the PRC construction industry. From January 1982 to May 1998, Mr. MENG held various positions in the Ministry of Railways and its engineering companies. From May 1998 to January 2000, he was assistant to the general manager of China Railway Construction Development Centre. From January 2001 to December 2004, Mr. MENG was deputy general manager and a member of the standing committee of the communist party committee of China Railway Engineering Company, which is one of the largest railway infrastructure contractors in China. He also served as chairman of China Zhongtie Major Bridge Engineering Group Co. Ltd. from April 2001 to August 2002. From December 2004 to September 2005, he served as general manager and deputy secretary to the communist party committee of China Harbour Engineering Company (Group) (which is one of the predecessors of China Communications Construction Company Limited). From September 2005 to May 2010, he served as a director, general manager, vice chairman and secretary to the communist party committee of China Communications Construction Group (Limited). From August 2006 to May 2010, he was vice chairman, general manager and secretary to the communist party committee of China Communications Construction Company Limited (a company listed on The Main Board of the Hong Kong Stock Exchange, stock code: 1800). Since May 2010, Mr. MENG has been serving as chairman, general manager and deputy secretary to the communist party committee of CRCCG. He has also been serving as an executive Director and the chairman of the first session of the Board and the secretary to the communist party committee of the Company since December 2010 and an executive Director and the chairman of the second session of the Board of the Company since May 2011. Mr. MENG graduated from Southwest Jiaotong University with a bachelor's degree of engineering, majoring in tunnel and subway. Mr. MENG is a professor-level senior engineer and is a recipient of special government allowance granted by the State Council.

Mr. ZHAO Guangfa, aged 59, a Chinese with no right of abode overseas, is currently an executive Director, the President and deputy secretary to the communist party committee of the Company. Mr. ZHAO is also a director and the secretary to the communist party committee of CRCCG. Mr. ZHAO has in-depth knowledge and understanding in the PRC construction industry and has rich operation and management experience in large-scale construction conglomerates. Mr. ZHAO joined CRCCG Group in 1970. He served as the deputy head, head and deputy secretary to the communist party committee of the 18th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 18th Bureau Group Co., Ltd.) from May 1994 to December 1999, head and deputy secretary to the communist party committee of China Railway 18th Engineering Bureau from December 1999 to August 2001, the chairman and deputy secretary to the communist party committee of China Railway 18th Bureau Group Co., Ltd. from August 2001 to December 2004, the deputy general manager of CRCCG from December 2004 to November 2007. He served as the vice president of the Company from November 2007 to April 2009 and has been serving as the president and deputy secretary to the communist party committee of the Company since April 2009. He has also been serving as an executive Director of the first session of the Board of the Company since June 2009 and as an executive Director of the second session of the Board as well as the President and secretary to the communist party committee of the Company since May 2011. Mr. ZHAO Guangfa graduated from Asia International Open University (Macau) and has obtained his master's degree in business administration and is a senior engineer.

Directors, Supervisors and Senior Management (continued)

Mr. PENG Shugui, aged 57, a Chinese with no right of abode overseas, is an executive Director, the Vice Chairman of the Board, deputy secretary to the communist party committee and the chairman of the labor union of the Company and concurrently the vice chairman, deputy secretary to the communist party committee of and chairman of the labour union of CRCCG. Mr. PENG has in-depth knowledge and understanding of the construction industry in the PRC and has abundant operation and management experience, as well as a relatively high level of understanding of theories, policies and legal knowledge. Mr. PENG joined CRCCG Group in 1972. From December 1995 to December 1999, Mr. PENG was the deputy secretary and secretary to the communist party committee of the 14th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 14th Engineering Bureau Group Co., Ltd.). From December 1999 to April 2001, Mr. PENG served as the secretary to the communist party committee of China Railway 14th Engineering Bureau. From April 2001 to February 2006, Mr. PENG was the deputy secretary to the communist party committee and the secretary to the disciplinary committee of CRCCG. From February 2006, Mr. PENG served as the deputy secretary to the communist party committee, secretary to the disciplinary committee and the chairman of the labour union of CRCCG. From July 2006 to November 2007, Mr. PENG served as an employee representative director of CRCCG, as well as the deputy secretary to the communist party committee, secretary to the disciplinary committee and the chairman of the labour union of CRCCG. Mr. PENG was the chairman of the first session of the supervisory committee of the Company from November 2007 to May 2011. Since May 2011, Mr. PENG has been serving as an executive Director and the Vice Chairman of the second session of the Board, the deputy secretary to the communist party committee and chairman of the labour union of the Company and concurrently the vice chairman, the deputy secretary to the communist party committee and the chairman of the labour union of CRCCG. Mr. PENG graduated from La Trobe University in Australia with a master's degree in business administration. He is a senior engineer, a state-recognized first grade project manager and a state-recognized first grade construction engineer.

Mr. HU Zhenyi, aged 57, a Chinese with no right of abode overseas, an executive director, a vice president and chief economist of the Company. Mr. HU currently serves as the chairman of Chongqing Tiefa Suiyu Highway Company Limited, the chairman of Beijing Tongda Jingcheng Highway Co., Ltd., an executive Director of Xi'an Tianchuang Real Estate Company Limited and the chairman of China Railway Construction (United States) Company Limited. Mr. HU has in-depth knowledge and understanding of the construction industry in the PRC and has profund expertise and abundant operation and management experience. Mr. HU joined CRCCG Group in 1972 and served as the deputy head and head of the operation department of CRCCG from December 1990 to May 1996, the deputy chief economist of CRCCG from May 1996 to December 1997, the chief economist of CRCCG from December 1997 to April 2001, the deputy general manager and chief economist of CRCCG from April 2001 to November 2007. Mr. HU was the vice president and chief economist of the Company from November 2007 to May 2011. Mr. HU has been serving as an executive Director of the second session of the Board and a vice president and chief economist of the Company since May 2011. Mr. HU Zhenyi is also an expert of China International Engineering Consulting Corporation and a part-time professor in universities such as Shijiazhuang Tiedao University. Mr. HU graduated from Shijiazhuang Tiedao University and then obtained his master degree in business administration from Xiamen University. Mr. HU is a professor-level senior engineer, a member of China Calligraphers Association and enjoys special government allowance granted by the State Council.

Directors, Supervisors and Senior Management (continued)

Mr. ZHU Mingxian, aged 68, a Chinese with no right of abode overseas, is currently a non-executive Director of the Company. Mr. ZHU successively held the posts of technician, workshop deputy director, chief engineer, deputy secretary and secretary to the communist party committee of Guanghua Cement Plant of Hubei Provincial Building Materials Bureau; deputy chief and acting chief of the Human Resources department, chief of the production management department, member of the department party committee, executive deputy secretary, member of the standing committee as well as the secretary to the department party committee of the National Building Materials Bureau; and deputy head and member of the standing committee of the National Technology Supervision Bureau, member of the standing committee of the General Administration of Quality Supervision, Inspection and Quarantine of the PRC. From May 2001 to September 2006, he served as the chairman of the supervisory committee of key large state-owned enterprises. From September 2006 to March 2007, he served as a cadre at the deputy ministerial level of the supervisory committee of state-owned enterprises. Mr. ZHU has been serving as a non-executive Director of the Company since June 2009. Mr. ZHU graduated from Nanjing University of Chemical Technology, majoring in silicate and is a senior engineer.

Mr. LI Kecheng, aged 68, a Chinese with no right of abode overseas, an independent non-executive Director of the Company. Mr. LI had been the secretary to the communist party committee of the Machinery Factory of Pipeline Bureau of the Ministry of Petroleum and a member of the standing committee of the party committee and the secretary to the disciplinary committee of Pipeline Bureau of Ministry of Petroleum. Mr. LI was the secretary to the communist party committee of the Northeast Petroleum Administration Bureau, a director of general office, a director of policy research department, the confidential secretary of the standing committee, and the director of the political and ideological department and the secretary to the party committee for institutions directly under of China National Petroleum Holding Corporation. Mr. LI was also a member of the standing committee of the party committee and the head of the discipline inspection group of China National Petroleum Corporation. Mr. LI was the chairman of the supervisory committee of PetroChina Company Limited from January 1999 to November 2005, an external director of China Electronics Corporation Limited from May 2006 and an external director of CRCCG from November 2006 to November 2007. He served as an independent non-executive director of Erzhong Group (Deyang) Heavy Equipment Corporation Limited (a company listed on Shanghai Stock Exchange, stock code: 601268) from December 2007. Mr. LI has been an independent non-executive Director of the Company since November 2007. Mr. LI graduated from Beijing Institute of Iron & Steel Technology majoring in metallography material. He is a senior engineer.

Directors, Supervisors and Senior Management (continued)

Mr. ZHAO Guangjie, aged 67, a Chinese with no right of abode overseas, an independent non-executive Director of the Company. Mr. ZHAO had been a researcher of the manager office, the deputy head of the research team and the deputy chief of the manager office in Anshan Iron and Steel Group Corporation. Mr. ZHAO had also served as the secretary to the general office of Liaoning Province, the general manager and the secretary to the communist party committee of Anshan Iron and Steel Group Corporation Construction Company, the general secretary, deputy general manager, deputy secretary to the communist party committee of Anshan Iron and Steel Group Corporation, and the deputy general manager and a member of the standing committee to the party committee of Anshan Iron and Steel Group Corporation. From May 2005 to January 2006, he served as the deputy general manager of Anshan Iron and Steel Group Corporation. Mr. ZHAO also served as an external director of Xinxing Pipes Group Company Limited from November 2006. From November 2006 to November 2007, Mr. ZHAO was an external director of CRCCG. Mr. ZHAO has been an independent non-executive Director of the Company since November 2007. Mr. ZHAO graduated from Northwest Industrial University, majoring in aero-engine design and is a senior engineer.

Mr. WU Taishi, aged 64, a Chinese with no right of abode overseas, an independent non-executive Director of the Company. Mr. WU also serves as an independent non-executive director of Aerospace Securities Co., Ltd. Mr. WU was the deputy chief economist and chief accountant of Shanghai Carrier Rocket Assembly Factory(上海運載火箭總裝廠). Mr. WU served as the deputy general manager of the finance and economics control department and the head of the finance bureau of China Aerospace Industry Corporation from 1993. From 1999, Mr. WU served as the vice chief accountant of China Aerospace Science and Industry Corporation and later in the same year was re-designated as the deputy director of the general office, the head of the office for introducing foreign investment (chief negotiation officer), the deputy head of the office for deepening share reform, the general manager of the research and development department, the chief consultant of the general operation office as well as the chief of the post-doctoral research station of Bank of Communications. Mr. WU has been an independent non-executive Director of the Company since November 2007. Mr. WU graduated from the department of management of Fudan University, majoring in industrial economy, and is a senior accountant at the researcher level and a certified public accountant in the PRC.

Mr. NGAI Wai Fung, aged 50, a citizen of Hong Kong, China, an independent non-executive Director of the Company. Mr. NGAI has over 20 years of senior management experience and is the vice president of the Hong Kong Institute of Chartered Secretaries, the chairman of Top Orient Group of Companies, a director and the general manager of MNCOR Consulting Limited, and an independent non-executive director of China Coal Energy Company Limited, BaWang International (Group) Holding Limited, SITC International Holdings Company Limited, Biostime International Holdings Limited, Powerlong Real Estate Holdings Limited, Sany Heavy Equipment International Holdings Company, LDK Solar Co., Ltd. and Bosideng International Holdings Limited. Mr. NGAI held various positions including as an independent non-executive director of China Life Insurance Company Limited and Franshion Properties (China) Limited, and an executive director and chief financial officer in a number of companies listed in Hong Kong, including Cosco Group, China Unicom and Industrial and Commercial Bank of China (Asia) Limited. Mr. NGAI had led, participated in or taken charge of a number of significant corporate finance projects including listings, mergers and acquisitions as well as issue of debt securities, and had provided professional services to many State-owned enterprises and redchip companies. Mr. NGAI has been an independent non-executive Director of the Company since November 2007. Mr. NGAI graduated from Shanghai University of Finance and Economics, Hong Kong Polytechnic University, Andrews University of Michigan, USA and University of Wolverhampton, UK successively, and received a doctoral degree in Economics (Finance), master's degrees in both finance and business administration and an honours bachelor's degree in law.

Directors, Supervisors and Senior Management (continued)

2. Supervisors

Mr. QI Xiaofei, aged 54, a Chinese with no right of abode overseas, is currently the chairman of the supervisory committee, the deputy secretary to the communist party committee and secretary to the disciplinary committee of the Company, as well as the deputy secretary to the communist party committee and secretary to the disciplinary committee of CRCCG. Mr. QI has a long career in economic research and management, and thus has considerable expertise in theories and policies and abundant management experience. From March 1977 to October 1978, Mr. QI worked in the 5708 Factory of the People's Liberation Army. From August 1982 to May 1989, Mr. QI served successively as an officer of the publicity department of the Guizhou provincial committee of the communist youth league, editor of "Guizhou Youth League Lecture", deputy director of the general office, deputy director of the publicity department (in charge), deputy director of the research office (in charge) and concurrently chief editor of "Modern Youth Daily" and a member of the eighth provincial standing committee of Youth League. From May 1989 to November 1991, Mr. QI served as deputy director of the system reform institute of Guizhou provincial committee of economic system reform. From November 1991 to June 1993, Mr. QI served as deputy director of the secretariat of the general office and secretary of the standing committee of the Hainan provincial party committee. From June 1993 to September 1994, Mr. QI served as the standing committee secretary (division level) of the general office of the Hainan provincial communist party committee. From September 1994 to July 1997, Mr. QI served as secretary of the general secretary to the Hainan provincial communist party committee, concurrently secretary of the governor of Hainan province and assistant inspector (deputy provincial department level) of the general office of the Hainan provincial communist party committee. From April 1998 to June 1998, Mr. QI served as deputy director and a member of the party group of the economic cooperation department of Hainan province. From June 1998 to December 1999, Mr. QI served as deputy director and a member of the party group of the trade and economic cooperation department of Hainan province. From December 1999 to April 2001, Mr. QI served as director of the general office of State Bureau of Religious Affairs. From April 2001 to May 2011, Mr. QI served as deputy director and a member of the party group, and concurrently secretary to the communist party committee of the sub-organizations, director of the general office, director of the training centre of State Bureau of Religious Affairs, vice chairman and secretary-general of Chinese Religious Cultural Exchange Association, an executive member of China Council for the Promotion of Peaceful National Renunification as well as a council member of the Chinese People's Association for Friendship with Foreign Countries. From April 2011, Mr. QI served as the deputy secretary to the communist party committee and secretary to the disciplinary committee of CRCCG. Since May 2011, Mr. QI has been serving as the chairman of the second session of the supervisory committee, the deputy secretary to the communist party committee and secretary to the disciplinary committee the Company and concurrently the deputy secretary to the communist party committee and secretary to the disciplinary committee of CRCCG. Mr. QI graduated from Guizhou University, majoring in philosophy (from October 1978 to August 1982) and Cheung Kong Graduate School of Business, majoring in business administration (from September 2007 to July 2010 without leaving post), and respectively obtained a bachelor's degree in philosophy and a master's degree in business administration.

Directors, Supervisors and Senior Management (continued)

Mr. HUANG Shaojun, aged 55, a Chinese with no right of abode overseas, a Supervisor of the Company. He also serves as the chief of audit and supervision bureau of the Company and a supervisor of Beijing Tongda Jingcheng Highway Co., Ltd. as well as a standing committee member of China Institute of Internal Audit Association and China Risk Managers Association. Mr. HUANG has multiple-year work experience in our industry and has abundant knowledge and experience in modern corporate operation and management. Mr. HUANG joined CRCCG Group in 1976. He served as the deputy director of the planning and finance department of Ganzhou commanding unit of the Beijing-Kowloon Railway of CRCCG from February 1993 to April 1994, the deputy division chief of finance department of CRCCG and the deputy division chief of the planning and finance department of Ganzhou commanding unit of Beijing-Kowloon Railway of CRCCG from April 1994 to November 1998, the chief of the audit division of CRCCG from November 1998 to August 2002, the chief of the audit bureau of CRCCG from August 2002 to November 2007. Mr. HUANG has been serving as a Supervisor of the Company since November 2007. Mr. HUANG graduated from Central Communist Party School, majoring in economics and management and is a senior accountant and certified senior enterprise risk manager.

Mr. ZHANG Liangcai, aged 53, a Chinese with no right of abode overseas, is currently the employee representative supervisor of the Company. He successively graduated from the former Institute of Engineering of Railway Corps (鐵道兵工程學院), majoring in engineering machinery (Bachelor) in 1983 and Southwest Jiaotong University, majoring in management science and engineering (Master) in 2004. Mr. ZHANG is a senior engineer. Mr. ZHANG started his career in 1978, and served as the manager of the Bridge Engineering Branch of China Railway Bridge Construction Company (中鐵建造橋工程分公司), secretary to the communist Party Committee of Research & Design Institute of Railway Construction (鐵道建築研究設計院) and head of the Organization Department of the communist Party Committee of CRCCG. He has been serving as the head of the Organization Department of the communist Party Committee of the Company since July 2008.

3. Senior Management

For biographies of **Mr. ZHAO Guangfa** and **Mr. HU Zhenyi**, please refer to "Directors".

Mr. XIA Guobin, aged 53, a Chinese with no right of abode overseas, a vice president of the Company. Mr. XIA has in-depth knowledge and understanding of the construction industry in the PRC, as well as abundant knowledge in science and technology development, survey and design. He also has extensive skills and experience in engineering management and construction management. Mr. XIA joined the CRCCG Group in 1975. He served as the deputy chief engineer and then chief engineer of the 13th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 13th Bureau Group Co., Ltd.) from April 1996 to December 1999, the chief engineer of 13th Engineering Bureau of China Railway from December 1999 to April 2001, the deputy general manager and chief engineer of CRCCG from April 2001 to November 2007. He served as the vice president and chief engineer of the Company from November 2007. Mr. XIA no longer served in the position as the chief engineer of the Company from October 2009. Mr. XIA graduated from Railway Guard Engineering Institute majoring in bridge engineering and obtained his bachelor's degree in engineering. Mr. XIA is a professor-level senior engineer and enjoys special government allowance granted by the State Council.

Directors, Supervisors and Senior Management (continued)

Mr. FAN De, aged 58, a Chinese with no right of abode overseas, a vice president of the Company. Mr. FAN has in-depth knowledge and understanding of and profound expertise and extensive operation and management experience in the PRC construction industry. Mr. FAN joined CRCCG Group in 1980. From June 1988 to April 1990, he served as the deputy director of construction engineering division of the project directing department of the Ministry of Railways. He served as the deputy general manager and then general manager of Beijing China Railway Construction Engineering Corporation from April 1990 to April 2001, the deputy general manager of CRCCG from April 2001 to November 2007. He has been serving as a vice president of the Company since November 2007. Mr. FAN graduated from Changsha Railway Institute, majoring in civil construction and is a senior engineer.

Mr. ZHOU Zhiliang, aged 47, a Chinese with no right of abode overseas. Before 24 February 2012, he served as a vice president of the Company and concurrently the chairman of China Railway Construction Investment Co., Ltd.. Mr. ZHOU has in-depth knowledge and understanding of the PRC construction industry and profound expertise and abundant operational and management experience. Mr. ZHOU joined CRCCG in 2003. Mr. ZHOU served as the chairman of the labor union of Fourth Survey and Design Institute of the Ministry of Railways from January 2000 to November 2001, and the president and deputy secretary to the communist party committee of Fourth Survey and Design Institute of the Ministry of Railways from November 2001 to December 2004, the deputy general manager of CRCCG from December 2004 to November 2007. He served as the vice president of the Company from November 2007 to 24 February 2012. Mr. ZHOU successively graduated from China University of Mining and Technology with a bachelor's degree in engineering geology and Tsinghua University with a MBA degree. He is a professor-level senior engineer.

Mr. ZHUANG Shangbiao, aged 49, a Chinese with no right of abode overseas, a vice president, the chief financial officer and the general counsel of the Company. Mr. ZHUANG has in-depth knowledge and understanding of the PRC construction industry and in-depth financial expertise and substantial corporate finance and financial management experience. Mr. ZHUANG joined CRCCG in 2005. He served as the deputy general manager of the finance department of China Road and Bridge Construction Corporation from March 1992 to February 1994, the deputy general manager and executive deputy general manager of China Road and Bridge Group (H.K.) Limited from February 1994 to February 2001, the chief accountant of China Road and Bridge (Group) Corporation from February 2001 to August 2005, the chief accountant of CRCCG from August 2005 to November 2007, the general legal counsel of CRCCG from April 2006 to November 2007. He has been serving as the chief accountant and the general legal counsel of the Company since November 2007 and a vice president, the chief accountant and the general legal counsel of the Company since April 2008. Mr. ZHUANG graduated from Changsha Jiaotong Institute, majoring in engineering and financial accounting and obtained a bachelor's degree in engineering. He is a senior accountant.

Directors, Supervisors and Senior Management (continued)

Mr. ZHANG Zongyan, aged 48, a Chinese with no right of abode overseas, is currently a vice president of the Company. Mr. ZHANG has in-depth knowledge and understanding of, profound expertise and extensive operation and management experience in the PRC construction industry. Mr. ZHANG joined CRCCG Group in 1981. He served as the deputy general manager of China Railway 12th Bureau Group Company Limited from April 2002 to October 2005, the chairman and the secretary to the communist party committee of China Railway 12th Bureau Group Company Limited from October 2005 to July 2008, the chairman and the deputy secretary to the communist party committee of China Railway 12th Bureau Group Company Limited from July 2008 to April 2009, and has been the vice president of the Company since April 2009. Mr. ZHANG graduated from Guanghua School of Management of Peking University with a degree of Master of Business Administration and is a senior engineer.

Mr. LIU Ruchen, aged 48, a Chinese with no right of abode overseas, is currently a vice president of the Company. Mr. LIU has in-depth knowledge and understanding of, profound expertise and extensive operation and management experience in the PRC construction industry. Mr. LIU joined CRCCG Group in 1981. He served as the deputy head of the 19th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 19th Bureau Group Company Limited) from August 1998, the deputy head, vice chairman, general manager and deputy secretary to the communist party committee of China Railway 19th Bureau Group Company Limited from December 1999 to January 2005, chairman and deputy secretary to the communist party committee of China Railway 16th Bureau Group Company Limited from January 2005 to July 2008, vice chairman (in charge of the work of the Board) and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from July 2008 to December 2008, chairman and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from December 2008 to April 2009. He has been serving as the vice president of the Company since April 2009. Mr. LIU graduated from Southwest Jiaotong University with a master's degree in Management Science and Engineering and is a professor-level senior engineer.

4. Secretary to the Board

Mr. YU Xingxi, aged 53, a Chinese with no right of adobe overseas. Mr. YU has in-depth knowledge and understanding of the PRC construction industry and abundant knowledge and experience in financial affairs, accounting, finance and corporate management. Mr. YU joined CRCCG Group in 1976. Mr. YU served as chief accountant of the construction division of the 20th Bureau of the Ministry of Railways (the predecessor of China Railway 20th Bureau Group Co., Ltd.) from July 1991 to February 1995, chief accountant of the finance division of CRCCG from February 1995 to November 1998, deputy head of the finance division and head of the capital settlement center of CRCCG from November 1998 to November 2001, Manager of the investment division of CRCCG from November 2001 to December 2005 and head of the finance division of CRCCG from December 2005 to November 2007. He was head of the finance division of the Company from November 2007 to October 2010 and has been the secretary to the Board of the Company since October 2010. Mr. YU was the chairman of Chenghe Insurance Brokers (Beijing) Co., Ltd. (a wholly-owned subsidiary of the Company) from April 2009 to August 2010, and currently is also a director of China Railway Shandong Jinghu Highway Co., Ltd. (a non wholly-owned subsidiary of the Company), and a director of each of CRCC-Tongguan Investment Co., Ltd. (a joint venture of the Company), its wholly-owned subsidiary CRCC-Tongguan Investment (Canada) Co., Ltd. and Corriente Resources Inc. (a wholly-owned subsidiary of CRCC-Tongguan Investment (Canada) Co., Ltd.). Mr. YU graduated from Shanxi College of Finance and Economics and from Beijing Jiaotong University and obtained a bachelor's degree in economics and a master's degree in management. Mr. YU is a senior accountant and is qualified as a PRC certified public accountant and a corporate legal advisor.

Directors, Supervisors and Senior Management (continued)

(III) DECISION-MAKING PROCEDURES AND BASIS FOR REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Decision-making Procedures

(1) Decision-making procedures for remuneration of Directors and supervisors

Pursuant to the procedures and standards under the Measures for the Management of Remuneration of Directors and Supervisors of the Company passed and approved at the general meeting, the Remuneration and Evaluation Committee proposed the annual remuneration level for the Directors and Supervisors of the Company, which would be put forward for consideration at the general meeting upon approval by the Board.

(2) Decision-making procedures for remuneration of senior management

The Remuneration and Evaluation Committee proposed the annual remuneration for senior management of the Company in accordance with the Measures for the Management of Remuneration of Senior Management and the Board's assessment on the annual performance of the senior management of the Company, and submitted it to the Board for approval before implementation.

2. Determination Basis

(1) Determination basis for remuneration of Directors

The determination basis for remuneration of Directors of the Company shall be relevant provisions under the Measures for the management of Remuneration of Directors and Supervisors and the Company's assessment results for the Directors.

(2) Determination basis for remuneration of supervisors

The determination basis for remuneration of Supervisors of the Company shall be relevant provisions under the Measures for the management of Remuneration of Directors and Supervisors. The Supervisors' remuneration shall be determined in accordance with the measures for the management of remuneration and evaluation of the head office and their respective post.

(3) Determination basis for remuneration of senior management

The determination basis for remuneration of senior management of the Company shall be the Measures for the management of Remuneration of Senior Management and the Board's assessment on the annual performance for the senior management of the Company.

Directors, Supervisors and Senior Management (continued)

(IV) CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

1. On 31 May 2011, the Company's 2010 Annual General Meeting considered and approved the Proposal Regarding the Election of Directors of the Second Session of the Board and Shareholder Representative Supervisors of the Second Session of the Supervisory Committee, and elected Mr. MENG Fengchao, Mr. PENG Shugui, Mr. ZHAO Guangfa, Mr. HU Zhenyi as executive Directors of the second session of the Board of the Company, elected Mr. ZHU Mingxian as a non-executive director of the second session of the Board of the Company, and elected Mr. LI Kecheng, Mr. ZHAO Guangjie, Mr. WU Taishi and Mr. NGAI Wai Fung as independent non-executive Directors of the second session of the Board of the Company. The term of office of such Directors will commence on the date of election at the Annual General Meeting and end on 4 November 2013.

2. On 31 May 2011, the Company's 2010 Annual General Meeting considered and approved the Proposal Regarding the Election of Directors of the Second Session of the Board and Shareholder Representative Supervisors of the Second Session of the Supervisory Committee, and elected Mr. QI Xiaofei and Mr. HUANG Shaojun as shareholder representative supervisors of the second session of the Supervisory Committee of the Company. On 30 May 2011, the first joint meeting of the second meeting of the first session of the employee representatives' general meeting of the Company elected Mr. ZHANG Liangcai as employee representative supervisor of the second session of the Supervisory Committee of the Company. The term of office of the above supervisors is from 31 May 2011 to 4 November 2013.

3. On 31 May 2011, the Company held the first meeting of the second session of the Board. The meeting considered and approved the Proposal Regarding the Election of Chairman and Vice Chairman of the Company, and elected Mr. MENG Fengchao as the Chairman of the Company and Mr. PENG Shugui as the Vice Chairman of the Company, with the same term as Directors of the second session of the Board.

4. On 31 May 2011, the first meeting of the second session of the Supervisory Committee considered and approved the Proposal Regarding the Election of Chairman of the Second Session of the Supervisory Committee, and elected supervisor Mr. QI Xiaofei as the Chairman of the second session of the Supervisory Committee, with the same term as supervisors of the second session of the Supervisory Committee.

5. On 31 May 2011, the Company held the first meeting of the second session of the Board. The meeting considered and approved the Proposal Regarding the Appointment of President of the Company, and elected Mr. ZHAO Guangfa as the President of the Company, with a term of three years, starting from the date of approval of the Board.

6. On 31 May 2011, the Company held the first meeting of the second session of the Board. The meeting considered and approved the Proposal Regarding the Appointment of Vice Presidents and Other Senior Management of the Company, and appointed Mr. HU Zhenyi as Vice President and Chief Economist of the Company, Mr. XIA Guobin, Mr. FAN De and Mr. ZHOU Zhiliang as Vice Presidents of the Company, Mr. ZHUANG Shangbiao as Vice President and Chief Accountant of the Company, Mr. ZHANG Zongyan and Mr. LIU Ruchen as Vice Presidents. The aforementioned persons have a term of three years, starting from the date of approval of the Board.

Directors, Supervisors and Senior Management (continued)

7. On 31 May 2011, the Company held the first meeting of the second session of the Board. The meeting considered and approved the Proposal Regarding the Appointment of Secretary to the Board of the Company, and appointed Mr. YU Xingxi as Secretary to the Board, with a term of three years, starting from the date of approval of the Board.

8. Mr. HUO Jingui, a non-executive Director of the first session of the Board, retired in May 2011 for reaching the retirement age after the second session of the Board were elected on 31 May 2011.

9. The term of office of Mr. PENG Shugui, the Chairman of the first session of the Supervisory Committee expired in May 2011 and he would no longer serve as a Supervisor of the Company.

(V) INTERESTS IN THE COMPANY HELD BY DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE

As at the end of the Reporting Period, none of the Directors, Supervisors and the 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 or any of its associated corporations (refer to Part XV of the Securities and Future Ordinance (the "SFO") for definition) (a) which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or (b) which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

(VI) SERVICE CONTRACTS AND REMUNERATION OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors had entered into a service contract with the Company for a term of three years. None of the Directors or Supervisors had entered into a service contract with the Company which could not be terminated by the employer within one year without compensation (other than statutory compensation). Remuneration of Directors and Supervisors and details of the five persons with the highest remuneration are set out in Note X.5(iii) to the financial statements in this report. During the Reporting Period, none of the Directors or Supervisors of the Company waived or agreed to waive any remuneration.

(VII) DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the Reporting Period, neither the Company nor its subsidiaries had entered into any contracts in which any Director or Supervisor had a material interest, whether directly or indirectly. None of the Company or its subsidiaries had provided any loan or quasi-loan to any Director or other members of senior management of the Company.

Directors, Supervisors and Senior Management (continued)

(VIII) EMPLOYEES OF THE COMPANY

As at the end of the Reporting Period, the Company had 241,621 employees. The employee structure is as follows:

	Category	No. of employees	Percentage of the total
Educational background	Postgraduate or above	3,478	1.44%
	Undergraduate	82,235	34.03%
	Junior college	58,062	24.03%
	Below junior college	97,846	40.50%
	Total	241,621	100%
Professional background	Project contracting	223,147	92.35%
	survey, design and consultancy	10,669	4.42%
	Industrial manufacturing	4,581	1.90%
	Others	3,224	1.33%
	Total	241,621	100%

Employees' emolument includes salary, performance bonus and allowance. Employees of the Company also receive welfare benefits including pension insurance, medical insurance, unemployment insurance, workplace injury insurance, maternity insurance, housing fund and other benefits.

According to the applicable PRC laws and regulations, the premiums for pension insurance and unemployment insurance are contributed in strict compliance with the PRC national, provincial and municipal regulations, among which basic pension insurance is contributed according to the national standard of 8% by the employees and 20% to 22% by the employer. Employees contribute 0.2% to 1% and the employer 1% to 1.5% to unemployment insurance. Workplace injury insurance rates vary in different industries, ranging from 0.3% to 2% of employees' wages. The contribution rates for medical insurance and maternity insurance are subject to local regulations.

To comply with the applicable laws and regulations, the Company joined various retirement plans organised by local government authorities. Details of the retirement plans are set out in Note II.26 to the financial statements in this annual report.

Corporate Governance Structure and Corporate Governance Report

(I) CORPORATE GOVERNANCE OVERVIEW

1. Corporate Governance Profile

During the Reporting Period, the Company constantly improved corporate governance structure, facilitated the development of various systems and rules of the Company, standardised its operation, strengthened information disclosure management and safeguarded the interests of all shareholders of the Company in strict compliance with laws and regulations such as the Company Law, the Securities Law and the Guidelines for Corporate Governance of Listed Companies issued by CSRC and the relevant provisions and requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. There was no substantial difference between the actual situation of corporate governance structure of the Company and provisions and requirements of relevant documents of CSRC. The Company had observed the requirements of the Code on Corporate Governance Practices in Appendix 14 to the Hong Kong Listing Rules.

During the Reporting Period, the Company carried out the following work in corporate governance:

(1) Improved the corporate governance structure. During the Reporting Period, the Company earnestly implemented relevant procedures, successfully completed the election of a new session of the Board and the Supervisory Committee respectively, and re-engaged senior management members in strict accordance with relevant laws, regulations and the Articles of Association.

(2) Amended corporate governance rules. During the Reporting Period, the Company amended or formulated the Articles of Association of China Railway Construction Corporation Limited, the Rules on Insider Management of China Railway Construction Corporation Limited, the Rules for the Management of Fund Transfers with Related Parties of the Company, the Working Rules for the Secretary to the Board of China Railway Construction Corporation Limited, the Measures for Internal Control and Comprehensive Risk Management (Interim) of China Railway Construction Corporation Limited and other relevant documents.

(3) The Company established and developed the decision-making mechanism of the Board in accordance with the requirements of CSRC. The Board has established the Nomination Committee, the Remuneration and Evaluation Committee, the Audit and Risk Management Committee and the Strategy and Investment Committee. These special committees research on specialized matters, convene special meetings on a regular or interim basis, communicate with the management, give opinions and make recommendations to the Board for its reference in decision-making, and handle relevant matters entrusted or authorized by the Board, so as to improve the operational efficiency of the Board and strengthen its functions.

Corporate Governance Structure and Corporate Governance Report (continued)

(4) In strict compliance with provisions of the listing rules of the stock exchange(s) where the shares of the Company are listed, the Company carried out information disclosure in a timely, accurate and complete manner, continued to improve investor relations and upgraded the information disclosure level, so that all shareholders and investors can obtain the Company's information on an open, fair, true and accurate basis and the Company's transparency has kept improving.

During the Reporting Period, none of the Directors, supervisors, senior management members, shareholders or ultimate controller of the Company was subject to any punishment or criticism by CSRC and the Hong Kong Securities and Futures Commission or any public condemnation by the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

2. Compliance with the Code on Corporate Governance Practices

The Company established a corporate governance system in accordance with the requirements of the Code on Corporate Governance Practices in Appendix 14 to the Hong Kong Listing Rules. The Articles of Association, the terms of reference of the Audit and Risk Management Committee, the Remuneration and Evaluation Committee, the Nomination Committee, the Strategy and Investment Committee and the Supervisory Committee, and the code of conduct of Directors and relevant employees for securities trading constitute the reference basis of the code of corporate governance practices of the Company. During the Reporting Period, the Company had complied with the code provisions of the Code on Corporate Governance Practices and adopted the recommended best practices if applicable.

The General Meeting, the Board and the Supervisory Committee operated effectively in strict accordance with the Articles of Association and their respective rules of procedure. For details of the contents required to be disclosed in accordance with the Corporate Governance Report in Appendix 23 to the Hong Kong Listing Rules, please refer to relevant sections of this chapter and relevant sections of "Directors, Supervisors and Senior Management" and "Report of Directors" of this report.

(II) GENERAL MEETINGS

The General Meeting is the Company's highest authority, and shareholders exercise their rights through General Meetings. The Company ensures that all shareholders enjoy equal status, in order to make sure that the rights of all shareholders are safeguarded, including the right to know and the right to vote in respect of the major events of the Company.

The Company has held one General Meeting during the Reporting Period: the 2010 Annual General Meeting.

Corporate Governance Structure and Corporate Governance Report (continued)

The Company held its 2010 Annual General Meeting at the CRCC Bureau Building, No. 40 Fuxing Road, Haidian District, Beijing, the People's Republic of China on 31 May 2011. Mr. MENG Fengchao, the Chairman of the Company, presided over the meeting and a total of 18 shareholders and proxies of shareholders attended the meeting. The Proposal in Relation to the Report of the Board for 2010, the Proposal in Relation to the Report of the Supervisory Committee for 2010, the Proposal in Relation to the 2010 Financial Statements of the Company, the Proposal in Relation to the Profit Distribution Plan of the Company for 2010, the Proposal in Relation to the 2010 Annual Report of the Company and Its Summary, the Proposal in Relation to the Appointment of External Auditor for 2011 and Payment of 2010 Service Fees, the Proposal in Relation to the Remuneration Packages of Directors for 2010, the Proposal in Relation to Determination of the Cap for Internal Guarantees by the Company in 2011, the Proposal in Relation to the Election of Directors of the Second Session of the Board and Shareholder Representative Supervisors of the Second Session of the Supervisory Committee, the Proposal in Relation to the Issue of Medium-term Notes by the Company, the Proposal in Relation to the Issue of Short-term Financing Bonds by the Company, the Proposal in Relation to the Amendments to the Articles of Association, the Proposal in Relation to the Granting of a General Mandate to the Board to Issue H Shares were considered and approved at the meeting. The work report of independent Directors was heard at the meeting.

For resolutions passed at the Company's 2010 Annual General Meeting, please refer to the relevant announcements of the Company dated 1 June 2011 published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

(III) BOARD OF DIRECTORS

1. Overview of the Board

The Company re-elected and appointed Directors of the second session of the Board at the 2010 Annual General Meeting held on 31 May 2011. Before the election and appointment of the second session of the Board on 31 May 2011, the first session of the Board performed their duties for the Company. The first session of the Board consists of eight Directors, of which, Mr. MENG Fengchao and Mr. ZHAO Guangfa were executive Directors, Mr. HUO Jingui and Mr. ZHU Mingxian were non-executive Directors, Mr. LI Kecheng, Mr. ZHAO Guangjie, Mr. WU Taishi and Mr. NGAI Wai Fung were independent non-executive Directors. Mr. MENG Fengchao was the Chairman and Mr. ZHAO Guangfa was the President of the Company.

From 31 May 2011 to 4 November 2013, the second session of the Board shall perform their duties. The second session of the Board consists of nine Directors, of which, Mr. MENG Fengchao, Mr. PENG Shugui, Mr. ZHAO Guangfa and Mr. HU Zhenyi are executive Directors, Mr. ZHU Mingxian is an non-executive Director, Mr. LI Kecheng, Mr. ZHAO Guangjie, Mr. WU Taishi and Mr. NGAI Wai Fung are independent non-executive Directors. Mr. MENG Fengchao is the Chairman and Mr. PENG Shugui is the Vice Chairman of the Company, with the same term as that of the Directors of the second session of the Board; Mr. ZHAO Guangfa is the President of the Company, with a term of three years.

Save for their services to the Company, there is no financial, commercial and familial connection among the members of the Board, nor any other material relationship among them.

Save for the service contracts entered into respectively, no Directors are materially interested, either directly or indirectly, in the major contracts entered into by the Company or any of its subsidiaries during the Reporting Period.

Corporate Governance Structure and Corporate Governance Report (continued)

2. *Functions of the Board*

During the Reporting Period, all members of the Board diligently fulfilled their duties and the Board carried out its work in accordance with the Articles of Association, the Rules of Procedure of the Board of Directors of China Railway Construction Corporation Limited and other relevant laws and regulations. The Board shall exercise the following functions and duties:

- To hold General Meetings and report on its work thereat, and to carry out the resolutions passed at General Meetings;
- To decide on the Company's operation plans and investment plans, formulate the Company's annual financial budgets, final accounts, profit distribution plans and plans for making up losses of the Company;
- To formulate the plans for increase or reduction of the Company's registered capital and issuance of bonds and other securities as well as its listing plan;
- To formulate the plans for merger, division, dissolution and changes in corporate forms of the Company, and draft plans for major acquisitions of the Company and repurchase of the Company's own shares;
- To decide on the Company's external investments, acquisition and sale of assets, pledges of assets, external guarantees, entrusted wealth management and connected transactions within the scope of authorisation granted at General Meetings;
- To appoint or dismiss the Company's President and Secretary to the Board; to appoint or dismiss the Company's senior management members such as the Vice President(s), Chief Accountant, Chief Engineer and Chief Economist of the Company in accordance with the nominations of the President, and decide on their respective remuneration, reward and punishment, and to propose at General Meetings the appointment or change of the accounting firm(s) to provide auditing services to the Company; and
- To decide on the setting of the Company's internal management organisations, formulate the Company's basic management system, manage the Company's information disclosure matters and etc.

Corporate Governance Structure and Corporate Governance Report (continued)

3. *Performance of duties of Directors*

(a) Directors' attendance at the Board meetings

During the Reporting Period, the Company held 11 Board meetings, 9 were held on site and 2 were held by the way of communication. Minutes of the meetings were recorded by a designated officer, and all motions passed at each meeting were reached into resolutions of the Board, and were recorded and filed in accordance with relevant laws and provisions of the listing rules of the stock exchanges.

The following table shows the details of Directors' attendance at the Board meetings during the Reporting Period [Note 1].

Name of Director	Whether or not Independent Director	Required attendance for the year	Attendance in person	Attendance by proxy	Attendance by communication	Absence	Whether or not for/or attend in person for two consecutive times
MENG Fengchao	No	11	10	1	2	–	No
PENG Shugui	No	7	7	–	2	–	No
ZHAO Guangfa	No	11	10	1	2	–	No
HU Zhenyi	No	7	5	2	2	–	Yes [Note 2]
ZHU Mingxian	No	11	11	–	2	–	No
LI Kecheng	Yes	11	11	–	2	–	No
ZHAO Guangjie	Yes	11	11	–	2	–	No
WU Taishi	Yes	11	10	1	2	–	No
NGAI Wai Fung	Yes	11	10	1	2	–	No
HUO Jingui	No	4	4	–	–	–	No

Notes: *1:* Mr. PENG Shugui and Mr. HU Zhenyi, Directors of the second session of the Board newly elected at the Company's 2010 Annual General Meeting held on 31 May 2011, attended 7 Board meetings respectively during the Reporting Period. Mr. HUO Jingui, a non-executive Director of the first session of the Board, had no longer served as a non-executive Director upon reaching the retirement age after Directors of the second session of the Board were elected at the Company's 2010 Annual General Meeting held on 31 May 2011. He attended 4 Board meetings during the Reporting Period.

2: During the Reporting Period, Mr. HU Zhenyi was not available to attend the fourth meeting of the second session of the Board held on 29 and 30 August 2011 and the fifth meeting of the second session of the Board held on 28 October 2011 due to other business commitments. With prior review of meeting materials and the formation of clear opinions, Mr. HU Zhenyi appointed Mr. PENG Shugui, the Vice Chairman of the Company, in a written power of attorney to vote at the meetings on his behalf.

Corporate Governance Structure and Corporate Governance Report (continued)

(b) Performance of duties by independent Directors

(A) Objections raised by independent Directors to relevant matters of the Company

During the Reporting Period, the independent Directors did not raise any objections to motions presented at the Board meetings or other meetings for the year.

(B) Establishment and improvement of the work manual of independent Directors and performance of duties by independent Directors

The Company has established its independent director system in accordance with relevant provisions of CSRC. The Work Manual for Independent Directors of China Railway Construction Corporation Limited was considered and approved at the first meeting of the first session of the Board held on 5 November 2007. The work manual makes specific provisions on the qualifications, independence, nomination, election and replacement, rights and obligations and working conditions of the independent Directors to ensure that they are able to exercise and perform their rights and obligations properly. The Work Manual for Independent Directors in Preparing the Annual Report of China Railway Construction Corporation Limited was considered and approved at the tenth meeting of the first session of the Board held on 30 October 2008, stipulating the responsibilities and obligations of the independent Directors in the annual report preparation and disclosure process.

During the Reporting Period, in strict accordance with the requirements of relevant laws and regulations and maintaining a high sense of responsibility for all shareholders of the Company, the independent Directors diligently and earnestly performed their duties, learned the details of the production and operation of the Company, heard the management's reporting on the production and operation for the year and the progress of major events; strengthened the continuous communications with the certified public accountants who participated in the annual audit; attended the Board meetings in person, carefully reviewed the motions, issued their independent opinions on major events of the Company, promoted the scientific decision-making and standardized the operation of the Board and effectively maintained the legitimate rights and interests of all shareholders of the Company, especially of the minority shareholders. Leveraging on their abundant expertise and work experience, the independent Directors provided valuable and professional opinions and suggestions on the Company's development strategy, operating decisions, project investment and standardized operation and played an important role in the Company's standardized operation.

Corporate Governance Structure and Corporate Governance Report (continued)

(C) The independence of independent non-executive Directors

The Company has appointed sufficient number of independent non-executive Directors with relevant professional qualifications including expertise in accounting or financial management as required by the Hong Kong Listing Rules. The Company has received the annual confirmation issued by all independent nonexecutive Directors to acknowledge their respective independence. After due inquiry, the Board is of the view that each of the 4 independent non-executive Directors of the Company maintains the independence as required by the directions set out in Rule 3.13 of the Hong Kong Listing Rules. They have educational background in accounting, finance and infrastructure construction, and abundant professional experience and they have diligently performed their duties. They have sincerely provided professional advice for the Company's steady operation and growth, and carried out monitoring and coordination to safeguard the interests of the Company and the shareholders.

4. Operation of Special Committees of the Board

1. Audit and Risk Management Committee

During the Reporting Period, the Audit and Risk Management Committee of the Company consisted of three independent non-executive Directors, namely, Mr. WU Taishi, Mr. ZHAO Guangjie and Mr. NGAI Wai Fung, with Mr. WU Taishi serving as the Chairman. The Company held the tenth meeting of the second session of the Board on 20 March 2012, at which the Proposal in Relation to the Change of Members of Certain Special Committees of the Board was considered and approved that the number of members of the Audit and Risk Management Committee of the Board be changed from originally three to five by additionally appointing non-executive Director Mr. ZHU Mingxian and independent non-executive Director Mr. LI Kecheng as members of the Audit and Risk Management Committee for a term until the expiry of the term of the second session of the Board.

The duties of the Audit and Risk Management Committee mainly include making recommendations on the appointment and change of the external auditors of the Company; the monitoring of internal audit system of the Company; the coordination, monitoring and inspection of internal and external audits of the Company; the review of financial information and disclosure thereof; the inspection of internal control systems; the establishment of the Company's risk management strategies and solutions; and the risk control, management, monitoring and review of major decision-makings, major events and major business procedures.

During the Reporting Period, the Audit and Risk Management Committee earnestly performed their duties and held 8 meetings in accordance with the requirements of the Company Law, the Articles of Association and the Working Rules for Audit and Risk Management Committee of the Board and other relevant laws and regulations, the details of which are as follows:

Corporate Governance Structure and Corporate Governance Report (continued)

Name of meeting	Date	Attendees [Note]	Main contents
The 18th meeting of the Audit and Risk Management Committee of the first session of the Board	2 March 2011	WU Taishi ZHAO Guangjie NGAI Wai Fung	(1) Ernst & Young Hua Ming's reporting on the audits of the Company's 2010 annual report was heard (the second communication on the audits of 2010 annual report)
The 19th meeting of the Audit and Risk Management Committee of the first session of the Board	28 March 2011	WU Taishi ZHAO Guangjie NGAI Wai Fung LI Kecheng	(1) Ernst & Young Hua Ming's reporting on the audits of the Company's 2010 annual report was heard (the third communication on the audits of 2010 annual report); (2) The Proposal in Relation to the Appointment of External Auditors for 2011 and Payment of 2010 Service Fees was considered; (3) The Proposal in Relation to the Self-Assessment Report on Internal Control of the Company in 2010 was considered.
The 20th meeting of the Audit and Risk Management Committee of the first session of the Board	12 April 2011	WU Taishi ZHAO Guangjie NGAI Wai Fung	(1) the Audit and Supervisory Bureau's reporting on the Audit Projects Plan for year 2011 was heard; (2) The development planning department's reporting on the problems in the Company's risk and internal control management and the risk and internal control plan for 2011 was heard.
The 21st meeting of the Audit and Risk Management Committee of the first session of the Board	27 April 2011	WU Taishi ZHAO Guangjie	(1) The Proposal in Relation to the 2011 First Quarterly Financial Report was considered.
The 1st meeting of the Audit and Risk Management Committee of the second session of the Board	29 August 2011	WU Taishi ZHAO Guangjie NGAI Wai Fung	(1) Ernst & Young Hua Ming's reporting on the review of the Company's 2011 Interim Report was heard; (2) The development and planning department's reporting on the election of internal control auditors and the formulation of the Measures on Internal Control and Comprehensive Risk Management (Interim) was heard.

Corporate Governance Structure and Corporate Governance Report (continued)

Name of meeting	Date	Attendees [Note]	Main contents
The 2nd meeting of the Audit and Risk Management Committee of the second session of the Board	27 October 2011	WU Taishi ZHAO Guangjie	(1) The Proposal in Relation to the 2011 Third Quarterly Financial Report was considered. (2) The Proposal in Relation to Amendments to Relevant Articles of the Measures on Internal Control and Comprehensive Risk Management (Interim) was considered.
The 3rd meeting of the Audit and Risk Management Committee of the second session of the Board	8 December 2011	WU Taishi ZHAO Guangjie NGAI Wai Fung LI Kecheng	(1) Ernst & Young Hua Ming's reporting on the Company's annual audit plan for 2011 was heard; (2) The Audit and Supervisory Bureau's reporting on the negotiations over audit fees for 2011 was heard.
The 4th meeting of the Audit and Risk Management Committee of the second session of the Board	9 December 2011	WU Taishi ZHAO Guangjie NGAI Wai Fung	(1) The Reporting on overseas project management by China Civil Engineering Construction Corporation was heard; (2) The international department's reporting on overseas risk control was heard.

Note: Mr. NGAI Wai Fung was not able to attend the 21st meeting of the Audit and Risk Management Committee of the first session of the Board and the second meeting of the Audit and Risk Management Committee of the second session of the Board due to other business commitments. Mr. LI Kecheng as an independent non-executive Director attended the communication meeting of the Audit and Risk Management Committee with auditors on annual report audit. Mr. Li Kecheng was not able to attend the 18th meeting of the Audit and Risk Management Committee of the first session of the Board due to other business commitments.

During the Reporting Period, the Audit and Risk Management Committee held meetings to review the financial and accounting policies, the internal control system and other relevant financial matters of the Company, to give opinions on relevant matters regarding appointing external auditors and to hear the external auditors' reporting on the audits and review of the 2010 annual report and the 2011 interim report, in order to ensure the integrity, fairness and accuracy of the financial statements, reports and other relevant data of the Company and develop a sound and effective internal control system.

Corporate Governance Structure and Corporate Governance Report (continued)

(2) Remuneration and Evaluation Committee

During the Reporting Period, the Remuneration and Evaluation Committee of the Company consisted of three independent non-executive Directors, namely, Mr. ZHAO Guangjie, Mr. LI Kecheng and Mr. WU Taishi, with Mr. ZHAO Guangjie serving as the Chairman. The main duties of the Remuneration and Evaluation Committee are to formulate and examine the remuneration policies and plans of the Directors and senior management officers of the Company; to study evaluation criteria for Directors and senior management members of the Company, and to carry out evaluation and make recommendations.

During the Reporting Period, the Remuneration and Evaluation Committee earnestly performed their duties and held 4 meetings in accordance with the requirements of the Company Law, the Articles of Association, the Working Rules for Remuneration and Evaluation Committee of the Board and other relevant laws and regulations, the details of which are as follows:

Name of meeting	Date	Attendees[Note]	Main contents
The 9th meeting of the Remuneration and Evaluation Committee of the first session of the Board	21 January 2011	ZHAO Guangjie (1) LI Kecheng	The reporting of the finance department and human resources department on the opinions on the 2011 performance evaluation arrangements was heard.
The 10th meeting of the Remuneration and Evaluation Committee of the first session of the Board	27 April 2011	ZHAO Guangjie(1) LI Kecheng WU Taishi	The Proposal in Relation to the Board's Performance Evaluation Results for the President for 2010 and Performance Evaluation Plan for 2011 were considered; (2) The Proposal in Relation to the Adjustment of Basic Salary of the Management was considered.
The 1st meeting of the Remuneration and Evaluation Committee of the second session of the Board	29 August 2011	ZHAO Guangjie (1) LI Kecheng WU Taishi	The reporting on the Board's performance evaluation results for the President for 2010 and the SASAC's testing and evaluation results on CRCCG for 2010 were heard.
The 2nd meeting of the Remuneration and Evaluation Committee of the second session of the Board	27 October 2011	ZHAO Guangjie (1) LI Kecheng WU Taishi	The Proposal in Relation to the Remuneration of the President and other Senior Management members for 2010 was considered.

Note: Mr WU Taishi was not able to attend the 9th meeting of the Remuneration and Evaluation Committee of the first session of the Board due to other business commitments.

Corporate Governance Structure and Corporate Governance Report (continued)

(3) Nomination Committee

During the Reporting Period, the Nomination Committee consisted of Mr. MENG Fengchao, Mr. PENG Shugui, Mr. ZHU Mingxian, Mr. LI Kecheng and Mr.ZHAO Guangjie, with Mr. MENG Fengchao serving as the Chairman. The Company held the 10th meeting of the second session of the Board on 20 March 2012, at which the Proposal in Relation to the Change of Members of Certain Special Committees of the Board was considered and approved and it was proposed the members of the Nomination Committee be adjusted as follows: independent non-executive Director Mr. WU Taishi was appointed as a member of the Nomination Committee for a term until the expiry of the term of the second session of the Board, and non-executive Director Mr. ZHU Mingxian no longer served as a member of the Nomination Committee. The main duties of the Nomination Committee are to standardize the selection criteria and procedures for Directors, President and other senior management members of the Company.

During the Reporting Period, the Nomination Committee earnestly performed their duties and held one meeting in accordance with the requirements of the Company Law, the Articles of Association and the Working Rules for Nomination Committee of the Board and relevant laws and regulations, the details of which are as follow:

Name of meeting	Date	Attendees	Main contents
The 1st meeting of the Nomination Committee of the second session of the Board	31 May 2011	MENG Fengchao PENG Shugui ZHU Mingxian LI Kecheng ZHAO Guangjie	(1) The Proposal in Relation to the Appointment of the President of the Company, the Proposal in Relation to the Appointment of the Vice President and other Senior Management Members of the Company and the Proposal in Relation to the appointment of Secretary to the Board were considered.

(4) Strategy and Investment Committee

During the Reporting Period and before 31 May 2011, the Strategy and Investment Committee of the Company consisted of Mr. ZHAO Guangfa, Mr. ZHU Mingxian, Mr. LI Kecheng and Mr. WU Taishi, with Mr. ZHAO Guangfa serving as the Chairman; after 31 May 2011, the Strategy and Investment Committee of the Company consisted of Mr. ZHAO Guangfa, Mr. HU Zhenyi, Mr. ZHU Mingxian and Mr. LI Kecheng, with Mr. ZHAO Guangfa serving as the Chairman. The main duties of the committee are to conduct research and make recommendations for the development strategies and plans, significant investment decisions of the Company, etc.

Corporate Governance Structure and Corporate Governance Report (continued)

During the Reporting Period, in strict accordance with the requirements of the Company Law, the Articles of Association, the Working Rules for the Strategy and Investment Committee and other relevant laws and regulations, the Strategy and Investment Committee earnestly performed its duties and held 7 meetings, the details of which are as follows:

Name of meeting	Date	Attendees(Note)	Main contents
The 2nd meeting of the Strategy and Investment Committee of the first session of the Board	20 January 2011	ZHAO Guangfa ZHU Mingxian LI Kecheng	(1) The Proposal in Relation to the Development Strategies and Plans of China Railway Construction Corporation Limited was considered.
The 3rd meeting of the Strategy and Investment Committee of the first session of the Board	13 May 2011	ZHAO Guangfa ZHU Mingxian LI Kecheng WU Taishi	(1) The Proposal in Relation to the Investment in the Finance Company was considered
The 1st meeting of the Strategy and Investment Committee of the second session of the Board	31 May 2011	ZHAO Guangfa HU Zhenyi ZHU Mingxian LI Kecheng WU Taishi	(1) The Proposal in Relation to the Increase of Registered Capital of China Railway Real Estate Group Co., Ltd. was considered; (2) The Proposal in Relation to the Increase of Registered Capital of China Railway Material G roup Co., Ltd. was considered;
The 2nd meeting of the Strategy and Investment Committee of the second session of the Board	17 June 2011	ZHAO Guangfa HU Zhenyi ZHU Mingxian LI Kecheng WU Taishi	(1) The Proposal in Relation to the Establishment of China Railway Construction and Waterway Bureau Co., Ltd. was considered.
The 3rd meeting of the Strategy and Investment Committee of the second session of the Board	15 August 2011	ZHAO Guangfa HU Zhenyi ZHU Mingxian LI Kecheng WU Taishi	(1) The Proposal in Relation to the Change of Method for Increase of Registered Capital of China Railway Real Estate Group Co., Ltd. was considered; (2) The Investment Company's reporting on the investment in the BOT project of Fujian Nanping-Guangze Expressway (Fjian-Jiangxi Channel) was heard.

Corporate Governance Structure and Corporate Governance Report (continued)

Name of meeting	Date	Attendees[Note]	Main contents
The 4th meeting of the Strategy and Investment Committee of the second session of the Board	27 October 2011	ZHAO Guangfa ZHU Mingxian LI Kecheng WU Taishi	(1) The Proposal in Relation to the Joint Establishment of a Company by the Investment Company and Zhanjiang Economic and Technological Development Zone to Develop Donghai Island was considered; (2) The Proposal in Relation to Undertaking the Construction of the Slender West Lake Tunnel in Yangzhou, Jiangsu through BT (Build-Transfer) by China Railway 14th Bureau Co., Ltd. was considered; (3) The Proposal in Relation to the Investment in the Construction of Outer Ring Middle Road in East Kunming and its Upper Road Works through BT (Build-Transfer) by China Railway 4th Investigation and Design Institute was considered; (4) The Reporting on the Capital Operation Projects was heard.
The 5th meeting of the Strategy and Investment Committee of the second session of the Board	21 December 2011	ZHAO Guangfa HU Zhenyi ZHU Mingxian LI Kecheng WU Taishi	(1) The Proposal in Relation to the Acquisition of Equity of Guangdong Hangsheng Construction Group Co., Ltd. was considered; (2) The Proposal in Relation to Authorizing the President Office within Annual Investment Quota to Approve BT Project Investment within RMB3 Billion was considered; (3) The Proposal in Relation to the Investment in the Construction of Machang-Huaxi Section of Guizhou Pingba-Guiyang Urban Expressway by China Railway 18th Bureau Group Co., Ltd. was considered; (4) The Proposal in Relation to the Investment in the Construction of Shijing Port Project in Nan'an, Fujian through Joint Establishment of the Project Company by the Investment Company, China Railway 25th Bureau and Waterway Bureau was considered.

Note: Mr. Wu Taishi was not able to attend the second meeting of the Strategy and Investment Committee of the first session of the Board for other business commitments. Mr. HU Zhenyi was not able to attend the 4th meeting of the Strategy and Investment Committee of the second session of the Board for other business commitments.

Corporate Governance Structure and Corporate Governance Report (continued)

5. *Daily Works of the Board*

(1) Board meetings and resolutions

During the Reporting Period, the Board held 11 meetings. The proposals and resolutions of the meetings have been disclosed in the designated media.

Session	Convening Date	Date of disclosure	Newspaper for disclosure	Remarks
The 41st meeting of the first session of the Board	20-21 January 2011	22 January 2011	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	
The 42nd meeting of the first session of the Board	29-30 March 2011	31 March 2011	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	
The 43rd meeting of the first session of the Board	28 April 2011	—	—	*Note*
The 44th meeting of the first session of the Board	13 May 2011	14 May 2011	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	
The 1st meeting of the second session of the Board	31 May 2011	1 June 2011	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	
The 2nd meeting of the second session of the Board	22 June 2011	23 June 2011	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	
The 3rd meeting of the second session of the Board	16 August 2011	17 August 2011	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	
The 4th meeting of the second session of the Board	29-30 August 2011	31 August 2011	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	
The 5th meeting of the second session of the Board	28 October 2011	29 October 2011	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	
The 6th meeting of the second session of the Board	25 November 2011	28 November 2011	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	
The 7th meeting of the second session of the Board	22 December 2011	23 December 2011	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	

Note: The Board meeting considered and approved the Proposal in Relation to the 2011 First Quarterly Report and the Proposal in Relation to the Board's 2010 Report to SASAC.

Corporate Governance Structure and Corporate Governance Report (continued)

(2) The implementation by the Board of the resolutions approved at the General Meetings

During the Reporting Period, the Board diligently implemented the resolutions approved at the General Meetings in strict accordance with the resolutions and authorizations of the General Meeting, including:

(A) The implementation of the Proposal in Relation to the Profit Distribution Plan of the Company for 2010

The Board has organized and implemented the profit distribution plan for 2010 in accordance with the resolution of the 2010 Annual General Meeting.

(B) The implementation of the Proposal in Relation to the Appointment of External Auditors for 2011 and Payment of 2010 Service Fees

The matter has been implemented in accordance with resolution of the 2010 Annual General Meeting.

(C) The Proposal in Relation to the Election of Directors of the Second Session of the Board and Shareholder Representative Supervisors of the Second Session of the Supervisory Committee

In accordance with the resolutions of the 2010 Annual General Meeting, MENG Fengchao, PENG Shugui, ZHAO Guangfa and HU Zhenyi were elected as executive Directors of the second session of the Board of the Company, ZHU Mingxian was elected as a non-executive Director of the second session of the Board of the Company, LI Kecheng, ZHAO Guangjie, WU Taishi and NGAI Wai Fung were elected as independent non-executive Directors of the second session of the Board of the Company, QI Xiaofei and HUANG Shaojun were elected as shareholder representative supervisors of the second session of the Supervisory Committee of the Company.

(D) The implementation of the Proposal in Relation to the Issue of Medium-Term Notes by the Company

In accordance with the resolution of the 2010 Annual General Meeting, the Company proposed to issue medium-term notes with a principal amount up to RMB22.5 billion and a duration of not more than 10 years in one tranche or multiple tranches in the inter-bank market of the PRC. On 7 September 2011, the Company registered RMB7.5 billion of medium-term notes in the National Association of Financial Market Institutional Investors. On 14 October 2011, the Company successfully issued the first tranche of medium-term notes for 2011 with a principal amount of RMB7.5 billion, interest rate of 6.28% per annum and a duration of 7 years, and all proceeds raised have been received on 18 October 2011. (For details, please refer to relevant announcements dated 19 October 2011 published by the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.)

Corporate Governance Structure and Corporate Governance Report (continued)

(E) The implementation of the Proposal in Relation to the Issue of Short-term Financing Bonds by the Company

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 1 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 4 November 2011, the Company issued the first tranche of short-term financing bonds with a principal amount of RMB5 billion, a duration of 366 days and a coupon rate of 5.55%, and all proceeds raised have been received on 7 November 2011. (For details, please refer to relevant announcements dated 9 November 2011 published by the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.)

(F) The implementation of the Proposal in Relation to the Granting of a General Mandate to the Board to Issue H Shares

The authorization is yet to be exercised.

(G) The implementation of Proposal in Relation to Non-public Issuance and Placing of A Shares

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

(3) The establishment and development by the Board of the management system on external information users of the Company

In accordance with the requirements of CSRC and other regulatory authorities, the Company formulated the Management System for Insiders of China Railway Construction Corporation Limited on the basis of the original Management System for Insiders and External Information Users of China Railway Construction Corporation Limited, chapter five of which headed "Management of External Information Users" provides strict and detailed stipulations on the scope of external information use, the main jobs to be done, matters requiring attention, responsibility subjects and other matters.

Corporate Governance Structure and Corporate Governance Report (continued)

(4) Responsibilities of the Board for financial statements

The Directors of the Company acknowledged that they have the responsibility to prepare the financial statements in each fiscal period, which shall faithfully reflect the business conditions, performance and cash flow of the Company in such period in a fair manner.

With the assistance of the accounting department, the Directors confirm that the preparation of the financial statements for the year ended 31 December 2011 of the Company conform to relevant laws, regulations and applicable accounting standards.

The reporting responsibility statement of the auditors of the Company for financial statements is on page 121 of this annual report.

(5) The statement of the Board for internal control responsibility

It is the Board's responsibility to establish and maintain a sufficient financial report-related internal control system. The Board has conducted assessment for the internal control related to financial reports according to the requirements of the Basic Criteria for Enterprise Internal Control and are of the view that it was valid in 2011, and found no internal control deficiency related to non-financial reports matters in the process of internal control self-assessment.

(6) Establishment and implementation of insider registration and management system

According to the requirements of CSRC and other regulatory authorities, the Company formulated the Management System for Insiders of China Railway Construction Corporation Limited on the basis of the Management System for Insiders and External Information Users of China Railway Construction Corporation Limited. Chapter three of this document has made specific stipulations on the insider registration and management system, including mainly the registration and archival-filing contents, responsibility subjects, procedures, main job contents, the establishment of insider filing system, etc. During the Reporting Period, in strict compliance with the aforesaid systems and relevant systems for information disclosure management, the Company disclosed information in a timely and fair manner, strengthened the confidentiality management of inside information, improved the insider registration and archival-filing, thus ensuring the truthfulness, accuracy and integrity of the disclosed information and protecting the legitimate rights and interests of the shareholders, creditors and other interested persons.

(7) Whether there are insiders trading the Company's shares by utilizing inside information

Through self-examination, the Company found no insider trading the Company's shares by utilizing inside information before important and sensitive information that may influence the Company's share price was disclosed.

Corporate Governance Structure and Corporate Governance Report (continued)

(IV) CHAIRMAN AND PRESIDENT

Mr. MENG Fengchao served as the Chairman of the Company, and Mr. Zhao Guangfa was appointed by the Board as the President of the Company. The Chairman and the President shall carry out work according to the division of responsibilities speciifed by the corporate governance system such as the Articles of Association, the Rules of Procedure of the Board of Directors and the Working Rules for the President. The Chairman is the legal representative of the Company, mainly responsible for convening and presiding over the Board meeting, inspecting the implementation of the resolutions of the Board meeting, attending the annual general meeting, arranging the chairmen of committees of the Board to attend the annual general meetings and answer shareholders' questions, signing securities issued by the Company and other important documents, and exercising other functions and powers authorized by the Board. The Chairman is responsible to the Board and reports his work to the Board. The President is responsible for the daily operation of the Company, including mainly implementing strategies and policies approved by the Board, as well as business plans and investment plans of the Company, drafting internal management structure and basic management system of the Company, formulating basic rules and regulations, proposing to the Board to appoint or dismiss senior management members and exercising other functions and powers authorized by the Articles of Association and the Board. The President took full responsibility to the Board for the operating conditions of the Company and reported his work to the Board on a regular basis.

(V) SUPERVISORY COMMITTEE

The Company had a Supervisory Committee consisting of three supervisors, including two shareholder representative supervisors and one employee representative supervisor. The first session of the Supervisory Committee of the Company consisted of Mr. PENG Shugui, Mr. HUANG Shaojun and Ms. YU Fengli, with Mr. Peng Shugui serving as the Chairman. The second session of the Supervisory Committee of the Company consisted of Mr. QI Xiaofei, MR. HUANG Shaojun and Mr. ZHANG Liangcai, with Mr. QI Xiaofei serving as the Chairman. Mr. QI Xiaofei and Mr. HUANG Shaojun were the shareholder representative supervisors who were elected and appointed at the 2010 Annual General Meeting. Mr. ZHANG Liangcai was the employee representative supervisor who was elected and appointed democratically by employees of the Company. The Supervisory Committee was responsible to the General Meeting and reported its performance of duties to the General Meeting; and undertook the assessment for the legal operation, financial reports, connected transactions and internal control.

The Supervisory Committee exercised the following functions and powers: to examine the Company's finance; to supervise the acts of the Directors, President, Vice President(s) and other senior management members of violating laws, regulations, the Articles of Association and resolutions of the General Meetings in performing their duties; to review the periodic reports considered by the Board; to propose to hold an extraordinary general meeting, and advance proposals as well as functions and powers specified by other laws, regulations and the regulatory rules of the domestic and overseas places where the shares of the Company are listed.

The meetings of the Supervisory Committee shall be presided over by the Chairman of the Supervisory Committee. The Company has formulated the Rules of Procedure for the Supervisory Committee and set up the Supervisory Committee meeting system. The meetings of the Supervisory Committee are divided into regular meetings and interim meetings. Regular meetings shall be held at least three times each year, to mainly hear and consider financial reports and annual reports of the Company and to examine the financial position and internal control of the Company. Interim meetings can be held when necessary. For details of the work of the Supervisory Committee, please refer to the paragraph of "Work of the Supervisory Committee" in the Report of Supervisors.

Corporate Governance Structure and Corporate Governance Report (continued)

(VI) INDEPENDENCE OF THE COMPANY IN BUSINESS, PERSONNEL, ASSETS, INSTITUTIONS, FINANCE AND OTHER ASPECTS TO THE CONTROLLING SHAREHOLDERS

1. Business independence

The Company is principally engaged in construction operations, survey, design and consultancy operations, manufacturing operations, real estate, logistics and material trading and other businesses, and is qualified to and has the capacity to conduct businesses independently, and has independent business decision-making power and implementation power. The operating businesses of the Company are independent of the Controlling Shareholder and other enterprises controlled by it, and the operating management of the Company adopts independent accounting. The Company has self-contained and complete production, supply, sales and management systems required for production and operation. There is neither substantial competition nor obviously unfair connected transaction between the Company and the Controlling Shareholder and other enterprises controlled by it.

2. Personnel independence

The Company's personnel engaged in production, operation and administration are totally independent of the Controlling Shareholder and other enterprises controlled by it. The Company recruits employees independently, enters into labor contracts with employees according to relevant regulations of the State, and also has independent labor, personnel and payroll management system. The Directors, supervisors and senior management members are appointed in accordance with the procedures specified by the Company Law and the Articles of Association.

The President, Vice President(s), Chief Financial Officer, Secretary to the Board and other senior management members do not receive remuneration from the Controlling Shareholder and other enterprises controlled by it. All financial staff of the Company have full-time job with the Company and receive corresponding remuneration therefrom.

3. Assets independence

The Company has assets required for independent and complete production and operation, including fixed assets such as houses and construction equipment purchased by it as well as intangible assets such as state-owned land use right, trademarks and patents. There is a clear definition of ownership between assets of the Company and the Controlling Shareholder, and the Company's assets is totally independent of the Controlling Shareholder and other enterprises controlled by it. The Company has not currently provided any guarantees for the Controlling Shareholder and other enterprises controlled by it with assets and equity, and there is also no such case of the Company's interests being harmed for its assets and funds being occupied illegally by the Controlling Shareholder and other enterprises controlled by it.

4. Institution independence

Separating from the Controlling Shareholder and other enterprises controlled by it, the Company has independent organizational institutions and offices, and independently exercise the functions of institutions.

Corporate Governance Structure and Corporate Governance Report (continued)

5. Financial independence

The Company has an independent finance department equipped with independent financial personnel, financial management system and accounting policies. The Company makes financial decisions independently according to the provisions of the articles of Association and keeps independent accounting books, so there is no such as of the Controlling Shareholder and other enterprises controlled by it intervening in the use of the Company's funds. The Company opens a bank account separately, so there is no such case of jointly using a bank account with the Controlling Shareholder and other enterprises controlled by it. As an independent taxpayer, the Company pays taxes independently according to law, so there is no such as of mixing tax payment with the subordinate entities of the Controlling Shareholder.

(VII) THE ESTABLISHMENT AND IMPLEMENTATION OF THE INTERNAL CONTROL SYSTEM OF THE COMPANY

Overall plan for internal control development	Attaching importance to strengthening the internal control development all along, during the Reporting Period, the Company formulated the overall plan for the standard implementation of internal control, improved the Company's internal control system from aspects of the development of the internal control organization system, institutional system and assessment system, ensure the compliance of the operation and management with the Law, assets safe and financial reports and relevant information authentic and complete, cultivated and elevated the staff's awareness of risk management and strictly guarded against internal control deficiencies, so as to control the risks within acceptable limit, improve operating efficiency and effectiveness and promote the realization of the Company's strategic objectives.
Working Plan for the establishment and improvement of internal control system and its implementation	In accordance with the Basic Standards for Enterprise Internal Control, the Company collected, arranged and analyzed the institutions, department duties, rules and regulations and main business procedures, conducted objective assessment and judgment for the internal control and risk situation, cleared some outdated systems, supplemented and improved various internal control rules, had various production, operation and management activities carried out in an orderly way and ensured the effective and steady operation of the Company.
Settings of internal control inspection and supervision departments	The Company has established a set of complete internal control supervision systems, and the Supervisory Committee supervised the establishment and implementation of internal control by the Board; the Audit Supervision Bureau supervised the authenticity, legality and benefits of economic activities of the Company and its subordinate units and actively carry out internal supervision and assessment; the Supervisory Bureau fulfilled the functions of the discipline inspection and administrative supervision; the Trade Union participated in democratic management of the Company and supervised the leaders and operating management personnel in the performance of their duties.

Corporate Governance Structure and Corporate Governance Report (continued)

Implementation of self-assessment of internal supervision and internal control	The Company performed its internal supervision function by various means such as internal audit, discipline inspection and supervision and the holding of workers' congress, and earnestly organized the implementation of internal control assessment according to the requirements of internal control specification. The Company formulated working plan for the implementation of internal control assessment, and by means of combining self-assessment of subordinate units and the independent assessment of the headquarters, conducted systematic assessment from design effectiveness and execution effectiveness in aspects of internal environment, risk assessment, controlling activities, information and communication, and internal supervision related to the whole system of the Company and the realization of the overall objectives.
Arrangement of the Board for work related to internal control	The Company made explicit requirements on the internal control. The Company shall further strengthen the development of the internal control and risk management system, gradually improve the internal control mechanism, improve the risk assessment, identification and prevention abilities, and strive to reduce the losses caused by risks. In the meantime, the Company shall strengthen the constructive and preventive role of the audit supervision in the internal control and risk management system, earnestly carry out internal control self-assessment and conduct internal control audit related to financial reports.
Establishment and operation of the internal control system related to financial reports	In accordance with the requirements of the Basic Standard for Enterprise Internal Control and relevant guidelines, the Company earnestly analyzed and arranged internal control rules related to financial reports, and formulated the publication of internal control rules, so as to strengthen the guidance for the system-wide financial work of the Company and standardize the financial management and economic accounting.
Deficiencies and rectification of internal control	As at the end of the Reporting Period, the Company found no significant deficiencies in the design or execution of internal control. The Company will further strengthen its internal control and risk management and promote the sustained and sound development of the Company.

Corporate Governance Structure and Corporate Governance Report (continued)

(VIII) EVALUATION AND INCENTIVES FOR SENIOR MANAGEMENT MEMBERS

In accordance with the regulations on measures for performance evaluation and remuneration management for senior management members of the Company, as well as the annual performance evaluation plan for senior management members considered and adopted by the Board, the Remuneration and Evaluation Committee implemented evaluation for senior management members, and the evaluation results considered and approved by the Board are considered as the main basis for the remuneration incentive for the senior management members. The Remuneration and Evaluation Committee prepares the proposal for remuneration of senior management members according to their assessment ratings, and pays annual performance remuneration for senior management members with approval of the Board.

(IX) DISCLOSURE OF THE INTERNAL CONTROL REPORTS AND REPORTING OF THE FULFILLMENT OF SOCIAL RESPONSIBILITY

The Company disclosed the internal control self-assessment report, tilted 'Internal Control Assessment Report 2011 of China Railway Construction Corporation Limited'; disclosed the internal control audit report for financial reports issued by Crowe Horwath Accounting Firm, titled 'Internal Control Audit Report 2011 of China Railway Construction Corporation Limited'; and also disclosed the report on its fulfillment of social responsibility titled: 'Social Responsibility Report 2011 of China Railway Construction Corporation Limited'. The aforesaid reports were published at the website of the Shanghai Stock Exchange (www.sse.com.cn) and the Company's website (www.crcc.cn).

(X) ESTABLISHMENT OF THE ACCOUNTABILITY SYSTEM FOR MATERIAL ERRORS IN INFORMATION DISCLOSURE OF ANNUAL REPORT BY THE COMPANY

In strict accordance with the provisions of the Company's relevant regulations as well as of laws and regulations, the Company disclosed relevant information in true, accurate, complete, timely and fair manner. The Accountability System for Material Errors in Information Disclosure of Annual Reports of China Railway Construction Corporation Limited was considered and adopted at the 30th meeting of the first session of the Board held on 25-26 April 2010. It has stipulated that if the information disclosure obligor or insider causes errors in information disclosure of annual report of the Company or causes losses due to dereliction of duty or breach of regulations, the Company shall find out the reason and hold the person(s) involved liable depending on the seriousness of the case. There was no significant error in information disclosure of the annual report during the Reporting Period.

(XI) COMPETITIONS AND CONNECTED TRANSACTIONS

The Company was established through overall restructuring of the main businesses of CRCCG, and there is no competition between the Company and the Controlling Shareholder as well as its connected enterprises. The amount of connected transactions between the Company and the Controlling Shareholder as well as other enterprises controlled by it is relatively small, which is determined, implemented and disclosed completely according to the connection transaction rules of the Company. As the projects of the Controlling Shareholder and enterprises controlled by it are completed, the connection transaction amount will be further reduced.

Corporate Governance Structure and Corporate Governance Report (continued)

(XII) SECURITIES TRANSACTIONS OF DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Board has adopted the Model Code as the guidance for the securities transactions of Directors, supervisors and relevant employees. After individual inquiry by the Company, all Directors, supervisors and relevant employees (as defined in the Model Code) have confirmed that they have acted in compliance with the standards as set by the guidance.

(XIII) INVESTOR RELATIONS

The Company continued to enhance its investor relations in strict compliance with the requirements set forth in the Work Guidance for Relations between Listed Companies and Investors, the Working Rules for Investor Relations of China Railway Construction Corporation Limited and the implementation rules thereof. Apart from the establishment of dedicated hotlines and mail boxes for investors and analysts to call or mail for inquiries, the Company also actively received investors for on-site visits and convened investor conferences. Through effective communications with investors, the investors' confidence in the Company was enhanced. Upon disclosure of periodic reports, the Company organized face-to-face meeting or teleconferences with domestic and overseas investors in a timely manner and organized diversified roadshows both at home and abroad, with a view to communicating with investors actively on development strategies, operating conditions, financial position and major matters of the Company. To get more feedback from the market, the Company participated in various exchange activities organized by domestic and international investment institutions. The Company also summarized and absorbed opinions and recommendations from investors in a timely manner, in order to continuously improve its corporate governance level. By providing objective, true and accurate information to investors, the Company managed to establish a constructive relationship with investors, which in turn boosted investors' understanding of and support to the Company. In 2011, the Company was awarded a number of prizes, including the "Chinese Listed Companies with the Most Influential Brand Overseas" and the "Listed Companies with Highest Investment Value during the Twelfth Five-Year Plan Period".

(XIV) REMUNERATION OF AUDITORS

For relevant information on the remuneration of auditors, please refer to the paragraph of "Change of Auditors of the Company" in "Significant Events".

Report of Directors

(I) MANAGEMENT DISCUSSION AND ANALYSIS

1. DISCUSSION AND ANALYSIS OF THE OVERALL OPERATIONS

The year of 2011 is the first year for the "Twelfth Five-year Plan" of China as well as the commencement of the new strategic planning of the Company. We have handled the unstable construction market home and abroad calmly and resolutely in spite of all the difficulties and proposed a set of ideas and plans for adjustment and deployment. We have promptly shifted our focus and taken effective measures, thus having realized a good kick-off for the "Twelfth Five-year Plan" and laid a solid foundation for the sustainable and healthy development of the Company.

(1) Remarkable results in market development. The value of new contracts signed by the Group amounted to RMB681,180 million, exceeding the target set for the year, of which the value of new domestic contracts amounted to RMB543,820 million, representing an increase of 73.5% as compared to the corresponding period last year, while the value of overseas new contracts amounted to RMB76,030 million, representing an increase of 193.4% as compared to the corresponding period last year. As at the end of the Reporting Period, the value of outstanding contracts of the Group totaled RMB1,198,250 million.

Key indicators of the value of new and outstanding contracts of the Group are as follow:

Unit: '00 million

	Value of new contracts			Value of outstanding contracts		
	2011	**2010**	**Growth**	**2011.12.31**	**2010.12.31**	**Growth**
Construction operations	**5,873.211**	6,775.918	-13.32%	**11,278.947**	9,337.856	20.79%
Survey, design and supervision operations	**75.890**	75.790	0.13%	**18,532**	17.282	7.23%
Manufacturing operations	**119.677**	87.361	36.99%	**26.896**	1.419	1795.42%
Logistics and materials trading	**577.192**	402.469	43.41%	**544.842**	265.265	105.40%
Real estate	**140.771**	114.484	22.96%	**89.096**	85.768	3.88%
Others	**25.045**	15.961	56.91%	**24,190**	16.496	46.64%
Total	**6,811.786**	7,471.983	–8.84%	**11,982.503**	9,724.086	23.22%

Report of Directors (continued)

The main reason for the decrease in new contracts for construction operations is the dramatic shrinkage of the domestic railway construction market, resulting in a significant decrease in the new contracts for railway projects of the Group. In 2011, new railway contracts of the Group amounted to RMB137,360 million, representing a decrease of 68.3% compared to that of last year. Besides railway projects, new contracts in other categories of projects all maintained varying degrees of growth, providing a strong support for the Group to maintain stability in its operation scale, among which, new contracts of real estate constructions amounted to RMB163,630 million, representing an increase of 208.4% as compared to the corresponding period last year; new contracts of road projects amounted to RMB108,180 million, representing an increase of 14.9% as compared to the corresponding period last year; new contracts of urban rail amounted to RMB42,970 million, representing an increase of 8.4% as compared to the corresponding period last year; new contracts of municipal constructions amounted to RMB56,370 million, representing an increase of 77.3% as compared to the corresponding period last year; new contracts of water and power generation engineering projects amounted to RMB31,270 million, representing an increase of 165.6% as compared to the corresponding period last year.

(2) Quality of economic operation improved significantly. During the Reporting Period, the Group achieved a revenue of RMB457,366.1 million, representing a decrease of 2.72% as compared to the corresponding period last year, and a net profit of RMB7,882 million, representing an increase of 82.59% as compared to the corresponding period last year. The efficiency of the Group set a new record with a significant improvement in its quality of economic operation.

Major operational and financial indicators

Unit: million

	2011	2010	Growth rate
Revenue	**457,366.11**	470,158.79	-2.72%
Cost of sales	**409,327.41**	428,647.12	-4.51%
Operating profit	**9,929.57**	5,839.62	70.04%
Operating margin	**2.17%**	1.24%	Increased by 0.93 percentage points
Net profit	**7,881.96**	4,316.64	82.59%

(3) Significant progress in transformation and upgrading. New contracts of non-construction business amounted to RMB93,860 million, realizing a revenue of RMB62,840 million and a net profit of RMB 3,250 million, representing 13.8%, 13.4% and 39.9% of the total amounts respectively and becoming a crucial economic pillar of the Group. The Group established China Railway Construction Investment Co., Ltd., China Railway Construction and Waterway bureau Co., Ltd, and China Railway Construction Finance Company Limited (中國鐵建財務有限公司) is preparing for commencement of business, which further improved the integrity of the industrial chain. As a result, the comprehensive strength of the business segments such as survey and design, manufacturing, real estate development, logistics and trade maintained their upward trend.

Report of Directors (continued)

(4) Continuous enhancement in all-round development. Basic corporate management, teambuilding, work on ideology and politics, work between the Communist Party and the general public, cultural enrichment all have been strengthened and improved; the Communist Party, and government, the workers and the Youth League worked together as one focusing on the key tasks and serving the overall interests. As a result, the Company is politically stable and harmonious, full of vigor and vitality.

2. TECHNOLOGICAL INNOVATION AND ENERGY CONSERVATION AND EMISSION REDUCTION

(1) Technological innovation. The Group prepared and introduced the "twelfth five-year" development plans for technology and for survey, design and consultancy, and further advanced technological innovation. The Company has made breakthrough in building its technological innovation platform: The Technology Centre of China Railway 12th Bureau Group Co., Ltd. has been accredited as a state-level enterprise technology centre, ending the era of having no state-level innovation platform of the Group; "large-diameter full-face tunnel boring equipment and material engineering machinery and equipment" undertaken by the Group has been listed in the National "863" Program for the first time; "Shaanxi key laboratory for railway and underground transportation projects" of China Railway First Survey and Design Institute Group Co., Ltd. has been approved. Technological innovations have achieved considerable results, with investment in technology of RMB8,470 million, 3 projects were listed in major national research projects, 22 provincial and ministerial level research projects were added; 2 Second Prize of National Science and Technology Progress Awards, 126 Provincial and Ministerial Level Science and Technology Progress Awards, 3 National Excellent Engineering Investigation and Design Awards, 8 National Excellent Engineering Investigation and Design Industry Awards, 57 patents for invention and 42 state level engineering methods were granted to the Company, which has never been seen in history. Technological innovation has provided strong support for the Company's development. A bunch of landmark key projects with much difficulty, such as Beijing-Shanghai High Speed Rail, Guangzhou-Shenzhen-Hong Kong High Speed Rail, Shiziyang Tunnel, Yudong Yangtze River Bridge, Jiaozhou Bay Bridge, have been completed and commenced operation. In 2011, the Company was awarded 15 National Quality Engineering Awards, 7 Luban Prize for China Construction Projects, and 50 quality management teams were awarded National Engineering Construction Excellent Quality Award.

Report of Directors (continued)

(2) Energy conservation and emission reduction. The Company has conscientiously implemented a series of guidelines and policies on energy conservation and emission reduction issued by the CPC central committee and the State Council, set energy conservation and emission reduction as a crucial measure for transformation of development mode, business optimization and product structure as well as fulfilling social responsibilities, and effectively strengthened management, improved the management mechanism of energy conservation and emission reduction with the aim of making the Company energy efficient and environmentally friendly. The Company has also reinforce its foundation, improved the statistical and monitoring mechanism of energy conservation and emission reduction; enhanced management, improved the rules and regulations for energy conservation and emission reduction; the Company has made greater efforts in promoting national policies on energy conservation and emission reduction in coordination with the 2011 national energy saving awareness week to sturdily advance various management work for energy conservation and emission reduction. In 2011, the overall energy consumption of the non-industrial enterprises per RMB10,000 revenue of the Company decreased by 3.38% as compared to the corresponding period last year, satisfactorily meeting the target on energy conservation and emission reduction of the Company.

3. PRINCIPAL OPERATIONS AND THEIR PERFORMANCE

(1) Performance of main business segments

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

Unit: million

	Revenue		Cost of sales		Gross profit		Gross profit margin	
Item	2011	2010	2011	2010	2011	2010	2011	2010
Construction operations	407,540.76	428,497.22	369,101.16	393,714.41	38,439.60	34,782.81	9.43%	8.12%
Survey, design and consultancy operations	7,463.58	8,332.99	5,194.58	6,130.94	2,269.00	2,202.05	30.40%	26.43%
Manufacturing operations	8,915.23	9,255.88	7,317.73	7,798.89	1,597.50	1,456.99	17.92%	15.74%
Other businesses	46,459.15	32,495.18	40,452.31	29,425.36	6,006.84	3,069.82	12.93%	9.45%
Including: real estate development	13,537.61	5,189.33	9,400.03	3,634.65	4,137.58	1,554.68	30.56%	29.95%
logistics and materials trading	31,186.18	25,909.02	29,873.04	24,532.09	1,313.14	1,376.93	4.21%	5.31%
Inter-segment elimination	-13,012.61	-8,422.48	-12,738.37	-8,422.48	-274.24	—	—	—
Total	457,366.11	470,158.79	409,327.41	428,647.12	48,038.70	41,511.67	10.50%	8.83%

Report of Directors (continued)

A. Construction operations

As the core and traditional business segment of the Group, construction operations covered various fields, such as railways, highways, buildings, municipal utilities, urban rail transit, water conservancy and hydroelectricity, bridges, tunnels and airports. The Group provided services in 31 provinces, municipalities 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 in Africa, Asia, the Middle East and Europe.

During the Reporting Period, the revenue and gross profit from construction operations decreased by 4.89% and increased by 10.51% as compared with the corresponding period last year, respectively.

Construction operations
(before elimination of inter-segment transaction)

Unit: million

Item	2011	2010	Growth rate
Revenue	**407,540.76**	428,497.22	–4.89%
Cost of sales	**369,101.16**	393,714.41	–6.25%
Gross profit	**38,439.60**	34,782.81	10.51%
Gross profit margin	**9.43%**	8.12%	Increased by 1.31 percentage points
Selling and distribution expenses	**442.01**	390.97	13.05%
General and administrative expenses	**17,270.50**	16,877.53	2.33%
Total profit	**6,089.07**	3,446.40	76.68%

In 2011, revenue from railway market of the Group accounted for 52.93% of the Group's income of construction operations, which decreased by 7.10 percentage point as compared to that of 2010.

B. 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 municipal utilities.

During the Reporting Period, revenue of the Group's survey, design and consultancy operations reached RMB7,463.6 million, representing a decrease of 10.43% as compared with that of 2010, while gross profit increased by 3.04% as compared with that of 2010.

Report of Directors (continued)

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

Unit: million

Item	2011	2010	Growth rate
Revenue	**7,463.58**	8,332.99	–10.43%
Cost of sales	**5,194.58**	6,130.94	–15.27%
Gross profit	**2,269.00**	2,202.05	3.04%
Gross profit margin	**30.40%**	26.43%	Increased by 3.97 percentage points
Selling and distribution expenses	**472.57**	405.59	16.51%
General and administrative expenses	**739.46**	781.62	–5.39%
Total profit	**978.68**	879.56	11.27%

C. Manufacturing operations

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

Manufacturing operations
(before elimination of inter-segment transaction)

Unit: million

Item	2011	2010	Growth rate
Revenue	**8,915.23**	9,255.88	–3.68%
Cost of sales	**7,317.73**	7,798.89	–6.17%
Gross profit	**1,597.50**	1,456.99	9.64%
Gross profit margin	**17.92%**	15.74%	Increased by 2.18 percentage points
Selling and distribution expenses	**173.68**	164.96	5.29%
General and administrative expenses	**698.78**	594.47	17.55%
Total profit	**576.80**	364.77	58.13%

Report of Directors (continued)

D. 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	2011	2010	Growth rate
Revenue	**46,459.15**	32,495.18	42.97%
Including:			
real estate development	**13,537.61**	5,189.33	160.87%
logistics and materials trading	**31,186.18**	25,909.02	20.37%
Cost of sales	**40,452.31**	29,425.36	37.47%
Gross profit	**6,006.84**	3,069.82	95.67%
Gross profit margin	**12.93%**	9.45%	Increased by 3.48 percentage points
Selling and distribution expenses	**657.66**	569.47	15.49%
General and administrative expenses	**1,142.66**	905.63	26.17%
Total profit	**2,685.58**	1,398.04	92.10%

The business of real estate development is a principal business of the Company as approved by SASAC. In 2011, the Group acquired an 11 additional real estate development projects in Beijing, Chongqing, Wuhan, Xi'an, Guiyang, Jinan, Ningbo, Tai'an, Zhuzhou and Wuzhou, with additional land area for construction of 1,010,000 m^2 and a planned gross floor area of 3,150,000 m^2. As at the end of 2011, the Group launched its real estate development business in 30 cities such as Beijing, with land area for construction of 7,240,000 m^2 and planned gross floor area of 23,460,000 m^2. In 2011, the Group sold 36 projects in 24 cities, of which 24 projects recorded over RMB100 million for sale of each unit.

In 2011, the Group's revenue from real estate business increased by 160.87% as compared to that of 2010. Before elimination of inter-segment transaction, the gross profit margin of real estate business was 30.56%, representing an increase of 0.61 percentage point as compared to that of 2010.

The Group is principally engaged in the business of logistics and materials trade related to construction materials. In 2011, the Group's revenue from the logistics and materials trading business increased by 20.37% as compared to that of 2010. Before elimination of inter-segment transaction, the gross profit margin of logistics and materials trading business in 2011 was 4.21%, representing a decrease of 1.10 percentage points as compared to that of 2010.

Report of Directors (continued)

(2) Principal operations by geographical areas

Revenue by geographical areas

Unit: million

	2011	2010
Domestic	**440,166.80**	447,689.33
Overseas	**17,199.31**	22,469.46
Total	**457,366.11**	470,158.79

As at the end of 2011, the operations of the Company covered 48 countries and regions around the world with 283 constructions in progress.

4. WORKING CAPITAL AND CAPITAL RESOURCES

(1) Major customers and major suppliers

During the Reporting Period, revenue of the Group from the top five customers amounted to RMB36,079.3 million, accounting for approximately 7.89% of the revenue of the Group for 2011 and representing a decrease of 3.81% as compared to that of 2010. The major customers were railway bureau and railway companies affiliated to the Ministry of Railways. The Controlling Shareholder, actual controller of the Company and the companies in its control were not connected to the major customers.

Unit: million

Item	**2011**	2010
Total revenue of top five customers, in aggregate	**36,079.26**	37,509.82
Percentage of total revenue	**7.89%**	7.97%

During the Reporting Period, the total purchasing amount of the Group from its top five raw material and energy suppliers was RMB3,584.9 million, accounting for approximately 0.88% of the total purchasing amount of the Group for 2011 and representing a decrease of 30.23% as compared to that of 2010. The suppliers were mainly large steel enterprises and logistics and trade enterprises in China. The Controlling Shareholder, actual controller of the Company and the companies in its control were not connected to the major suppliers.

Report of Directors (continued)

Unit: million

Item	2011	2010
Purchasing amount to top five suppliers, in aggregate	3,584.94	5,138.19
Percentage of total purchasing	0.88%	1.20%

None of the Directors or their respective associates (as defined in the Hong Kong Listing Rules) or the existing shareholders who owned, as to the knowledge of the Directors, 5% or more of the Company's issued share capital held any interests in the five largest suppliers or customers of the Group.

(2) Analysis of assets and liabilities

At the end of the Reporting Period, the amount of the major assets, liabilities of the Group and their movements were as follow:

Unit: million

	31 December 2011		31 December 2010		
	Amount	Percentage	Amount	Percentage	Growth
Total assets	422,982.84	100.00%	350,265.20	100.00%	20.76%
Major asset items					
Cash and cash equivalents	83,057.64	19.64%	65,206.59	18.62%	27.38%
Accounts receivable and long-term receivables	71,422.89	16.89%	57,455.90	16.40%	24.31%
Prepayments	26,075.65	6.16%	28,132.73	8.03%	-7.31%
Other receivables	25,335.88	5.99%	21,995.14	6.28%	15.19%
Inventories	76,005.53	17.97%	59,598.50	17.02%	27.53%
Amount due from customers for contract work	74,175.97	17.54%	60,120.41	17.16%	23.38%
Non-current assets due within one year	10,546.81	2.49%	6,779.66	1.94%	55.57%
Fixed assets	38,507.45	9.10%	35,172.30	10.04%	9.48%
Intangible assets	6,791.25	1.61%	6,372.61	1.82%	6.57%
Total liabilities	357,264.07	100.00%	292,033.78	100.00%	22.34%
Major liability items					
Short-term loans	34,159.99	9.56%	16,242.67	5.56%	110.31%
Accounts payable and long-term payables	152,852.80	42.78%	129,379.40	44.30%	18.14%
Prepayments	39,348.49	11.01%	42,724.12	14.63%	-7.90%
Amount due to customers for contract work	14,065.82	3.94%	17,463.35	5.98%	-19.46%
Other payables	32,532.58	9.11%	29,525.73	10.11%	10.18%
Long-term loans	18,218.81	5.10%	7,484.80	2.56%	143.41%
Employee benefits payable1	13,330.30	3.73%	12,177.99	4.17%	9.46%

Note: "Employee benefits payable" represent the aggregate of employee benefits payable in current liabilities and employee benefits payable in long-term liabilities.

Report of Directors (continued)

As at 31 December 2011, the balance of cash and cash equivalents of the Group was RMB83,057.6 million, accounting for 19.64% of the total assets and representing an increase of 27.38% as compared to the end of 2010.

As at 31 December 2011, the balance of other receivables of the Group was RMB25,335.9 million, representing an increase of 15.19% as compared to the end of 2010. Other receivables mainly comprise various deposits such as bid bond and performance bond for constructions. The year-on-year increase of other receivables was mainly attributable to the increase of various deposits for the rented equipment, for purchasing loans and for other operating activities as well as the performance bonds during the terms of contracts.

As at 31 December 2011, the balance of inventories of the Group was RMB76,005.5 million, representing an increase of 27.53% as compared to the end of 2010. Raw materials procured for performing the construction contracts and cost for real estate development constituted the main parts of the Group's inventory items. The year-on-year increase of the balance of inventories was mainly attributable to the rise in the cost for real estate development as a result of the growth of real estate development at the end of the year.

As at 31 December 2011, loans of the Group (the aggregate of short-term loans, short-term bonds payable, long-term loans, long-term loans due within one year) was RMB63,357.6 million, representing an increase of 156.69% as compared to the end of 2010. The main reason for the year-on-year increase of loans was the increase of bank loans needed to provide funds for projects, which was resulted from the fund shortage from homeowners brought by the macro situation in China.

As at 31 December 2011, accounts payable by the Group was RMB149,399.0 million, representing an increase of 17.09% as compared to that of 2010, which was mainly attributable to the slowdown of construction cost settlement brought by the adjustment in state macro policies and the slowdown in infrastructure constructions.

Report of Directors (continued)

(3) Internal control mechanism related to fair value measurement

The Company regulates and manages the accounting work related to fair value measurement strictly in compliance with the Accounting Standards for Business Enterprises. It adopted appropriate and reasonable measures to determine the fair value in line with the principle of prudence.

Items Relating to Fair Value Measurement

Unit: million

Item	Amount at the beginning of the period	Gain or loss from changes in fair value during the period	Accumulated changes in fair value recognized in equity	Amount at the end of the period
Financial assets				
1. Financial assets at fair value through profit or loss	75.49	-27.11	—	46.92
2. Available-for-sale financial assets	273.77	—	-31.63	242.10
Total	349.26	-27.11	-31.63	289.02

Report of Directors (continued)

(4) Financial assets at the end of the Reporting Period

The Company classified the financial assets into different categories in accordance with the features of its own businesses, the requirements of risk management and the purpose of holding financial assets. As at 31 December 2011, the particulars of the financial assets of the Company were as follows:

Unit: million

	Financial assets at fair value through profit or loss	**Investment held to maturity**	**Loans and other receivables**	**Available-for-sale financial assets**	**Total**
Investment held to maturity	—	1.27	—	—	1.27
Available-for-sale financial assets	—	—	—	242.10	242.10
Long-term equity Investments under cost method	—	—	—	2,317.47	2,317.47
Bills receivable	—	—	2,014.62	—	2,014.62
Accounts receivable	—	—	62,918.83	—	62,918.83
Interest receivable	—	—	60.37	—	60.37
Dividends receivable	—	—	46.84	—	46.84
Other receivables	—	—	25,335.88	—	25,335.88
Long-term receivables	—	—	8,504.06	—	8,504.06
Non-current assets due within one year	—	—	10,546.81	—	10,546.81
Financial assets held for trading	46.92	—	—	—	46.92
Cash and cash equivalents	—	—	83,057.64	—	83,057.64
	46.92	1.27	192,485.05	2,559.57	195,092.81

Report of Directors (continued)

As at 31 December 2011, particulars of the financial liabilities were as follows:

Unit: million

	Other financial liabilities
Short-term loans	34,159.99
Short-term bonds payable	7,504.78
Bills payable	10,972.45
Accounts payable	149,398.97
Interest payable	314.01
Dividends payables	57.49
Other payables	32,532.58
Non-current liabilities due within one year	13,961.26
Long-term loans	18,218.81
Bonds payable	12,392.52
Long-term payables	3,453.83
	282,966.69

(5) Analysis of major items of costs and expenses

During the Reporting Period, the major components and changes of costs are as follows:

Unit: million

Item	**2011**	2010	Increase
Operating costs	**409,327.41**	428,647.12	-4.51%
Selling and distribution expenses	**1,745.92**	1,530.99	14.04%
General and administrative expenses	**19,851.40**	19,159.24	3.61%
Finance costs	**1,981.75**	511.16	287.70%
Income tax expenses	**2,173.93**	1,772.12	22.67%

For the year ended 31 December 2011, selling and distribution expenses increased by 14.04% to RMB1,745.9 million as compared to that of 2010, mainly due to the increase in the Company's efforts in undertaking.

For the year ended 31 December 2011, finance costs increased by 287.70% to RMB1,981.8 million as compared to that of 2010, mainly due to the increase in interest on loans and other borrowings.

Report of Directors (continued)

For the year ended 31 December 2011, income tax expenses increased by 22.67% to RMB2,173.9 million mainly due to the increase in the operating profit. Particulars of the income tax expenses are as follows:

Unit: million

Item	**2011**	2010
Current income tax expenses	**2,075.37**	1,498.40
Deferred tax expenses	**98.56**	273.72
Total income tax expenses	**2,173.93**	1,772.12

(6) Analysis of other items of income statement

In 2011, the non-operating income of the Group amounted to RMB521.5 million, representing an increase of 27.32% as compared to that of 2010, mainly attributable to the increase in government-sponsored subsidies for the year. Non-operating expenses amounted RMB395.2 million, representing an increase of 146.25% as compared to that of 2010, mainly attributable to the disposal of fixed assets and inventory loss.

(7) Analysis of changes in cash flows

Unit: million

Item	**2011**	2010	Increase
Net cash flows from operating activities	**-12,576.31**	6,252.57	-301.14%
Net cash flows from investing activities	**-10,603.01**	-15,525.05	31.70%
Net cash flows from financing activities	**41,648.93**	10,358.80	302.06%

In 2011, the net cash flows from operating activities of the Group amounted to RMB-12,576.3 million, representing a decrease of 301.14% as compared to that of 2010, mainly attributable to the increase of RMB12,919 million in costs of properties under development and completed properties held for sale.

Report of Directors (continued)

In 2011, the net cash flows from investing activities of the Group amounted to RMB-10,603.0 million, representing an increase of 31.70% as compared to that of 2010. The net cash outflows from investing activities of the Group mainly included (1) RMB12,053.6 million from acquisition of fixed assets, projects under construction, intangible assets and other long-term assets; (2) RMB209.2 million in cash from investments; (3) RMB101.7 million from liabilities incurred by acquisition of subsidiaries and other assets and liabilities; and (4) RMB1,237.5 million in cash from disposal of fixed assets, intangible assets and other long-term assets.

In 2011, the net cash flows from the financing activities of the Group amounted to RMB41,648.9 million, representing an increase of 302.06% as compared to that of 2010. Such net cash flows included (1) RMB14,910.0 million in cash from the issue of bonds; (2) RMB56,304.7 million in cash from additional bank loans and other loans; (3) RMB24,907.2 million used in repayment for the bank loans and other loans; and (4) RMB4,774.4 million used in payment of dividends and interests.

(8) The operations and analysis of the results of major subsidiaries

During the Reporting period, particulars of the major subsidiaries of the Company were as follows:

Unit: million

		Major financial indicators for 2011			
Name of the Company	**Registered capital**	**Total assets**	**Net assets**	**Net profit**	**Principal operations**
China Civil Engineering Construction Corporation	1,210.00	13,878.69	2,684.40	152.45	Construction
China Railway 11th Bureau Group Co., Ltd.	1,031.85	22,666.12	2,654.51	501.74	Construction
China Railway 12th Bureau Group Co., Ltd.	1,060.68	34,054.11	3,548.26	451.79	Construction
China Railway 13th Bureau Group Co., Ltd.	1,044.81	16,680.13	1,906.69	329.82	Construction
China Railway 14th Bureau Group Co., Ltd.	1,110.00	21,408.20	2,518.15	339.53	Construction
China Railway 15th Bureau Group Co., Ltd.	1,117.21	19,049.89	1,799.46	320.59	Construction
China Railway 16th Bureau Group Co., Ltd.	1,068.30	20,798.01	1,979.88	380.96	Construction
China Railway 17th Bureau Group Co., Ltd.	1,044.21	24,175.75	2,425.01	394.74	Construction
China Railway 18th Bureau Group Co., Ltd.	1,130.00	21,852.56	1,710.07	339.35	Construction
China Railway 19th Bureau Group Co., Ltd.	1,095.47	17,675.14	2,028.90	345.29	Construction
China Railway 20th Bureau Group Co., Ltd.	1,110.00	18,111.33	2,048.48	301.76	Construction
China Railway 21st Bureau Group Co., Ltd.	950.00	17,006.28	1,646.60	200.17	Construction
China Railway 22nd Bureau Group Co., Ltd.	926.00	12,309.31	1,556.24	270.27	Construction
China Railway 23rd Bureau Group Co., Ltd.	900.00	13,732.21	1,706.05	162.11	Construction
China Railway 24th Bureau Group Co., Ltd.	953.24	12,853.38	1,676.31	184.41	Construction
China Railway 25th Bureau Group Co., Ltd.	910.72	10,123.60	1,280.06	107.76	Construction
China Railway Construction Group Ltd.	1,300.00	19,421.11	2,888.91	560.57	Construction

Report of Directors (continued)

Name of the Company	Registered capital	Major financial indicators for 2011 Total assets	Net assets	Net profit	Principal operations
China Railway Electrification Bureau Group Co., Ltd	710.00	11,691.87	1,844.81	415.65	Construction
China Railway Construction and Waterway Bureau Co., Ltd.	1,000.00	988.83	985.84	-14.16	Port and channel engineering
China Railway Real Estate Group Co., Ltd. *(note)*	7,000.00	49,244.78	9,509.84	1,417.61	Real estate development and operations
China Railway First Survey and Design Institute Group Co., Ltd.	200.00	3,750.64	915.21	185.23	Consultancy and supervision on survey and design
China Railway Fourth Survey and Design Institute Group Co., Ltd.	150.00	8,219.25	1,645.61	410.41	Consultancy and supervision on survey and design
China Railway Fifth Survey and Design Institute Group Co., Ltd.	155.00	846.70	453.58	106.22	Consultancy and supervision on survey and design
China Railway Shanghai Design Institute Group Co., Ltd.	130.00	573.33	376.06	69.68	Consultancy and supervision on survey and design
China Railway Goods and Materials Co., Ltd.	1,000.00	12,654.48	1,715.31	200.62	Purchase and sales of goods and materials
Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	587.98	4,563.83	1,703.86	219.35	Manufacturing
China Railway Construction Heavy Industry Co., Ltd.	750.00	4,306.97	1,605.80	276.07	Manufacturing
Beijing Tiecheng Construction Supervision Co., Ltd.	6.00	254.89	60.56	18.87	Consultancy and supervision on survey and design
China Railway Construction (HK) Limited	HK$6.00 million	426.58	-10.07	-3.02	Construction management
Chenghe Insurance Brokers Co., Ltd.	50.00	89.17	69.11	12.70	Insurance brokerage
China Railway Construction (Beijing) Business Management Co., Ltd.	8.83	131.86	24.04	3.02	Property management
China Railway Construction (Caribbean) Co., Ltd.	TT$1.00 million	55.54	13.27	10.03	Construction
CRCC China-Africa Construction Company Limited	1,000.00	1,183.62	1,029.04	16.32	Construction
China Railway Construction (USA) Company Limited	US$3.00 million	16.38	16.38	-2.53	Construction
China Railway Construction Investment Co., Ltd.	3,000.00	14,163.45	3,391.65	42.95	Project management

Note: China Railway Real Estate Group Co., Ltd. completed and delivered area of 2,630,00 m^2, representing a year-on-year increase of 196.54%. As various projects were completed and delivered during the Reporting Period, the revenue and profit of China Railway Real Estate Group Co., Ltd. recorded faster growth.

Report of Directors (continued)

(9) Capital expenditures

The Group incurred capital expenditures mainly for the construction, expansion and technology upgrade of facilities and purchase of equipment used for construction of projects. As at 31 December 2011, the Group's capital expenditures amounted to RMB14,800.1 million, representing a decrease of RMB1,926.6 million as compared to that of 2010.

Unit: million

	2011	2010
Construction operations	**13,583.27**	15,045.51
Survey, design and consultancy operations	**209.63**	513.89
Manufacturing operations	**792.79**	871.69
Other businesses	**214.38**	295.59
Total	**14,800.07**	16,726.68

(10) Working capital

A. Contracted construction projects

	31 December 2011	31 December 2010
Costs incurred to date	**1,402,495.87**	1,191,285.69
Recognized gross profit less recognized losses, net	**96,976.07**	81,186.17
Less: settled billings	**-1,439,361.79**	-1,229,814.80
	60,110.15	42,657.06
At the end of the year:		
Gross amount due from contract customers	**74,175.97**	60,120.41
Gross amount due to contract customers	**-14,065.82**	-17,463.35
	60,110.15	42,657.06

The net amount of the contracted construction projects of the Group increased from RMB42,657.1 million as at 31 December 2010 to RMB60,110.2 million as at 31 December 2011, mainly attributable to the slowdown in inspection and settlement by a small number of property owners brought by the adjustments to the national macro control policies.

Report of Directors (continued)

B. Accounts receivable and accounts payable

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

	2011	2010
Turnover days of accounts receivable(1)	**45**	37
Turnover days of accounts payable(2)	**123**	94

(1) The number of turnover days of accounts receivable is derived by dividing the arithmetic mean of the opening and closing balances of accounts receivable for the relevant year by operating income multiplying 365 days.

(2) The number of turnover days of accounts payable is derived by dividing the arithmetic mean of the opening and closing balances of accounts payable for the relevant year by operating costs multiplying 365 days.

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

Unit: million

	31 December 2011	31 December 2010
Less than one year	**59,145.05**	46,517.61
One to two years	**2,640.29**	2,290.14
Two to three years	**870.59**	624.70
More than three years	**697.07**	477.92
	63,353.00	49,910.37
Less: provision for bad debts	**-434.17**	-377.75
	62,918.83	49,532.62

The directors of the Company are of the opinion that the provision for bad debts of the Group is adequate.

Report of Directors (continued)

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

Unit: million

	31 December 2011	31 December 2010
Less than one year	**143,150.13**	123,190.88
One to two years	**4,864.24**	3,547.45
Two to three years	**848.55**	607.48
More than three years	**536.05**	242.80
	149,398.97	127,588.61

(11) Prepayments and other receivables

The Group's prepayments and other receivables increased to RMB51,411.5 million as at 31 December 2011 from RMB50,127.9 million as at 31 December 2010.

(12) Termination and early retirement benefits

In the attempt to streamline the Group's workforce and improve efficiency, the Group implemented an internal retirement plan, under which the Group compensate certain early-retired employees till they formally retire. Upon retirement, they will be covered by government-sponsored retirement plans. The Group's internal retirement scheme has ceased to be in effect after the listing of the Company's H Shares on the Hong Kong Stock Exchange and as such, no further new early retirement application will be accepted by the Group after the listing of the its H Shares on the Hong Kong Stock Exchange.

The Group's obligations in respect of early retirement benefits at the end of the Reporting Period were computed by an independent actuary, Towers Watson Management Consulting (Shenzhen) Company Limited (韜睿惠悦企業管理諮詢(深圳)有限公司), which is a member of the Society of Actuaries of the United States of America, using the projected unit credit actuarial cost method. As of 31 December 2010 and 31 December 2011, the Group's outstanding balance in respect of those obligations were RMB5,295.7 million and RMB4,611.1 million, respectively.

(13) Other payables and accruals

Other payables and accruals included advances from customers, other payables, remuneration payable and tax payables. As of 31 December 2010 and 31 December 2011, the Group had other payables and accruals of RMB90,167.2 million and RMB92,024.8 million, respectively.

Report of Directors (continued)

(14) Indebtedness

A. Loans

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

Unit: million

	31 December 2011	31 December 2010
Pledged/mortgaged and guaranteed loans	**—**	43.40
Pledged loans	**3,267.42**	214.02
Mortgaged loans	**103.50**	47.50
Guaranteed loans	**5,650.57**	3,339.60
Credit loans	**25,138.50**	12,598.15
	34,159.99	16,242.67

The short-term bonds of the Group as at 31 December 2010 and 31 December 2011 were as follows:

Unit: million

	31 December 2011	31 December 2010
Short-term bonds	**7,504.78**	—

The long-term loans of the Group due within one year as at 31 December 2010 and 31 December 2011 were as follows:

Unit: million

	31 December 2011	31 December 2010
Pledged loans	**24.76**	21.95
Mortgaged loans	**678.00**	110.00
Guaranteed loans	**693.92**	653.73
Credit loans	**2,077.30**	169.83
	3,473.98	955.51

Report of Directors (continued)

The long-term loans of the Group as at 31 December 2010 and 31 December 2011 were as follows:

Unit: million

	31 December 2011	31 December 2010
Pledged loans	**149.77**	174.53
Mortgaged loans	**5,174.34**	3,159.10
Guaranteed loans	**3,861.15**	1,062.74
Credit loans	**9,033.55**	3,088.43
	18,218.81	7,484.80

The bonds payable of the Group as at 31 December 2010 and 31 December 2011 were as follows:

Unit: million

	31 December 2011	31 December 2010
Medium-term corporate bonds	**12,392.52**	14,930.36

B. *Commitments*

Unit: million

	31 December 2011	31 December 2010
Capital commitments		
Contracted, but not provided for	**932.05**	757.60
Authorized by the Board but not contracted	**72.67**	320.85
	1,004.72	1,078.45
Investment commitments		
Contracted, but not fulfilled	**625.00**	195.95
Authorized by the Board but not contracted	**3,000.00**	1,000.00
	3,625.00	1,195.95

C. *Contingent liabilities*

During the Reporting Period, the Company had no material contingent liabilities.

Report of Directors (continued)

(15) 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. During the Reporting Period, the Group did not use foreign currency contract to hedge foreign exchange risks.

(16) Financial Risks

In the ordinary business course, the Group is confronted with various financial risks, including exposures to the risk of changes in fair value and market interest rates, foreign currency risk, credit risk and liquidity risk.

(17) Particulars of the entities controlled by the Company for special purposes

Not applicable

5. Prospect on the Company's Future Development

(1) Analysis of Situation for Corporate Development

Construction industry. In 2012 and for a long period of time onward, China will remain in an important period of strategic opportunities in which the general macro environment of economic and social development, compared to the underdevelopment of industrialization, urbanization and marketization, are expected to be prominent and will create surprising market potential. There will be, among others, a relatively stable and long-term growth in the infrastructure construction, especially the water conservancy, real estate, land reclamation from the sea, municipal infrastructure and subway works, creating an enormous space for the Company's business development. Steady development of railway construction: the State Council has reinstated the development direction of high-speed railway. The demand for railway construction will remain considerable with a larger investment in railways as announced in the Twelfth Five-Year Plan. The process of investment and financing mechanism reform is progressing, and the tendering and bidding for railway construction projects is developing toward a more standardized, open and transparent system. All these factors have a positive effect on this year's market of railway construction and its long-term and healthy development. The overseas market will be no less impressive: the profound changes of the global economic landscape has provided the Company a valuable opportunity to 'go global' (invest overseas) and diversify its resources allocation through fully utilizing the capability of overseas resources, technology and human resources. China's consistent advocacy of the "Go Global" Strategy has also created a more flexible and favorable policy environment to the development of the international contractor industry. In the markets of Asia, Africa and Latin America, where the Company has long-time businesses, the impact of the financial storm is relatively small and less direct, the demand for economic development and infrastructure construction remains strong. The railway technology of China is valued heavily by certain countries, creating unrivaled opportunities for the Company to bring its competitive edge into full play and execute projects more effectively. After years of development, the Company has accumulated substantial experience and advantages and built a strong foundation for its 'going global'.

Report of Directors (continued)

Manufacturing industry. The continuous increase of railway operating mileage, steady increase of electrification rate and the continuous and long-term nature of investment in railway construction will boost significantly the market demand for railway construction equipment and railway products, and a long-term huge market for the manufacturing and repairing of railway maintenance machinery, the railway maintenance and overhaul services and railway electrification products will take shape. In addition, the expansion of urban rail transit construction presents ample room of market development for tunnel construction equipment such as tunnel boring machines, thus bringing excellent opportunities to the Group's manufacturing segment. With the main development direction of manufacturing segment set as 'Leader in China, First-class in the World', the Company will speed up the construction of innovation platforms, strengthen the market expansion home and abroad and accelerate the establishment of an industrial manufacturing layout with clear industry development direction and reasonable regional layout, as well as combination of independent innovation and joint research and development, mutual support between high-end manufacturing and process manufacturing, and coordinated development.

Real estate industry. Throughout and beyond 2012, the real estate industry will still face the challenges of the nation's austerity measures, meaning high volatility in short-term market demand and price fluctuation as well as increase in industry risk. However, given that the general scarcity of land resources will remain in the middle and long term, the steady and relatively fast growth of China's economy and the accelerating urbanization, there will be a prosperous demand in the real estate market, therefore a favourable development environment for the real estate industry. The Company will continue to consolidate its real estate resources to build its real estate business layout with China Railway Real Estate Group Co., Ltd. as the core and supported by regional real estate companies of the members of the Group with certain qualifications. The Company will uphold its brand position as a 'creator of quality life experience' and build a strong brand for China Railway Real Estate. To this end, in the near future the Company's real estate business will continue the pursuit of professionalization and concentrated operation; to gradually increase its investment, with a basic focus on the development of residential properties, on commercial properties, and to seek for integrated development opportunities in the city core area.

Logistics and materials trading industry. Due to the continuous and rapid development of railway, road and urban rail transit and housing construction, there will be a tremendous long-term demand for the supply of steel, cement and other construction materials, as well as a huge demand for logistics services at various stages such as tender agent, warehousing, spot trading and deep processing. In order to be the 'leader of integrated logistics industry' and 'expert of supply chain services', the Company's logistics segment will persist in achieving the goals of 'adjustment and elevation, improvement on quality and efficiency', 'progress with stability', as well as an overall strategy of fostering transformation and upgrading.

Report of Directors (continued)

(2) Operation Plan for the Year

In 2012, the Group's operation plan is to achieve new contract value of RMB550.0 billion, and revenue from operations of RMB430.0 billion. To this end, the Group will, firstly, strive for further market development and the stability of operation in terms of its scale and quality; secondly, it will reinforce and optimize the corporate management to strengthen its performance competency; thirdly, it will foster the transformation upgrading for structural adjustment, and strengthen and optimize the business of non-construction operations; fourthly, it will focus on the innovation of technology and emphasize on the support of technology, and raise its core competitive ability; fifthly, it will build an elite team by improving the team building and staff quality.

(3) Capital Requirement and Capital Use Plan

In order to achieve the business goals for 2012 and satisfy the development needs of the Company's various businesses, the Company will ensure the satisfaction of capital requirement for its operations through internal resources, bank loans and bank acceptances and by way of issues of medium-term notes.

(4) Analysis of Major Risks Faced by the Company

Given the domestic and international economic dynamics, the characteristics, business distribution, management approach and future development strategies of the industries where the Company is operating, the major risks faced by the Company in 2012 are as follows:

Risks of overseas operations. Overseas operations will be greatly affected by the politics, economy, policies and laws of the countries they operate in. The Company's overseas operations are mainly located at developing countries or economically under-developed areas where there are certain political and economic uncertainties. Particularly, the continuous unrest, wars and riots in North Africa and Middle East since 2011 has affected the Company's overseas operations. The weak global economic recovery, overall bleak prospect of international economy and growth of trade protectionism all lead to a relatively high uncertainty to the investment of overseas construction operations.

Risks of construction safety and quality. With construction as the major business, the business model of the Company is vast and diversified, meaning a complicated product structure, ever-changing business venues and high staff mobility. Most business activities are conducted in outdoor areas, at height, underwater and underground. Inherent risks are involved as the working environment is very extreme and easily affected by the climate and natural environment like geological conditions. There will also be the challenges of uncontrollable risk factors such as landslide, debris flow, flooding, mine collapse, gas and groundwater inflow during the construction, especially, the geological environment of certain tender locations can be very complex and involve various risk factors, making it impossible to solve with existing national and international technology level and ability, thus posing a considerable risk on the management of construction safety and quality.

Report of Directors (continued)

Risks of investment. Affected by the complicated and ever-changing global economy situation, China's economic development environment will still be very tough, resulting in a rather large uncertainty to the Company's investment strategy. Given the characteristics as complicated operation, large amount of capital and long payback period, as well as the involvement of related industries and cooperation units which requires certain investment projects to be approved and regulated by numerous governmental departments, the control difficulty of certain investment projects is comparatively noticeable.

Risks of competition. While China's transportation infrastructure investment has gradually stabilized, the infrastructure market, in particular the railway market, has undergone a big change. Given construction operations as the major business of the Company which has a higher dependence on the railway market, the highly and increasingly competitive market environment has created more potential risk factors to the business of the Company.

Risks of project management. With the continuous, rapid growth of China's domestic economy and acceleration of modernization, the scale of construction market keeps increasing, so does the number of the Company's projects, as well as the scale and scope of management. Meanwhile, the complexity and diversity of external environment have caused even more uncertainties. Together with the increasingly demanding owners and external monitoring standards, the project management of the Company is being challenged and a certain degree of risks is involved hereto.

Risks of cost and expense. The fluctuation in prices of steel, cement, fuel, sands and other main materials will have certain effect on the Company's cost and expense. Due to reasons such as insufficient capital of certain projects, there may also be an increase in direct costs, management fees, risk of prolonged construction period and debts for the projects, therefore imposing a higher pressure of cost management and control.

Risks of human resources. In recent years, there has been a rapid growth of the Company's business scale, resulting in an increase of large-scale construction and difficult projects. In the meantime, the requirement on related technology standard, performance efficiency, energy conservation and environmental protection by the government also keeps raising. To cope with these changes, the Company has raised its requirement on the quality and capability of existing talent teams. As there is a keen competition for professional talents among the industry throughout the country, competitors may offer higher benefits to attract the staff of the Company, posing the risks of losing business management elites and professionals in the Company.

Report of Directors (continued)

(II) INVESTMENT OF THE COMPANY

1. Entrusted wealth management and entrusted loans

During the Reporting Period, there were no entrusted wealth management and entrusted loans of the Group.

2. Overall use of proceeds

Unit: million

Year of fund raising	Method of fund raising	Total amount of proceeds	Total amount of proceeds used in the reporting period	Cumulative total amount of proceeds used	Total amount of remaining unused proceeds	Use and intended use of remaining unused proceeds
2008	Issue of A shares	22,246.00	303.15	21,725.66	—	—
2008	Issue of H shares	17,358.59	—	17,184.39	—	—
Total		39,604.59	303.15	38,910.05	—	—

Explanation on the overall use of proceeds

The A shares of the Company were listed on the Shanghai Stock Exchange on 10 March 2008, and gross proceeds of RMB22,246.0 million and net proceeds of RMB21,725.7 million were raised. As at 31 December 2011, all proceeds had been used (with a balance of interests therefrom amounting to RMB14 million, lower than 5% of the net proceeds, which has been transferred out in compliance with relevant requirements of Regulations for the Management of Proceeds by the Listed Company on the Shanghai Stock Exchange). The use of the Company's proceeds raised is in line with the proposed uses disclosed in the prospectus.

Report of Directors (continued)

3. *Projects funded by raised proceeds*

Projects undertaken to be funded by proceeds raised from offering of A shares

Unit: million

Name of projects undertaken	Whether there is any change in the project	Planned amount of raised proceeds to be invested	Actual amount of proceeds applied	Whether the project is on schedule	Project progress	Income generated	Whether in accordance with estimated earnings	Explanation of projects falling behind schedule or failing to achieve income as planned	Explanation of reasons and procedures for changes of use of proceeds raised
1. Acquisition of equipment for construction of domestic projects	No	10,500.00	10,500.00	Yes	Completed	N/A	N/A	N/A	—
2. Expansion construction of the technology introduction and localization project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	No	1,150.00	1,150.00	Yes	Completed	Note 1	Note 2	N/A	—
3. The project of railway system of China Railway Rail System Group Co., Ltd.	No	320.00	320.00	Yes	Completed	Accumulated profit of RMB513.31 million	Yes	N/A	—
4. The project of Changsha Xiu Feng Shan Zhuang	No	400.00	400.00	Note 3	Completed	Accumulated profit of RMB65.22 million	Note 3	N/A	—
5. Shijiazhuang-Wuhan Passenger Dedicated Line Project	No	1,500.00	1,500.00	Yes	Progressed according to the planned schedule and is still in the construction period	N/A	Note 4	Note 4	—
6. Replenishment of working capital and repayment of loans	No	7,855.66	7,855.66	Yes	N/A	N/A	N/A	N/A	—
Total		21,725.66	21,725.66						

Explanation of the use of proceeds for such projects

All proceeds raised from offering of A shares had been used.

Report of Directors (continued)

Notes:

1. As the industry base project of KCR Group Company (昆明中鐵集團公司) and the plant, equipment, and techniques were inseparable, it is difficult to measure the economic efficiency of the project on a standalone basis. KCR Group Company realized a total profit of RMB262 million for 2011.

2. As at the end of 2011, the industry base project in Kunming had basically completed. Following the successive completion of construction of Phase I and Phase II, there were significant improvements in terms of production site, production management, processing equipment, technical process as well as the logistic and distribution. According to the original production standard, the production capacity of the group as a whole had reached the original designed production capacity of 300 standard sets per annum.

3. As at the end of 2011, the construction of Phase I of Changsha Shan Yu Cheng had been completed, with 250,000 m^2 completing the inspection and delivery, whereas the construction of Phase II has topped out, with part of the interior decoration completed, all of which are available for pre-sale. The auxiliary facility, Xin Zhu Primary School (新竹小學) was officially opened in September 2011. The realized sale revenue for the year recorded 383.80 million, with contracted sales area and average price of 79,899.33 m^2 and RMB4,830.81, respectively.

4. According to the prescribed project construction plan, the project is still under construction and has no direct contribution to profit yet.

All proceeds raised from offering of H Shares had been used before 31 December 2010.

4. Changes in projects funded by raised proceeds

Not applicable

5. Projects not funded by raised proceeds

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

The project officially commenced operation on 30 August 2011. During the Reporting Period, the Company had invested RMB852.20 million in the project and the its accumulated investment aggregated to RMB2,538.00 million.

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

The project commenced operation in the end of 2009. During the Reporting Period, the Company had invested RMB431.51 million in the project and its accumulated investment aggregated to RMB3,256.56 million.

Report of Directors (continued)

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

Luda Highway commenced trial operation at the end of December 2011. Jiuxiang - Yiliang Highway (九鄉至宜良公路) commenced trial operation on 20 September 2011 and is currently under inspection before delivery. During the Reporting Period, the Company invested RMB2,670.00 million in the project and its accumulated investment aggregated to RMB2,670.00 million.

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

During the Reporting Period, the Company invested RMB117.53 million in the project and its accumulated investment aggregated to RMB455.53 million. On 14 July 2011, Phase II of the project passed the inspection and delivery. On 13 August 2011, the Company received 80% of the repurchase payment, which was RMB321.70 million.

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

During the Reporting Period, the Company invested RMB80.00 million in the project and its accumulated investment aggregated to RMB1,340.00 million. As at 31 December 2011, the Company received an accumulated repurchase payment of RMB1,152.30 million.

(6) The BT Project for Civil Construction of Xi'an Fengwei New Area (西安澧渭新區市政工程BT項目)

The project commenced construction in March 2011. During the Reporting Period, the Company invested RMB50.00 million in the project and its accumulated investment aggregated to RMB50.00 million.

(7) The Cofferdam Project of the Petrochemical Industrial Park in Donghaidao District, Zhanjiang City (湛江市東海島石化產業園區圍堰工程)

Phase I of the project was located in Donghaidao District, Zhanjiang City and was designed to serve for the cofferdam project of the Petrochemical Industrial Park in Donghaidao District, Zhanjiang. This project has an overall area of 25,230 mu (16.82 km^2) with a 17,940.1-meter-long causeway and a 1,410.1-meter-long separation cofferdam. The total cubic capacity of hydraulic reclamation is 78.86 m^3 and the total investment amounts to RMB4,130,601,900. During the Reporting Period, China Railway Zhanjiang Development Company (中鐵建湛江開發公司) invested RMB450.00 million and its accumulated investment was RMB450.00 million.

Report of Directors (continued)

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

The project has a overall length of 3.6 km, comprising major construction elements of main tunnel, ramp, wiring road and wind tower, houses for equipment and management purposes. The main tunnel has a length of approximately 1.2 km with the designed speed of 60 km/h. It adopts the scheme of single-tube and double-tier, and the shield tunnel construction process, allocating two lanes on each of the tiers with a diameter of 14.5 m. The construction period is 31 month (2011.8.20-2014.3.19) and the payment will be settled in four equal installments within three years from the date of trial run upon completion of the project. During the Reporting Period, RMB86.33 million of output value had been achieved. And RMB20.00 million self-owned funds have been invested with the accumulated investment amounting to RMB20.00 million.

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

During the Reporting Period, the Company invested RMB300.39 million in the project and its accumulated investment was RMB340.39 million. A repurchase payment of RMB143.00 million was received in 2011.

(10) The BOT Project for Construction of Jinan - Leling Highway (濟南至樂陵高速公路工程BOT項目)

During the Reporting Period, there was no investment in the project and the accumulated investment was RMB554.80 million.

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

During the Reporting Period, the Company invested RMB195.95 million and its accumulated investment amounted to RMB391.90 million.

(12) Sino-Africa Lekki Investment Company Limited-Lekki Free Trade Zone Project (中非萊基投資有限公司 — 萊基自由貿易區項目)

During the Reporting Period, the Company and China Civil Engineering Construction Corporation did not invest in Sino-Africa Lekki and its accumulated Capital investment amounted to RMB130.00 million. In 2011, it received a subsidy sponsored by the Ministry of Finance of RMB93.06 million.

(13) Mirador Copper Mine Project in Ecuador

During the Reporting Period, there was no investment in this project and its accumulated capital investment amounted to RMB1,200.00 million.

Report of Directors (continued)

(14) Acquisition of the Equity of Vossloh Fastening Systems (China) Company Limited

During the Reporting Period, the Company invested RMB24.24 million for such acquisition and its accumulated investment amounted to RMB50.40 million. The acquisition is completed and the instalment payment of investment is still under progress.

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

During the Reporting Period, the Company invested RMB34.45 million and its accumulated investment amounted to RMB212.45 million. A repurchase payment of RMB120.28 million has been received by the Company.

(16) The Project of East Outer Ring Middle Road in Kunming (昆明東外環中路工程)

During the Reporting Period, the Company invested RMB70.00 million in this project and its accumulated investment amounted to RMB70.00 million.

Other BT and BOT investment projects are progressing ahead as scheduled.

(III) STATEMENT OF THE BOARD ON THE "MODIFIED AUDIT REPORT" PREPARED BY THE CERTIFIED PUBLIC ACCOUNTANTS

Not applicable

(IV) REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

The financial statements for the year ended 31 December 2011 have been reviewed by the Audit and Risk Management Committee of the Company.

(V) STATEMENT OF THE DISCUSSION RESULTS OF THE REASONS AND IMPACTS OF THE CHANGES IN THE COMPANY'S ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION

Not applicable

(VI) THE FORMULATION AND IMPLEMENTATION OF THE CASH DIVIDEND POLICY

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

Details of implementation of the cash dividend policy during the Reporting Period are as follows:

It was resolved at the 35th meeting of the first session of the Board convened by the Company on 30 August 2010 that a cash dividend for the 2010 interim period of RMB0.5 (tax inclusive) per 10 shares based on the total share capital of 12,337,541,500 shares as at 30 June 2010 was declared, totaling RMB616,877,075.00. The dividend distribution plan had been considered and passed at the 2010 first extraordinary general meeting convened on 28 December 2010. As at 18 February 2011, the distribution of the above cash dividend was completed.

Report of Directors (continued)

It was resolved at the 42nd meeting of the first session of the Board convened by the Company on 29 and 30 March 2011 that a cash dividend for 2010 of RMB0.5 (tax inclusive) per 10 shares based on the total share capital of 12,337,541,500 shares as at 31 December 2010 was declared, totaling RMB616,877,075.00. The profit distribution plan had been considered and passed at the 2010 annual general meeting convened by the Company on 31 May 2011. As at 22 July 2011, the distribution of the above cash dividend was completed.

(VII) PROFIT DISTRIBUTION PLAN AND RESERVES-TO-EQUITY TRANSFER PLAN

1. Profit Distribution Plan for 2011

According to the audited financial report of the Company for 2011, the undistributed profit of the parent as at the beginning of 2011 was RMB3,875,190,617.33. After taking into consideration of the net loss of RMB140,262,317.42 recorded for the parent of the year and deducting the cash dividend of RMB616,877,075.00 for 2010, the distributable profit for the parent at the end of the year was RMB3,118,051,224.91.

Pursuant to relevant provisions of the Company Law and the Articles of Association, the Board proposed a cash dividend for 2011 of RMB0.1 (tax inclusive) per share based on the total share capital of 12,337,541,500 shares as at 31 December 2011, totaling RMB1,233,754,150.00. Upon such distribution, the undistributed profit for the parent will amount to RMB1,884,297,074.91, which will be transferred to the next year.

Provided that the above profit distribution plan is approved by shareholders at the forthcoming annual general meeting, the Company will further announce the arrangement for the distribution of dividend, including the record date for distribution and the date of closure of register of members.

2. The Company did not have any proposed reserves-to-equity transfer plan for 2011.

(VIII) DIVIDEND DISTRIBUTION, RESERVES-TO-EQUITY TRANSFER AND CASH DIVIDEND DISTRIBUTION OF THE COMPANY FOR THE PREVIOUS THREE YEARS

Unit: million

Year of dividend distribution	Value of per 10 shares (yuan) (tax inclusive)	Amount of cash dividend (tax inclusive)	Net profit attributable to shareholders of the Company in the consolidated statement during the year of dividend distribution	Percentage in net profit attributable to shareholders of the Company in the consolidated statement %
2008	1.00	1,233.75	3,643.84	33.86
2009	1.60	1,974.01	6,599.07	29.91
2010	1.00	1,233.75	4,246.22	29.06

Report of Directors (continued)

(IX) OTHER DISCLOSURES

1. *Principal Operations*

The Company and the Group are principally engaged in construction operations, survey, design and consultancy operations, manufacturing operations, real estate development, logistics, materials trading, capital investment operations and exploitation of mineral resources, etc.

2. *Taxation on Dividend*

In accordance with the relevant regulations on taxation in the PRC, foreign individuals holding H shares are exempted from paying individual income tax for dividends (bonus) obtained from PRC enterprises issuing such H shares. When a PRC enterprise distributes annual dividends for the year 2008 and onward to their H shareholders who are overseas non-resident enterprises (any H shares registered under the name of HKSCC Nominees Limited, other institutional nominees, trustees, or other organizations or groups, shall be deemed as shares being held by a non-resident enterprise shareholder), enterprise income tax shall be withheld at a uniform rate of 10% by the relevant PRC enterprise. Any natural person investors whose H shares are registered under the name of any such non-individual shareholders and who do not wish to have any enterprise income tax withheld by the Company may consider transferring the legal title of the relevant H shares to his or her name and lodge all transfer documents together with the relevant H share certificates with the H share registrar of the Company for transfer of shares.

Pursuant to the changes in the relevant laws and regulations on taxation in the PRC, during the distribution of the dividend of the Company for 2010 and the following years, individual holders of the Company's H shares whose names appear on the register of members of H shares of the Company are no longer exempted from individual income tax. For individual holders of H shares whose country/region of domicile is a country/region which has entered into a tax treaty with the PRC or a tax arrangement between mainland China and Hong Kong (Macau), the Company will usually withhold and pay individual income tax at the rate of 10% (the applicable tax rate for Hong Kong and Macau residents is 10%) of the dividend income attributable to such shareholders on behalf of them without subject to application procedures. For individual holders of H shares who are not applicable to the rate of 10%, they may pay the individual income tax with reference to the provisions under the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No.348) (《關於國税發[1993] 045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號).

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of the dividends paid by the Company.

3. *Share Capital*

Details of the share capital of the Company are set out in Note 35 to the consolidated financial statements.

During the Reporting Period, none of the Company or its subsidiaries had issued any convertible or redeemable securities, options, warrants or any other similar rights.

Report of Directors (continued)

4. Capital Reserves, Surplus Reserves and Special Reserves

Changes to capital reserves, surplus reserves and special reserves of the Group and the Company in the year are set out in the Consolidated Statement of Changes in Equity on pages **126** and Notes 36 to 38 to the consolidated financial statements.

5. Fixed Assets

Details of changes in fixed assets of the Group are set out in Note 13 to the consolidated financial statements.

6. Designated Deposits and Overdue Time Deposits

As at 31 December 2011, the Group had no designated deposits placed with any financial institutions in China, nor any time deposits which could not be recovered upon maturity.

7. Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the PRC laws, according to which the Company would be obliged to offer new shares on a pro rata basis to its existing shareholders.

8. Management Contracts

There was no management or administration contract in respect of all of, or substantial part of, the Company's business for the year.

9. Donations

During the Reporting Period, the charitable donations and other donations of the Group aggregated to RMB4,897,500.

10. The Directors' Interests in the Businesses that Compete with the Company

None of the Directors of the Company is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Report of Supervisory Committee

In 2011, with the concerted efforts of all supervisors and under the principle of being accountable to all shareholders, the Supervisory Committee performed its duties in a fiduciary manner and carried out supervisory work effectively in accordance with the provisions of the Company Law, the Securities Law and other laws, regulations, rules and the Articles of Association as well as the Rules of Procedures of the Supervisory Committee. It supervised the legal compliance of the Company's operations and the performance of duties by the directors and the senior management, thus safeguarding the lawful interests of the Company and its shareholders. The Supervisory Committee mainly conducted the following activities in 2011:

1. WORK OF SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee of the Company actively performed its duties pursuant to the terms of reference under the laws and regulations of China and Articles of Association. During the year, the Supervisory Committee held 5 meetings and the holding and convening procedures of the meetings strictly complied with the Articles of Association and Rules of Procedures for Supervisory Committee Meetings. In May 2011, new members of the Supervisory Committee were elected. QI Xiaofei was appointed as a shareholder representative supervisor by the general meeting and was elected as the chairman of the Supervisory Committee at the 1st meeting of the second session of the Supervisory Committee of the Company. Detailed work of the Supervisory Committee of the Company is as follows:

On 30 March 2011, the 11th meeting of the first session of the Supervisory Committee was held by means of onsite meeting, at which five proposals including the Proposal in Relation to the Financial Statements of the Company for 2010, the Proposal in Relation to the Profit Distribution Plan of the Company for 2010, the Proposal in Relation to the 2010 Annual Report and the Summary thereof, the Proposal in Relation to the Special Report on Deposit and Actual Use of Proceeds Raised from A/H Share Offering by the Company, the Proposal in Relation to the Report of the Supervisory Committee for 2010 were considered and approved. The report regarding the self-evaluation by the Board of the Company on internal control were heard at the meeting and the Supervisory Committee issued independent opinions in respect thereof.

On 27 April 2011, the 12th meeting of the first session of the Supervisory Committee was held by means of onsite meeting, at which the Proposal in Relation to the First Quarterly Report of the Company for 2011 was considered and approved.

On 31 May 2011, the 1st meeting of the second session of the Supervisory Committee was held by means of onsite meeting, at which the Proposal in Relation to the Election of the Chairman of the Second Session of the Supervisory Committee of China Railway Construction Corporation Limited was considered and approved.

On 30 August 2011, the 2nd meeting of the second session of the Supervisory Committee was held by means of onsite meeting, at which three proposals including the Proposal in Relation to the Interim Financial Accounts of the Company for 2011, the Proposal in Relation to the Company's 2011 Interim Report and the Summary thereof and the Proposal in Relation to the Special Report on Deposit and Actual Use of Proceeds by the Company were considered and approved.

On 28 October 2011, the 3rd meeting of the second session of the Supervisory Committee was held by means of onsite meeting, at which the Proposal in Relation to the Third Quarterly Report of the Company for 2011 was considered and approved.

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

Report of Supervisory Committee (continued)

2. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON LEGAL COMPLIANCE OF THE OPERATIONS OF THE COMPANY

During the Reporting Period, the Supervisory Committee supervised the directors and senior management of Company, and was of the opinion that the Board of the Company had been in strict compliance with the provisions of the Company Law, the Securities Law, the Articles of Association and other relevant laws, regulations and rules, and the Company had operated in compliance with applicable laws. The major decisions for the operation of the Company were made in a reasonable, legitimate and effective way. The directors and senior management of the Company discharged their duties in accordance with laws and regulations of the PRC, the Articles of Association, and the resolutions of the general meeting and the Board, with a stress on responsibility and in a diligent and dedicated manner. The Supervisory Committee was not aware of any acts of the directors and senior management of the Company in the performing of their duties which may result in a breach of laws or regulations or the Articles of Association and which may damage the interests of the Company and its shareholders.

3. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON INSPECTION OF THE FINANCIAL POSITION OF THE COMPANY

The members of the Supervisory Committee, through debriefing the specific report from the financial officers of the Company, reviewing the financial statements of the Company, reviewing the regular report of the Company and the auditor's report from accounting firms, inspecting the financial operation of the Company and on-site inspection on major investment or financing projects approved by the Board, was of the opinion that the Company has formulated the System on Financial Management and Internal Control to standardize the internal control in relation to financial accounting and financial management and ensure the accounting and financial reports are prepared in the standardized manner, on a timely basis and in compliance of relevant regulations; and that the 2011 financial report of the Company gives a true view of the Company's financial status and operating results. Ernst & Young Hua Ming has audited the financial report of the Company and issued an unqualified audit report, to which the Supervisory Committee held no objection.

4. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON THE ACTUAL USE OF THE LATEST PROCEEDS

During the Reporting Period, the Supervisory Committee supervised the use of the proceeds by the Company and was of the opinion that the Company had duly managed and used the proceeds according to requirement under the Methods for the Management of Proceeds of China Railway Construction Corporation Limited. The actual projects for which the proceeds were used were in line with the commitments of the Company regarding the projects to be financed by proceeds. In compliance with the relevant national laws and regulations and the Articles of Association, such proceeds were utilized without prejudice to the interests of the Company and its shareholders. During the Reporting Period, there was no change to the projects actually invested. The Supervisory Committee of the Company will unceasingly supervise and inspect the use of proceeds and the progress thereof.

5. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON ACQUISITION AND DISPOSAL OF ASSETS BY THE COMPANY

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

During the Reporting Period, the Company did not conduct major assets disposal, assets swap or businesses merger.

Report of Supervisory Committee (continued)

6. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON THE CONNECTED TRANSACTIONS OF THE COMPANY

During the Reporting Period, the Supervisory Committee supervised the connected transactions of the Company and was of the opinion that the connected transactions of the Company were entered into in accordance with applicable laws or regulations such as the Company Law, the Securities Law, the Listing Rules of Shanghai Stock Exchange, and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and the provisions of the Articles of Association and the Manual of Decision-making on Connected Transactions of China Railway Construction Corporation Limited. All matters relating to the connected transactions were entered into under fully justified and cautious decision by the Board and the management of the Company. The value of the connected transactions were determined in accordance with the principle of exchange of equal values by reference to fair market value and thus did not go against the principles of fairness, openness and justice. No acts were noted which may be detrimental to the interests of the Company and its minority shareholders.

During the Reporting Period, the Company consecutively signed the Agreement on the Arrangement of Matters in Relation to the Mecca Light Rail Project with China Railway Construction Corporation, its controlling shareholder, and the Agreement on Capital Increase (《出資協議》) in respect of the restructuring and capital increase of China Great Wall Finance Company. The Supervisory Committee was of the opinion that the consideration of the above two connected transactions were fair and reasonable. The voting procedures by the Board complied with laws and regulations as well as the Articles of Association.

7. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON ACCOUNTING FIRM'S NON-STANDARD OPINION

Not applicable.

8. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON THE SIGNIFICANT DIFFERENCE BETWEEN THE REALIZED PROFIT AND PROFIT FORECAST

On 12 January 2012, the Company published the Announcement on Estimated Profit Growth for the Year 2011, in which it was estimated that the net profits attributable to shareholders of the Company for 2011 would increase by over 50% as compared to the same period last year. According to the audit by Ernst & Young Hua Ming, there is no significant difference between the actual realized net profits of RMB7,854 million and profit forecast in the Announcement.

Report of Supervisory Committee (continued)

9. SUPERVISORY COMMITTEE'S REVIEW AND OPINION OF SELF-EVALUATION REPORT ON INTERNAL CONTROL

The Supervisory Committee reviewed the Self-assessment Report on Internal Control of the Company. According to this report, the Company established and effectively implemented the internal control mechanism for businesses and matters covered by the assessment. The objectives set by the Company for internal control were fulfilled. There were no material defects and the internal control of the Company was effective. Crowe Horwath China CPAs (國富浩華會計師事務所) engaged by the Company audited the effectiveness of the internal control of the Company for 2011 and issued a standard auditor's report on internal control. According to this report, the Company maintained effective internal control on financial reporting in all material respects in accordance with the Basic Internal Control Specifications for Enterprises (《企業內部控制基本規範》) and relevant requirements. In conclusion, the Supervisory Committee was of the opinion that the Company's 2011 Self-assessment Report on Internal Control truly reflected the actual condition of the establishment, improvement and operation of the internal control of the Company and held no objection to the Self-assessment Report on Internal Control.

10. SUPERVISION OF THE MANAGEMENT SYSTEM FOR PEOPLE WITH ACCESS TO INSIDER INFORMATION

During the Reporting Period, as required by the regulatory authorities, the Company formulated the Management System for persons with Access to Insider Information of China Railway Construction Corporation Limited and put it into practice throughout the Company. According to the provisions of the Management System, the Company collated information on persons with access to insider information and kept a ledger thereof for registration and management purpose. In particular, during the preparation of regular reports, the Company abided strictly by the provisions by supervising the personnel involved in the preparation of regular reports and adopting the filing system, while at the same time, through keeping register and issuing written notices, reminding persons with access to insider information of their confidentiality obligation in a timely manner. There were no insiders of the Company making use of insider information to trade the shares of the Company prior to disclosure of any significant price-sensitive information, nor was there any investigation or rectification by the regulatory authorities.

In 2012, the Supervisory Committee of the Company will further lay out its working plan, and will, by integrating procedural supervision and onsite supervision, improve the work method and strengthen the supervision in accordance with the relevant laws and regulations of China, the Articles of Association and requirements of the regulatory rules of the places where the Company is listed, to facilitate the sustainable and healthy development of the Company and safeguard the interest of all shareholders.

Supervisory Committee of China Railway Construction Corporation Limited
29 March 2012

Significant Events

(I) MATERIAL LITIGATION OR ARBITRATION

During the Reporting Period, there was no material litigation or arbitration of the Company.

(II) MATTERS RELATING TO INSOLVENCY AND RESTRUCTURING

During the Reporting Period, there were no matters relating to insolvency and restructuring of the Company.

(III) SHARES ISSUED BY OTHER LISTED COMPANIES AND FINANCIAL INSTITUTIONS HELD BY THE COMPANY

1. Investment in securities

Unit: million

No.	Type of 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	59.27	10,600,000	15.12	32.23	–14.35
2	Fund	184692	Yulong Fund (基金裕隆)	20.57	20,090,700	15.63	33.31	–5.04
3	Fund	500009	Anshun Fund (基金安順)	11.88	15,300,000	12.90	27.49	–6.80
4	Fund	500011	Jinxin Fund (基金金鑫)	3.35	3,600,000	2.88	6.13	–0.92
5	Stock	600028	Sinopec	0.53	135,000	0.39	0.84	—
	Total			95.60		46.92	100	–27.11

Significant Events (continued)

2. *Shareholdings in other listed companies*

Unit: million

Stock code	Abbreviated stock name	Amount of initial investment	Percentage of interests in the investee	Carrying value at the end of the period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
601328	Bank of Communications (交通銀行)	49.89	0.07%	194.80	21.82	Available-for-sale financial assets	Original issue stock
002159	Sante Cableway (三特索道)	3.00	0.99%	17.54	4.20	Available-for-sale financial assets	Original issue stock
000759	Wuhan Zhongbai (武漢中百)	1.06	0.14%	8.10	3.90	Available-for-sale financial assets	Original issue stock
600885	Linuo Solar (力諾太陽)	1.44	0.71%	7.96	0.33	Available-for-sale financial assets	Original issue stock
600809	Shanxi Fenjiu (山西汾酒)	0.71	0.05%	12.63	1.08	Available-for-sale financial assets	Original issue stock
600322	Tianjin Reality Development	0.16	0.03%	0.32	0.13	Available-for-sale financial assets	Original issue stock
Total		56.26		241.35	31.46		

3. *Shareholdings in non-listed financial enterprises*

Unit: million

Name of investees	Cost of investment	Number of shares held *(share)*	Percentage of interests in the investee	Carrying value at the end of the period	Accounting item	Source of shares
Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司)	7.66	7,660,000	0.16%	7.66	Long-term equity investments	initiator
Essence Securities Co. Ltd. (安信證券股份有限公司)	260.62	59,115,000	2.09%	260.62	Long-term equity investments	initiator
Total	268.28			268.28		

Significant Events (continued)

(IV) ASSETS TRANSACTION

1. Acquisition of assets

During the Reporting Period, China Railway 14th Bureau Group Co., Ltd. (the "14th Bureau"), a subsidiary of the Company, entered into an equity transfer agreement (the "Transfer Agreement") with Ji'nan Sangsha Properties Co., Ltd. (the "Transferor") on 25 March 2011 to acquire 100% equity interest in Ji'nan Qinglong Properties Co., Ltd. ("Qinglong") at a consideration of RMB100,000,000 for the purpose of acquiring certain assets and liabilities held by Qinglong. Qinglong completed the registration procedures for changes in equity on 29 March 2011 and the 14th Bureau appointed its representatives as executive directors and general manager of Qinglong on 21 March 2011. As at 26 April 2011, the 14th Bureau had fully paid the consideration of RMB100,000,000 to the Transferor pursuant to the Transfer Agreement and obtained the 100% equity interest in Qinglong. Thereby 14th Bureau obtained control over Qinglong on the same date. It was determined that the fair value of the net asset of Qinglong as at the date of acquisition, i.e., 26 April 2011 was RMB100,000,000.

2. Disposal of Assets

During the Reporting Period, there was no material disposal of assets by the Company.

3. Replacement of Assets

During the Reporting Period, there was no replacement of assets of the Company.

4. Merger of Business

During the Reporting Period, there was no merger of business of the Company.

(V) 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)

(VI) CONNECTED TRANSACTIONS, MATERIAL RELATED PARTY TRANSACTIONS AND CLAIMS AND LIABILITIES WITH RELATED PARTIES

1. Connected transactions

In accordance with Hong Kong Listing Rules, the following were the connected transactions of of the Group for the year 2011:

(1) Non-exempt continuing connected transactions

CRCCG, being the controlling shareholder and connected person of the Company, retained certain ancillary operations in the process of the restructuring and listing of the Company. Following the listing of the H shares of the Company on the Hong Kong Stock Exchange, these operations continued to provide ancillary construction survey and supervisory services to the Company and/or its subsidiaries. In addition, certain subsidiaries of the Company have been providing survey, design and supervisory services since 2005 as well as provision of construction services to CRCCG for the construction of the office building of CRCCG at Fuxing Road, Beijing, the PRC. Meanwhile, in the process of the restructuring and listing of the Company, CRCCG retained its equity interests in the project companies of five BOT projects, namely, Chongqing Tiefa Suiyu Highway Co., Ltd., Nanjing Changjiang Tunnel Co., Ltd., Beijing Tongda Jingcheng Highway Co., Ltd., Xianyang Zhongtie Road and Bridge Co., Ltd. and Guangdong Chaojie Highway Co., Ltd.. Following the listing of its H shares on the Hong Kong Stock Exchange, the Company continues to provide construction services and related services such as survey, design and supervision services for some of the BOT projects retained by CRCCG.

In order to regulate the above continuing connected transactions between the Company and CRCCG, the Company and CRCCG entered into the Services Mutual Provision Framework Agreement (as supplemented by a supplemental agreement dated 29 January 2008) and the Construction and Related Services Framework Agreement (as supplemented by a supplemental agreement dated 29 January 2008) on 5 November 2007, respectively and set the relevant annual caps for the continuing connected transactions contemplated thereunder.

As the annual caps for the respective continuing connected transactions determined by the Company under the above framework agreements executed in 2007 expired on 31 December 2009, the Company and CRCCG renewed these framework agreements on 28 December 2009 for a term from 1 January 2010 to 31 December 2012 and set the annual caps for the continuing connected transactions thereunder for the three years ending 31 December 2012. However, as the construction of the office building of CRCCG under the Services Mutual Provision Framework Agreement (服務互供框架協議) had all been completed in 2009, the relevant provision of the agreement was revised correspondingly as: "The Company will provide construction and related services to CRCCG for the construction of its engineering technology research and development base (Research Building) until the completion of such construction project". Except for the above amendments, the two provisions of the two supplementary agreements are the same as the two expired framework agreements.

Significant Events (continued)

As at 31 December 2011, the approved annual caps for and the actual transaction amounts of the non-exempt continuing connected transactions contemplated under the Services Mutual Provision Framework Agreement and the Construction and Related Services Framework Agreement by the Group and CRCCG and/or its associates were as below:

Nature of transaction	Annual caps for 2011 *RMB million*	Aggregate transaction amounts of the Group for 2011 *RMB million*
Revenue		
1 Revenue from the provision of construction and related services for construction of the Research Building of CRCCG under the Services Mutual Provision Framework Agreement	**500**	61.35
2 Revenue from the provision of construction and related services to CRCCG for the retained BOT Projects under the Construction and Related Services Framework Agreement	**200**	119.11
Expenditure		
3 Expenditure incurred for the services provided by CRCCG (or its associates) under the Services Mutual Provision Framework Agreement	**600**	342.85

Independent non-executive Directors of the Company have reviewed the above non-exempt continuing connected transactions and confirmed that:

(i) the above connected transactions were conducted by the Company in the ordinary course of business;

(ii) the terms of the above connected transactions were fair and reasonable so far as the interest of the shareholders as a whole are concerned;

(iii) the above connected transactions were conducted upon normal commercial terms or, where comparisons were available, on terms no less favorable than those available to or from independent third parities; and

(iv) the above connected transactions were conducted in accordance with the terms of the agreement governing such transactions.

Significant Events (continued)

The Company's auditors had provided letter to the Board of the Company stating the following with respect to the above non-exempt continuing connected transactions:

(i) nothing had come to the auditors' attention that had caused them to believe that the continuing connected transactions as disclosed had not been approved by the Board;

(ii) in respect of the continuing connected transactions relating to the provision of goods and services by the Group, nothing had come to the auditors' attention that caused them to believe that such transactions had not been consistent with the pricing policy of the Company in all material aspects;

(iii) nothing had come to the auditors' attention that caused them to believe that such transactions had not complied with the requirements under relevant agreements in all material aspects; and

(iv) nothing had come to the auditors' attention that caused them to believe that the continuing connected transactions as disclosed had exceeded the relevant annual caps set out in the relevant announcement dated 29 December 2009 published by the Company.

(2) Non-exempt connected transactions

(i) Connected Transaction on Signing of the Capital Contribution Agreement with CRCCG

On 19 May 2011, the Company entered into the Capital Contribution Agreement with CRCCG, the controlling shareholder of the Company, to participate in the restructuring, reforming and capital increase of China Greatwall Finance Company (a wholly-owned subsidiary of CRCCG). Pursuant to the Capital Contribution Agreement, the registered capital of China Greatwall Finance Company would be increased from RMB77.77 million to RMB 1,300 million. In particular, the Company would subscribe for RMB1,222 million of the new registered capital by cash, and CRCCG would subscribe for the remaining RMB230,000 new registered capital by cash. Upon completion of the capital increase and restructuring of China Greatwall Finance Company, the shareholdings of the Company and CRCCG would be 94% and 6%, respectively.

In addition to the subscription of the new registered capital of China Greatwall Finance Company, the Company and CRCCG also would assume responsibilities for the preliminary restructuring and reforming costs of China Greatwall Finance Company in proportion to their respective shareholdings (i.e. 94% and 6%) after completion of the capital increase. As a result, the Company paid RMB105.92 million to CRCCG for its part of the preliminary restructuring and reforming costs which had been paid by CRCCG on behalf of the Company prior to the restructuring, representing 94% of the aggregate of such costs of RMB112.68 million.

Significant Events (continued)

CRCCG is the controlling shareholder and a connected person of the Company. Therefore, the entering into of the Capital Contribution Agreement between the Company and CRCCG constituted a connected transaction of the Company. Pursuant to the Hong Kong Listing Rules, the Company aggregated the amounts of RMB1,222 million for subscription to new registered capital of China Greatwall Finance Company with the payment of part of the preliminary restructuring and reforming cost of RMB105.92 million when calculating the percentage ratios. As one or more applicable percentage ratio(s) calculated after such aggregation exceeded 0.1% but all applicable percentage ratios were below 5%, the transaction was subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

When voting on the above connected transaction resolution, all connected Directors abstained from the meeting and did not exercise their voting rights, nor exercised any voting rights on behalf of any other Directors. The remaining non-connected Directors with voting rights considered and unanimously approved the aforesaid resolution.

The Board was of the view that the investment in China Greatwall Finance Company would facilitate the centralized capital management of the Company, enhance capital supervision and prevent capital risk; meanwhile, it would help improve the efficiency in the use of capital, lower finance cost and optimize the financial structure of the Company; further, it would help in the effective allocation of resources, facilitate structural adjustment and promote integration of industry and finance.

For details of the above transaction, please refer to the connected transaction announcement dated 20 May 2011 published by the Company on the website of the Hong Kong Stock Exchange.

(ii) Connected Transaction with CRCCG on the Signing of the Agreement on the Arrangement of Matters Relating to the Mecca Light Rail Project

On 21 January 2011, the Company entered into the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project with CRCCG, pursuant to which CRCCG agreed to exercise and perform all the rights and obligations of the Company under and arising from the EPC Contract of the Mecca Light Rail Project from 31 October 2010. In consideration of the aforesaid arrangement, CRCCG agreed to pay RMB2.077 billion to the Company, and the Company agreed to cease to bear/enjoy any subsequent loss/profit of the project, all of which should be borne/ enjoyed by CRCCG.

CRCCG is the controlling shareholder and a connected person of the Company. Therefore, the entering into of the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project between the Company and CRCCG constituted a connected transaction of the Company. As one or more applicable percentage ratio(s) exceeded 0.1% but all applicable percentage ratios were below 5%, the transaction was subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

When voting on the above connected transaction resolution, all connected Directors abstained from the meeting and did not exercise their voting rights, nor exercised any voting rights on behalf of any other Directors. The remaining non-connected Directors with voting rights considered and unanimously approved the aforesaid resolution.

Significant Events (continued)

The purpose of the Agreement was to facilitate the implementation of the Mecca Light Rail Project and to ensure a smooth completion thereof and to properly deal with the claim issues relating to the project. For details of the above transactions, please see the Company's connected transaction announcement published on the website of the Hong Kong Stock Exchange on 21 January 2011.

The above connected transactions are also set out in the related party transactions set out in Note VI to the financial statements of this report, which constituted the connected transactions of Chapter 14A of the Hong Kong Listing Rules. These related party transactions complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules.

2. Related party transactions in relation to daily operations during the Reporting Period are as follows:

Pursuant to the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2 - The Contents and Formats of Annual Report (《公開發行證券的公司信息披露內容與格式準則第2號—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 Guidelines for the Implementation of Connected Transactions of Company Listed on 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 are the major connected transactions of the Group for 2011:

Unit: RMB 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 *(%)*
China Railway Construction Corporation	Revenue from provision of construction and relevant services	Revenue from engineering construction	Pricing on agreed basis	119.11	0.03
China Railway Construction Corporation	Revenue from construction and relevant service	Revenue from engineering construction	Pricing on agreed basis	61.35	0.01
Nine units including Shaanxi Railway Engineering and Survey Co., Ltd. (陝西鐵道工程勘察有限公司)	Expenses from receipt of labour	Survey, design and consulting	Pricing on agreed basis	342.85	0.08

Significant Events (continued)

3. *Non-competition Agreement*

CRCCG stated that during 2011, it did not breach its undertakings under the non-competition agreement entered into with the Company on 5 November 2007.

4. *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 and disposal of assets of the Company.

5. *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.

6. *Claims and Liabilities with Related Parties*

Unit: RMB million

Related Parties	Connected Relationship	The Group's receivables from related parties	The Group's payables to related parties
CRCCG *Note*	Controlling shareholder	1,625.21	202.28
Beijing Tongda Jingcheng Highway Co., Ltd	Subsidiary of the parent company	3.41	—
Chongqing Tiefa Suiyu Highway Co., Ltd.	Subsidiary of the parent company	4.24	200.00
Jinli Assets Management Centre (錦鯉資產管理中心)	Wholly-owned subsidiary of the parent company	—	2.17
Xi'an Tianchuang Property Co., Ltd. (西安天創房地產有限公司)	Subsidiary of the parent company	0.58	—
China Greatwall Finance Company	Subsidiary of the parent company	1,222.00	—

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)

Note: A substantial portion of this amount was incurred by the Company upon assignment of the Mecca Light Rail Project to its controlling shareholder. 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 billion to the Company in consideration. As at 31 December 2011, the Controlling Shareholder had an outstand payment of RMB1.500 billion

7. *Other Material Related Party Transactions*

During the Reporting Period, there was no other material related party transactions of the Company.

Significant Events (continued)

(VII) MATERIAL CONTRACT(S) AND THE PERFORMANCE THEREOF

1. *Material Trusteeship, Contracting and Lease.*

During the Reporting Period, there were no material trusteeship, contracting and lease of the Company.

2. *Material Guarantees*

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

Unit: RMB 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 *(RMB)*	Type of guarantee	Guarantee period	Has it been completed	Was it provided to a related party (yes or no)
Sichuan Naxu Railway Co., Ltd. (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 Co., Ltd. (四川納敘鐵路有限公司)	2008.4.16	50.40	General liability guarantee	2008.4.16-2028.4.16	No	No
CRCC-Tongguan Investment Co., Ltd.	2010.5.25	68.28	General liability guarantee	2010.5.25-2015.5.25	No	Yes
CRCC-Tongguan Investment Co., Ltd.	2010.5.25	998.92	General liability guarantee	2010.5.25-2015.5.25	No	Yes

Total amount of guarantee during the Reporting Period *(in million)*	—
Total amount of outstanding guarantee as at the end of the Reporting Period *(in million)*	1,184.80
Guarantees granted by the Company to its subsidiaries	
Total amount of guarantee provided to the subsidiaries during the Reporting Period *(in million)*	-1,202.26
Total amount of outstanding guarantee provided to the subsidiaries as at the end of the Reporting Period	3,011.32
Total amount of guarantees granted by the Company (including the guarantees provided to the subsidiaries)	
Total amount of guarantee *(in million)*	4,196.12
Percentage of the total amount of guarantee to the net assets of the Company	6.38%
Including:	
Amount of guarantee provided to the shareholders, actual controller and their related parties *(in million)*	—
Amount of debt guarantee provided directly or indirectly to the guaranteed parties with gearing ratio over 70% *(in million)*	3,009.99
Total amount of guarantee exceeding 50% of the net assets *(in million)*	—
Total amount of the above three guarantees *(in million)*	3,009.99

Significant Events (continued)

3. *Other material contracts*

Material contracts entered into during the Reporting Period

Domestic Operating Contracts

No.	Date of contract	Summary of contract	Contract amount *(RMB '00 million)*	Party to the contract on the Company's side	Performance period
1	2011/3/10	Open-pit mining for Section 2 of the Yuanjia Village iron mine project (袁家村鐵礦項目露天採礦生產(標段二))	53.312	China Railway 19th Bureau Group Co., Ltd.	3,650 calendar days
2	2011/6/16	Master construction contract of pre-station project for Section JHSVII of Type 2 of the new Jilin-Hunchun railway (新建吉林至琿春鐵路站前其他工程第二類JHSⅦ標段施工總價承包)	31.067	China Railway 19th Bureau Group Co., Ltd.	412 calendar days
3	2011/7/4	Master construction contract of Section 1 of settlement housing project of No.45 and No.46 land parcels in Northern Caohai Area, Xishan District, Kunming City (昆明市西山區草海北片區45、46號地塊安置房工程施工總承包項目一標段)	31.156	China Railway Construction Group Ltd.	547 calendar days
4	2011/10/12	China CYTS Jiujiuleling Project in Bazhou, Hebei (中國中青旅河北霸州久久樂齡項目)	48.405	China Railway 15th Bureau Group Co., Ltd.	730 calendar days
5	2011/10/15	Commencement of the Reconstruction of Urban Village at Houbeitun, Taiyuan, Shanxi (山西太原後北屯"城中村改造"工程施工)	45.192	China Railway 15th Bureau Group Co., Ltd.	760 calendar days
6	2011/11/29	Construction Decoration Project of the China CYTS Jiujiuleling Project in Bazhou, Hebei (中國中青旅河北霸州久久樂齡項目建築裝飾工程)	37.915	China Railway 15th Bureau Group Co., Ltd.	660 calendar days

Overseas Operating Contract

No.	Date of contract	Summary of contract	Contract amount *(RMB '00 million)*	Party to the contract on the Company's side	Performance period
1	2011/12/16	Mieso-Dire Dawa-Dewele Railway project	75.733	China Civil Engineering Construction Corporation	42 months + 10 months of grace period

Significant Events (continued)

(VIII) IMPLEMENTATION OF UNDERTAKINGS

1. At the time of initial public offering of A shares of the Company, CRCCG, the controlling shareholder of the Company, undertook that within 36 months from the date of listing of the Company's A shares, it would not transfer, or entrust others to manage, the shares of the Company held by it and would not allow such shares to be acquired by the Company. The controlling shareholder performed this undertaking during the Reporting Period. On 10 March 2011, shares subject to trading moratorium held by CRCCG were released from the lock-up period.

2. As disclosed in its prospectus, the Company owned 836 parcels of land in total, including 349 parcels of allocated land, the land use rights of which were transferred to the Group by way of capital contribution and 53 parcels of granted land for which the Group was going through the land grant process. During the Reporting Period, the Company continued to press ahead with the transfer and application for grant of land use rights certificates. As at 31 December 2011, land use right certificates had been obtained for an aggregate of 345 parcels of allocated land, which were transferred to the Company as capital contributions, and the land use right certificates of all 53 parcels of lard have been obtained upon completion of the land grant procedures. The Company will further push ahead with the perfection of the land use rights certificates for the remaining 4 parcels to fulfil its undertakings to the shareholders.

3. As disclosed in the prospectus of the Company, the Company had not obtained building ownership certificates for 822 buildings. During the Reporting Period, the Company continuously pushed ahead the application procedures for building ownership certificates. As at 31 December 2011, 215 building ownership certificates had been obtained. Among the remaining 607 buildings, 480 were properties for ancillary production use for which no building ownership certificates would be granted, 121 were old buildings, 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. However, the above properties were invested and constructed by the Company with relevant accounting invoices and construction proofs where there exists no disputes as to the rights relating to such buildings. The Company had the right to occupy, use, receive earnings from and effectively dispose of these buildings. The Company will further accelerate the application procedures for building ownership certificates for the remaining 6 buildings.

(IX) CHANGE OF AUDITORS OF THE COMPANY

During the year, the Company continued to engage Ernst & Young Hua Ming as its auditors. As at the end of the Reporting Period, the Company has appointed Ernst & Young Hua Ming to provide auditing services for five consecutive years.

On 31 May 2011, the resolution on the Proposal in Relation to the Appointment of External Auditor for the Year 2011 and Payment of the Auditing Expenses for the Year 2010 was considered and approved at the 2010 Annual General Meeting of the Company at which it resolved to appoint Ernst & Young Hua Ming as the sole external auditors of the Company for the year 2011 and not to further appoint Ernst & Young as its overseas auditors. For details of the above change in auditors, please refer to the relevant announcement and circulars to shareholders of the Company dated 31 March 2011 and 15 April 2011, respectively, which were published by the Company on the website of the Hong Kong Stock Exchange.

Significant Events (continued)

During the Reporting Period, the Company paid an annual service fee of RMB30.9852 million to Ernst & Young Hua Ming for the auditing services provided in respect of the financial statements for 2011, audit related services and other services including audit and audit related service fee of RMB29.80 million and other service fee of RMB1.1852 million.

On 13 January 2012, the proposal in relation to the appointment of internal control auditors for 2011 was considered and passed at the first extraordinary general meeting of the Company in 2012, at which it was agreed to appoint Crowe Horwath China CPAs Co., Ltd. as its internal control auditors for 2011. The fees for the internal control audit and related services provided by Crowe Horwath China CPAs Co., Ltd. to the Company for 2011 would be RMB2.4 million.

(X) 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.

(XI) OTHER SIGNIFICANT EVENTS

During the Reporting Period, the Company did not have any other significant events.

(XII) SUBSEQUENT EVENTS

1. Progress in Respect of the Mining Contract of Mirador Mine Entered into between Ecuacorriente S.A. and the Government of Ecuador

   Corriente Resources Inc. is a wholly-owned subsidiary established in Canada by CRCC-Tongguan Investment Co., Ltd., which is a company established and held as to 50% by each of the Company and Tongling Nonferrous Metals Group Holdings Co., Ltd.. Ecuacorriente S.A., is a wholly-owned subsidiary established in Ecuador by Corriente Resources Inc. Following over a year's negotiations, Ecuacorriente S.A., together with the Non-renewable Natural Resources Ministry of Ecuador (on behalf of the government of Ecuador), jointly signed the Mining Contract Between the Government of Ecuador and Ecuacorriente S.A. regarding the development of Mirador Mine, a mine owned by Ecuacorriente S.A., at 17:30 on 5 March 2012 (Ecuador time, which was 6:30 on 6 March in Beijing time) at the Presidential Palace of Ecuador. As agreed by both contracting parties, the Mining Contract will take effect upon obtaining the approvals from the Chinese government. The signing of the Mining Contract together with the No. 259 Environmental Certificate for the Mirador Mining Project during the Metal Mineral Mining Phase in Panqui, Zamora Chinchipe ("Mirador 1 (consolidated)") Mining Rights (Code 500807) (《ZAMORA CHINCHIPE省PANQUI市的米拉多礦業項目金屬礦產開採階段環境證書"米拉多1號(合併)"礦權(編號500807)》) issued by the Director of National Environmental Pollution Prevention Bureau of Ecuador (厄瓜多爾國家環境污染預防局) on 24 February 2012, has kicked off the construction and operation the Mirrador Mine. During the application for the approval from the Chinese government, CRCC-Tongguan Investment Co., Ltd. would actively press ahead with the project design, the selection of construction teams and the preparation for procuring large-scale proprietary equipment and materials. (For details, please refer to the relevant announcement dated 7 March 2012, which was published by the Company on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange.)

2. On 29 March 2012, the Company held the 11th meeting of the second session of the Board of Directors and proposed a cash dividend of RMB1,233,754,000 for the year ended 31 December 2011. Pursuant to the resolution approved by the 9th meeting of the second session of the Board of Directors on 24 February 2012, the Group planned to merge Guangdong Province Hangsheng Construction Group Co., Ltd. ("Hangsheng Company"), which was acquired by the Company, into China Railway Construction and Waterway Bureau Co., Ltd. The acquisition price of RMB300,000,000 and related expenses paid for acquisition of RMB4,048,000 (RMB304,048,000 in total) will be injected as additional contributions to China Railway Construction and Waterway Bureau Co., Ltd. by the Company.

3. Pursuant to the resolution approved by the 44th meeting of the first session of the Board of the Company, the Company participated in the restructuring, reform and capital increase of China Great Wall Finance Company by the controlling shareholder. Upon completion of the restructuring, the company's name will be changed to CRCC Finance Company Limited ("Finance Company"), with a registered capital of RMB1,300 million. On 21 March 2012, the Company received the Approval of Changes of Subsequent Matters Upon Restructuring of China Great Wall Finance Company (Yin Jian Fu [2012] No. 137) issued by China Banking Regulatory Commission ("CBRC") (《中國銀監會關於中國長城財務公司重組後續事項變更的批覆》) as well as the Finance Permit (《金融許可證》) approved and issued by CBRC, and obtained corporate legal person business license from Beijing Administration for Industry and Commerce on 28 March 2012, the Finance Company was approved to commence business.

(XIII) INFORMATION DISCLOSURE INDEX

Information Disclosure Index

Events	Information Disclosure/Index Newspaper name and page for publication	Date of publication	Website for publication and retrieve path
H Share Announcement of CRCC		18 January 2011	www.sse.com.cn
Announcement on the Arrangement of Matters in Relation to the Mecca Light Rail Project of CRCC (《中國鐵建關於沙特麥加輕軌項目相關事項安排的公告》)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	22 January 2011	www.sse.com.cn
Announcement on the Resolutions of the 41st Meeting of the First Session of the Board of Directors of CRCC (中國鐵建第一屆董事會第四十一次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	22 January 2011	www.sse.com.cn
Announcement on the Implementation of the Distribution of 2010 Interim Dividend and Bonus of CRCC (中國鐵建2010年度中期分紅派息實施公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 January 2011	www.sse.com.cn

Significant Events (continued)

Events	Information Disclosure/Index Newspaper name and page for publication	Date of publication	Website for publication and retrieve path
Announcement in Relation to Projects in Libya of CRCC (中國鐵建利比亞項目情況公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2 March 2011	www.sse.com.cn
Reminder Announcement on the Commencement of Trading of Shares Subject to Trading Restrictions Held by the Controlling Shareholder of CRCC (中國鐵建控股股東限售股份上市流通提示性公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	3 March 2011	www.sse.com.cn
H Share Announcement of CRCC		17 March 2011	www.sse.com.cn
Special Statement on Amounts Due from Controlling Shareholder and other Related Parties of CRCC (中國鐵建應收控股股東和其他關聯方款項的專項説明)		31 March 2011	www.sse.com.cn
Announcement in Relation to the Change of Certified Public Accountants of CRCC (中國鐵建關於會計師事務所變更的公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 March 2011	www.sse.com.cn
Management System of Fund Transfers among Related Parties of CRCC (中國鐵建關聯方資金往來管理制度)		31 March 2011	www.sse.com.cn
2010 Social Responsibility Report of CRCC (中國鐵建2010年社會責任報告)		31 March 2011	www.sse.com.cn
Self-assessment Report on Internal Control of the Company by the Board of CRCC (中國鐵建董事會關於公司內部控制的自我評估報告)		31 March 2011	www.sse.com.cn
Summary of Annual Report of CRCC (中國鐵建年報摘要)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 March 2011	www.sse.com.cn
Annual Report of CRCC (中國鐵建年報)		31 March 2011	www.sse.com.cn

Significant Events (continued)

Events	Information Disclosure/Index Newspaper name and page for publication	Date of publication	Website for publication and retrieve path
Announcement on the Resolutions of the 42nd Meeting of the First Session of the Board of Directors of CRCC (中國鐵建第一屆董事會第四十二次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 March 2011	www.sse.com.cn
Special Report on the Placement and Actual Use of A Share Proceeds of CRCC (中國鐵建關於公司A股募集資金存放與實際使用情況的專項報告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 March 2011	www.sse.com.cn
Announcement on the Resolutions of the 11th Meeting of the First Session of the Supervisory Committee of CRCC (中國鐵建第一屆監事會第十一次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 March 2011	www.sse.com.cn
Announcement on Bid-winning of Significant Projects of CRCC (中國鐵建重大工程中標公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	7 April 2011	www.sse.com.cn
Announcement on the Amount of Internal Guarantees of the Company for 2011 of CRCC (中國鐵建關於公司2011年內部擔保額度的公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	8 April 2011	www.sse.com.cn
Notice on Convening the 2010 Annual General Meeting of CRCC (中國鐵建關於召開2010年年度股東大會的通知)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	15 April 2011	www.sse.com.cn
H Share Announcement of CRCC		20 April 2011	www.sse.com.cn
First Quarterly Report of CRCC (中國鐵建第一季度季報)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	29 April 2011	www.sse.com.cn
Working Rules for the Secretary to the Board of CRCC (中國鐵建董事會秘書工作制度)		14 May 2011	www.sse.com.cn

Significant Events (continued)

Events	Information Disclosure/Index Newspaper name and page for publication	Date of publication	Website for publication and retrieve path
Supplementary Notice on Additional Proposal to be Submitted at the 2010 Annual General Meeting of CRCC (中國鐵建關於2010年年度股東大會增加臨時提案的補充通知)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	14 May 2011	www.sse.com.cn
Announcement on the Resolutions of the 44th Meeting of the First Session of the Board of of CRCC (中國鐵建第一屆董事會第四十四次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	14 May 2011	www.sse.com.cn
Information on the 2010 Annual General Meeting of CRCC (中國鐵建2010年度股東大會會議資料)		19 May 2011	www.sse.com.cn
Announcement on the Connected Transactions of Investment in a Finance Company (中國鐵建關於投資財務公司的關聯交易公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	20 May 2011	www.sse.com.cn
Announcement of the Election and Appointment of the Employee Representative Supervisor of the Second Session of the Supervisory Committee of CRCC (中國鐵建關於選舉產生第二屆監事會職工代表監事的公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 May 2011	www.sse.com.cn
Clarification Announcement of CRCC (中國鐵建澄清公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 May 2011	www.sse.com.cn
Announcement of the Resolutions of the Annual General Meeting of CRCC (中國鐵建2010年年度股東大會會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	1 June 2011	www.sse.com.cn

Significant Events (continued)

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

Significant Events (continued)

Events	Information Disclosure/Index Newspaper name and page for publication	Date of publication	Website for publication and retrieve path
Announcement on the implementation of distribution of A Share Bonus for 2010 of CRCC (中國鐵建2010年度A股分紅派息實施公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	11 July 2011	www.sse.com.cn
Announcement on Bid-winning of Significant Projects of CRCC (中國鐵建重大工程中標公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	12 July 2011	www.sse.com.cn
Announcement on Bid-winning of Overseas Projects of CRCC (中國鐵建海外工程中標公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	5 August 2011	www.sse.com.cn
H Share Announcement of CRCC		17 August 2011	www.sse.com.cn
Announcement on the Resolutions of the 3rd Meeting of the Second Session of the Board of CRCC (中國鐵建第二屆董事會第三次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	17 August 2011	www.sse.com.cn
Announcement on the Resolutions of the 2nd Meeting of the Second Session of the Supervisory Committee of CRCC (中國鐵建第二屆監事會第二次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 August 2011	www.sse.com.cn
Special Report on the Placement and Actual Use of A Share Proceeds of CRCC (中國鐵建關於公司A股募集資金存放與實際使用情況的專項報告)		31 August 2011	www.sse.com.cn
Announcement on the Resolutions of the 4th Meeting of the Second Session of the Board of CRCC (中國鐵建第二屆董事會第四次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 August 2011	www.sse.com.cn
Interim Report of CRCC		31 August 2011	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
Interim Report Summary of CRCC (中國鐵建半年報摘要)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 August 2011	www.sse.com.cn
H Share Announcement of CRCC		18 October 2011	www.sse.com.cn
Announcement on the Results of the First Issue of Medium-term Notes in 2011 of CRCC (中國鐵建2011年度第一期中期票據發行結果公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	19 October 2011	www.sse.com.cn
Announcement on the Adjustment to Internal Guarantee of the Company for 2011 of CRCC (中國鐵建關於公司2011年內部擔保調整的公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	29 October 2011	www.sse.com.cn
Announcement on the Resolutions of the 5th Meeting of the Second Session of the Board of CRCC (中國鐵建第二屆董事會第五次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	29 October 2011	www.sse.com.cn
Third Quarterly Report of CRCC (中國鐵建第三季度季報)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	29 October 2011	www.sse.com.cn
Announcement on the Issue of First Short-term Bond in 2011 of CRCC (中國鐵建2011年度第一期短期融資券發行情況公告	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	9 November 2011	www.sse.com.cn
Announcement on Bid-winning of Significant Projects of CRCC (中國鐵建重大工程中標公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	17 November 2011	www.sse.com.cn
Announcement on Bid-winning of Overseas Projects of CRCC (中國鐵建海外項目中標公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	23 November 2011	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
The Notice of 2012 First Extraordinary General Meeting of CRCC (中國鐵建關於召開2012年第一次臨時股東大會的通知)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	28 November 2011	www.sse.com.cn
Announcement on the Resolutions of the 6th Meeting of the Second Session of the Board of CRCC (中國鐵建第二屆董事會第六次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	28 November 2011	www.sse.com.cn
Announcement on Newly Signed Contracts of CRCC (中國鐵建新簽合同公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	15 December 2011	www.sse.com.cn
Announcement on Newly Signed Overseas Contracts of CRCC (中國鐵建新簽海外合同公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	22 December 2011	www.sse.com.cn
Management System for People with Access to Insider Information of CRCC (中國鐵建內幕信息知情人管理制度)		23 December 2011	www.sse.com.cn
Announcement on the Resolutions of the 7th Meeting of the Second Session of the Board of CRCC (中國鐵建第二屆董事會第七次會議決議公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	23 December 2011	www.sse.com.cn
Announcement on Newly Signed Overseas Contracts of CRCC (中國鐵建新簽海外合同公告)	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	31 December 2011	www.sse.com.cn

Auditors' report

Ernst & Young Hua Ming (2012) Shen Zi No. 60618770_A01

To the shareholders of China Railway Construction Corporation Limited

We have audited the accompanying financial statements of China Railway Construction Corporation Limited, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and the notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements present fairly, in all material aspects, the consolidated and company financial position of China Railway Construction Corporation Limited as at 31 December 2011 and its consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Ernst & Young Hua Ming

Chinese Certified Public Accountant: **Chen Jing**

Chinese Certified Public Accountant: **Wang Ning**

Beijing, the People's Republic of China
29 March 2012

Consolidated Balance Sheet

As at 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

ASSETS	*Note V*	31 December 2011	31 December 2010
Current assets			
Cash and bank balances	1	**83,057,641**	65,206,592
Financial assets held for trading	2	**46,919**	75,490
Bills receivable	3	**2,014,619**	483,446
Accounts receivable	4	**62,918,831**	49,532,618
Advances to suppliers	5	**26,075,648**	28,132,730
Interest receivables		**60,370**	200
Dividends receivable		**46,844**	—
Other receivables	6	**25,335,878**	21,995,143
Inventories	7	**76,005,525**	59,598,496
Construction contracts	8	**74,175,970**	60,120,409
Current portion of non-current assets	10	**10,546,813**	6,779,659
Other current assets		**39,090**	71,184
Total current assets		**360,324,148**	291,995,967
Non-current assets			
Available-for-sale financial assets	9	**242,097**	273,773
Held-to-maturity investments		**1,269**	1,295
Long-term receivables	10	**8,504,060**	7,923,277
Long-term equity investments	12	**4,444,219**	4,191,741
Fixed assets	13	**38,507,452**	35,172,303
Construction in progress	14	**2,064,232**	2,192,039
Intangible assets	15	**6,791,245**	6,372,612
Long-term prepayments		**117,128**	71,874
Deferred tax assets	16	**1,986,991**	2,070,318
Total non-current assets		**62,658,693**	58,269,232
TOTAL ASSETS		**422,982,841**	350,265,199

Consolidated Balance Sheet (continued)

As at 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	*Note V*	31 December 2011	31 December 2010
Current liabilities			
Short-term loans	19	**34,159,994**	16,242,671
Short-term bonds payable	20	**7,504,783**	—
Bills payable	21	**10,972,454**	13,607,569
Accounts payable	22	**149,398,973**	127,588,606
Advances from customers	23	**39,348,494**	42,724,119
Construction contracts	8	**14,065,816**	17,463,347
Employee benefits payable	24	**9,586,517**	7,831,029
Taxes payable	25	**6,813,394**	5,739,337
Interest payables	26	**314,013**	187,058
Dividends payable	27	**57,489**	691,594
Other payables	28	**32,532,577**	29,525,733
Deferred income	34	**25,956**	22,710
Current portion of non-current liabilities	29	**13,961,260**	1,185,029
Total current liabilities		**318,741,720**	262,808,802
Non-current liabilities			
Long-term loans	30	**18,218,813**	7,484,804
Bonds payable	31	**12,392,517**	14,930,359
Long-term payables	32	**3,453,826**	1,790,797
Special payables	33	**304,386**	246,075
Deferred income	34	**131,006**	156,223
Deferred tax liabilities	16	**278,016**	269,754
Employee benefits payable	24	**3,743,785**	4,346,965
Total non-current liabilities		**38,522,349**	29,224,977
Total liabilities		**357,264,069**	292,033,779

Consolidated Balance Sheet (continued)

As at 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY (continued)	*Note V*	**31 December 2011**	31 December 2010
Shareholders' equity			
Share capital	35	**12,337,542**	12,337,542
Capital reserve	36	**33,997,676**	33,986,234
Surplus reserve	38	**855,536**	855,536
Retained earnings	39	**17,338,492**	10,101,077
Exchange differences on foreign currency translation		**219,097**	122,925
Equity attributable to:			
Owners of the Company		**64,748,343**	57,403,314
Non-controlling interests		**970,429**	828,106
Total shareholders' equity		**65,718,772**	58,231,420
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**422,982,841**	350,265,199

The financial statements have been signed by:

Legal Representative:	*CFO:*	*Finance Controller*
Meng Fengchao	**Zhuang Shangbiao**	**Cao Xirui**
29 March 2012	29 March 2012	29 March 2012

Consolidated Income Statement

Year ended 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

	Note V	2011	2010
Revenue	40	**457,366,110**	470,158,793
Less: Cost of sales	40	**409,327,413**	428,647,118
Taxes and surcharges	41	**14,046,780**	13,971,606
Selling and distribution expenses	42	**1,745,921**	1,530,989
General and administrative expenses	43	**19,851,399**	19,159,242
Finance costs	44	**1,981,747**	511,160
Impairment losses	45	**624,559**	614,008
Add: Loss arising from fair value changes	46	**(27,109)**	(20,410)
Investment income	47	**168,383**	135,363
Including: Share of profits of associates and jointly controlled entities		**77,806**	1,870
Operating profit		**9,929,565**	5,839,623
Add: Non-operating income	48	**521,537**	409,630
Less: Non-operating expenses	49	**395,211**	160,494
Including: Loss on disposal of non-current assets		**212,470**	81,999
Total profit		**10,055,891**	6,088,759
Less: Income tax expenses	50	**2,173,927**	1,772,123
Net profit		**7,881,964**	4,316,636
Attributable to:			
Owners of the Company		**7,854,292**	4,246,221
Non-controlling interests		**27,672**	70,415
Earnings per share:			
Basic earnings per share *(RMB/share)*	51	**0.64**	0.34
Diluted earnings per share *(RMB/share)*	51	**N/A**	N/A
Other comprehensive income/(loss)	52	**121,047**	(73,705)
Total comprehensive income		**8,003,011**	4,242,931
Total comprehensive income attributable to:			
Owners of the Company		**7,975,317**	4,172,507
Non-controlling interests		**27,694**	70,424

Consolidated Statement Of Changes In Equity

Year ended 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

	For the year ended 31 December 2011								
	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 year									
(a) Net profit	—	—	—	—	7,854,292	—	7,854,292	27,672	7,881,964
(b) Other comprehensive income *(Note V.52)*	—	24,853	—	—	—	96,172	121,025	22	121,047
Total comprehensive income	—	24,853	—	—	7,854,292	96,172	7,975,317	27,694	8,003,011
(c) Capital contributions and reduction from shareholders									
(1) Capital contributions	—	—	—	—	—	—	—	115,838	115,838
(2) Acquisition of non-controlling interests	—	(13,411)	—	—	—	—	(13,411)	11,668	(1,743)
(d) Profit appropriation and distribution									
(1) Distribution to owners *(Note 1)*	—	—	—	—	(616,877)	—	(616,877)	(12,877)	(629,754)
(e) Specialized reserve									
(1) Appropriated in current year	—	—	4,043,803	—	—	—	4,043,803	—	4,043,803
(2) Used in current year	—	—	(4,043,803)	—	—	—	(4,043,803)	—	(4,043,803)
3. As at 31 December 2011	12,337,542	33,997,676	—	855,536	17,338,492	219,097	64,748,343	970,429	65,718,772

Consolidated Statement Of Changes In Equity (continued)

Year ended 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

	For the year ended 31 December 2010								
	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 2010	12,337,542	31,520,101	-	617,274	8,684,002	106,566	53,265,485	813,748	54,079,233
2. Movements in current year									
(a) Net profit	—	—	—	—	4,246,221	—	4,246,221	70,415	4,316,636
(b) Other comprehensive loss *(Note V.52)*	—	(90,073)	—	—	—	16,359	(73,714)	9	(73,705)
Total comprehensive income	—	(90,073)	—	—	4,246,221	16,359	4.172.507	70,424	4.242.931
(c) Capital contributions and reduction from shareholders									
(1) Capital contributions	—	—	—	—	—	—	—	176,827	176,827
(2) Acquisition of non-controlling interests	—	(207,389)	—	—	—	—	(207,389)	(38,611)	(246,000)
(3) Others *(Note 2)*	—	2,763,595	—	—	—	—	2,763,595	—	2,763,595
(d) Profit appropriation and distribution									
(1) Appropriation to surplus reserve	—	—	—	238,262	(238,262)	—	—	—	—
(2) Distribution to owners	—	—	—	—	(2,590,884)	—	(2,590,884)	(194,282)	(2,785,166)
(e) Specialized reserve									
(1) Appropriated in current year	—	—	4,217,900	—	—	—	4,217,900	—	4,217,900)
(2) Used in current year	—	—	(4,217,900)	—	—	—	(4,217,900)	—	(4,217,900)
3. As at 31 December 2010	12,337,542	33,986,234	—	855,536	10,101,077	122,925	57,403,314	828,106	58,231,420

Consolidated Statement Of Changes In Equity (continued)

Year ended 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

Note 1: In accordance with the resolution at the 42nd Meeting of the First Board of Directors on 30 March 2011, the Company proposed a final cash dividend for the year ended 31 December 2010 of RMB0.50 (includes tax) per 10 shares which amounted to RMB616,877,050 based on the total number of shares of 12,337,541,500. At the annual general meeting held on 31 May 2011, the Company's shareholders approved the distribution of the final dividend of 2010.

Note 2: On 10 February 2009, China Railway Construction Corporation Limited (the "Company") entered into a construction contract with the Ministry of Municipality and Rural Affairs of the Kingdom of Saudi Arabia (the "Owner") pursuant to which the Company agreed to construct a metro light railway in Saudi Arabia (the "Mecca Light Rail Project") for the Owner. As at 31 October 2010, the Company incurred accumulated losses of RMB4.148 billion (including provision for foreseeable losses of RMB686 million as at 31 October 2010) on the Mecca Light Rail Project. Such accumulated losses of RMB4.148 billion (including provision for foreseeable losses of RMB686 million) have already been recognized in the Company's income statement for the relevant financial periods.

In order to ensure a smooth completion of the Mecca Light Rail Project and to properly deal with the claim issues thereunder, the Company has agreed with China Railway Construction Corporation ("CRCCG", a state-owned enterprise in the PRC) that from 31 October 2010, the rights and obligations of the Company under and arising from the Mecca Light Rail Project shall be exercised and performed by CRCCG. In consideration of such an agreement, CRCCG agreed to pay RMB2.077 billion to the Company and the Company shall cease to enjoy/bear the profit/loss earned/incurred by the Mecca Light Rail Project after 31 October 2010, except for income from claims obtained from the Owner (if any). Such profit/loss, excluding the claims obtained from the Owner (if any), shall be enjoyed/borne by CRCCG. The Company has also agreed with CRCCG regarding the method of allocation of the claims obtained from the Owner (if any).

CRCCG has entered into the above agreement with the Company in its capacity as a shareholder of the Company, hence the above consideration of RMB2.077 billion to be paid by CRCCG was treated as a shareholder's contribution and recognized in the capital reserve account of the Company. In addition, the provision for contract foreseeable loss of RMB686 million accrued by the Company for the Mecca Light Rail Project as at 31 October 2010 was required to be reversed because the profit/loss of the Mecca Light Rail Project incurred after 31 October 2010 shall be enjoyed/borne by CRCCG. The reversal of such provision for foreseeable loss of RMB686 million arose from the above agreement entered into by CRCCG in its capacity as a shareholder of the Company, hence such reversal of provision for foreseeable losses was treated as a shareholder's contribution recognized in the Company's capital reserve account.

Consolidated Cash Flow Statement

Year ended 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

	Note V	2011	2010
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from the sale of goods or rendering of services		**414,319,619**	448,366,827
Tax refunds		**273,670**	223,161
Cash received from other operating activities		**2,238,277**	2,529,234
Subtotal of cash inflows from operating activities		**416,831,566**	451,119,222
Cash paid for goods and services		**(384,339,849)**	(402,756,633)
Cash paid to and on behalf of employees		**(25,863,893)**	(22,669,901)
Cash paid for all types of taxes		**(14,557,862)**	(14,292,861)
Cash paid for other operating activities	53	**(4,646,273)**	(5,147,257)
Subtotal of cash outflows from operating activities		**(429,407,877)**	(444,866,652)
Net cash flows (used in)/from operating activities	54	**(12,576,311)**	6,252,570
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal or returns of investments		**8,766**	119,001
Cash received from returns on investments		**69,482**	80,853
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**1,237,547**	1,287,038
Decrease in non-pledged deposits with original maturity of three months or more when acquired		**—**	1,880,013
Decrease in pledged time deposits and other restricted cash		**9,786,859**	6,371,676
Cash received from other investing activities		**1,380,207**	829,693
Subtotal of cash inflows from investing activities		**12,482,861**	10,568,274
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(12,053,636)**	(17,014,429)
Cash paid for acquisition of investments		**(209,152)**	(1,179,961)
Cash paid for acquisition of non-controlling interests		**(1,743)**	(246,000)
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		**(885,935)**	—
Increase in pledged time deposits and other restricted cash		**(8,507,534)**	(7,652,934)
Cash paid for other investing activities		**(1,327,916)**	—
Subtotal of cash outflows from investing activities		**(23,085,869)**	(26,093,324)
Net cash flows used in investing activities		**(10,603,008)**	(15,525,050)

Consolidated Cash Flow Statement (continued)

Year ended 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

	Note V	2011	2010
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received as capital contributions		**115,838**	176,827
Including: Cash received from non-controlling shareholders of subsidiaries		**115,838**	176,827
Cash received from borrowings		**56,304,728**	29,230,559
Cash received from issuing bonds		**14,910,000**	5,000,000
Subtotal of cash inflows from financing activities		**71,330,566**	34,407,386
Cash repayments for borrowings		**(24,907,235)**	(20,300,710)
Cash paid for distribution of dividends or profits and for interest expenses		**(4,774,401)**	(3,747,876)
Including: Cash paid to non-controlling shareholders for distribution of dividends by subsidiaries		**(30,105)**	(140,324)
Subtotal of cash outflows from financing activities		**(29,681,636)**	(24,048,586)
Net cash flows from financing activities		**41,648,930**	10,358,800
4. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		**(225,172)**	(233,226)
5. NET INCREASE IN CASH AND CASH EQUIVALENTS	54	**18,244,439**	853,094
Add: Cash and cash equivalents at beginning of the year		**55,923,144**	55,070,050
6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	54	**74,167,583**	55,923,144

Balance Sheet

As at 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

ASSETS	*Note XI*	31 December 2011	31 December 2010
Current assets			
Cash and bank balances		**13,906,252**	4,497,264
Financial assets held for trading		**31,405**	44,163
Accounts receivable	1	**666,357**	7,406
Advances to suppliers		**695,688**	1,351,365
Interest receivable		**—**	200
Dividends receivable		**—**	6,379,630
Other receivables	2	**38,258,954**	30,001,780
Inventories		**55**	1,418
Construction contracts		**4,131,585**	4,713,410
Current portion of non-current assets		**2,403,975**	841,295
Total current assets		**60,094,271**	47,837,931
Non-current assets			
Available-for-sale financial assets		**113,045**	125,707
Long-term receivables		**1,000,000**	4,777,752
Long-term equity investments	3	**49,495,006**	36,755,427
Fixed assets		**35,805**	49,473
Construction in progress		**12,379**	—
Intangible assets		**520**	—
Deferred tax assets		**11,143**	8,413
Total non-current assets		**50,667,898**	41,716,772
TOTAL ASSETS		**110,762,169**	89,554,703

Balance Sheet (continued)

As at 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	31 December 2011	31 December 2010
Current liabilities:		
Short-term loans	**6,715,045**	3,202,587
Short-term bonds payable	**5,000,000**	—
Accounts payable	**839,631**	775,491
Construction contracts	**38,515**	—
Advances from customers	**—**	220,668
Employee benefits payable	**41,194**	44,093
Taxes payable	**3,257**	(52,710)
Interest payables	**320,471**	183,855
Dividends payable	**—**	616,877
Other payables	**9,982,018**	11,429,009
Current portion of non-current liabilities	**11,441,289**	97,756
Total current liabilities	**34,381,420**	16,517,626
Non-current liabilities:		
Long-term loans	**6,810,371**	1,995,424
Bonds payable	**12,392,517**	14,930,359
Long-term payables	**1,838,170**	—
Deferred tax liabilities	**—**	3,087
Employee benefits payable	**26,130**	28,010
Total non-current liabilities	**21,067,188**	16,956,880
Total liabilities	**55,448,608**	33,474,506
Shareholders' equity		
Share capital	**12,337,542**	12,337,542
Capital reserve	**39,002,430**	39,011,927
Surplus reserve	**855,536**	855,536
Retained earnings	**3,118,053**	3,875,192
Total shareholders' equity	**55,313,561**	56,080,197
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**110,762,169**	89,554,703

Income Statement

Year ended 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

	Note XI	**2011**	2010
Revenue	4	**5,545,379**	9,906,774
Less: Cost of sales	4	**5,252,391**	12,888,290
Taxes and surcharges		**6,886**	10,655
Selling and distribution expenses		**12,682**	15,042
General and administrative expenses		**464,938**	307,963
Finance (income)/costs		**(20,960)**	27,060
Impairment losses		**—**	503,353
Add: Loss arising from fair value changes		**(12,758)**	(9,804)
Investment income	5	**41,653**	6,253,587
Including: Share of income/(loss) of jointly controlled entities		**33,391**	(12,792)
Operating (loss)/profit		**(141,663)**	2,398,194
Add: Non-operating income		**48**	14,367
Less: Non-operating expenses		**142**	8,246
Including: Loss on disposal of non-current assets		**79**	—
Total (loss)/profit		**(141,757)**	2,404,315
Less: Income tax (credit)/expenses		**(1,495)**	21,695
Net (loss)/profit		**(140,262)**	2,382,620
Other comprehensive loss		**(9,497)**	(55,698)
Total comprehensive (loss)/income		**(149,759)**	2,326,922

Statement Of Changes In Equity

Year ended 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

	For the year ended 31 December 2011				
	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 year					
(a) Net loss	—	—	—	(140,262)	(140,262)
(b) Other comprehensive loss	—	(9,497)	—	—	(9,497)
Total comprehensive loss	—	(9,497)	—	(140,262)	(149,759)
(c) Profit appropriation and distribution					
Distribution to owners *(Note)*	—	—	—	(616,877)	(616,877)
3. As at 31 December 2011	12,337,542	39,002,430	855,536	3,118,053	55,313,561

	For the year ended 31 December 2010				
	Share capital	**Capital reserve**	**Surplus reserve**	**Retained earnings**	**Total equity**
1. As at 1 January 2010	12,337,542	36,304,030	617,274	4,321,718	53,580,564
2. Movements in current year					
(a) Net profit	—	—	—	2,382,620	2,382,620
(b) Other comprehensive loss	—	(55,698)	—	—	(55,698)
Total comprehensive loss	—	(55,698)	—	2,382,620	2,326,922
(c) Profit appropriation and distribution					
(1) Appropriation to surplus reserve	—	—	238,262	(238,262)	—
(2) Distribution to owners	—	—	—	(2,590,884)	(2,590,884)
(d) Others *(Note)*	—	2,763,595	—	—	2,763,595
3. As at 31 December 2010	12,337,542	39,011,927	855,536	3,875,192	56,080,197

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

Cash Flow Statement

Year ended 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

	Note XI	2011	2010
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from the sale of goods or rendering of services		**3,549,619**	6,290,364
Tax refunds		**54,578**	10,606
Cash received from other operating activities		**8,299**	2,946,786
Subtotal of cash inflows from operating activities		**3,612,496**	9,247,756
Cash paid for goods and services		**(4,307,190)**	(11,217,600)
Cash paid to and on behalf of employees		**(149,976)**	(172,768)
Cash paid for all types of taxes		**(187,645)**	(146,280)
Cash paid for other operating activities		**(1,811,197)**	(12,866,526)
Subtotal of cash outflows from operating activities		**(6,456,008)**	(24,403,174)
Net cash flows used in operating activities	6	**(2,843,512)**	(15,155,418)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal or returns of investments		**—**	2,904
Cash received from returns on investments		**2,613,120**	1,590,362
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**727**	31,364
Decrease in non-pledged time deposits with original maturity of three months or more when acquired		**204,981**	2,755,268
Cash received from other investing activities		**1,332,897**	573,608
Subtotal of cash inflows from investing activities		**4,151,725**	4,953,506
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(18,729)**	(56,493)
Cash paid for acquisition of investments		**(9,955,950)**	(2,357,326)
Cash paid for other investing activities		**(1,327,916)**	-
Subtotal of cash outflows from investing activities		**(11,302,595)**	(2,413,819)
Net cash flows (used in)/from investing activities		**(7,150,870)**	2,539,687

Cash Flow Statement (continued)

Year ended 31 December 2011
(All amounts in RMB'000 unless otherwise stated)

	Note XI	2011	2010
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from borrowings		**13,098,122**	6,608,492
Cash received from issuing bonds		**12,500,000**	5,000,000
Subtotal of cash inflows from financing activities		**25,598,122**	11,608,492
Cash repayments for borrowings		**(3,301,343)**	(4,149,554)
Cash paid for distribution of dividends or profits and for interest expenses		**(2,646,105)**	(2,543,853)
Subtotal of cash outflows from financing activities		**(5,947,448)**	(6,693,407)
Net cash flows from financing activities		**19,650,674**	4,915,085
4. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		**(42,323)**	(62,720)
5 NET INCREASE IN CASH AND CASH EQUIVALENTS		**9,613,969**	(7,763,366)
Add: Cash and cash equivalents at beginning of the year		**4,289,283**	12,052,649
6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	**13,903,252**	4,289,283

Notes to Financial Statements

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

I. Corporate information

China Railway Construction Corporation Limited ("the Company") is a joint stock limited company 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 to its construction operations, survey, design and consultancy operations, manufacturing operations, logistics and real estate development operations) that are to be injected into the Company were valued by PRC independent qualified assets valuer at the base date of 31 December 2006. According to the asset valuation report issued by DeveChina International Appraisal Co., Ltd., the value of the restructuring net assets was RMB9,498,744,300. SASAC authorized the Company to issue 8,000,000,000 shares to CRCCG for 84.22165865% of the amount of the valued net assets, with all the then remaining amount of RMB1,498,744,300 dealt with in the capital reserve of the Company.

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

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

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

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

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

I. Corporate information (continued)

As at 31 December 2011, the Company has issued an aggregate of 12,337,541,500 shares as share capital. See Note V.35 for details.

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

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

These financial statements were approved and authorized for issue by the board of directors of the Company on 29 March 2012. Pursuant to the Company's Articles of Association, the financial statements will be submitted to the shareholders' meeting for approval.

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 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 31 December 2011 and the financial performance and the cash flows for the year 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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

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.

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)

31 December 2011 (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 year ended 31 December 2011. A subsidiary is an enterprise or entity that is controlled by the Company.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group 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, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

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

7. *Cash and cash equivalents*

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

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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

8. Foreign currency transactions and foreign currency translations (continued)

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.

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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

9. *Financial instruments* *(continued)*

Recognition and derecognition of financial instruments *(continued)*

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.

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 with fair value cannot be reliably measured. Such kind of financial assets are subsequently measured at fair value. All the realized or unrealized gains or losses on these financial assets are recognized in profit or loss for the current period. Dividend income or interest income related to financial assets at fair value through profit or loss is charged to profit or loss for the current period.

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

9. *Financial instruments* *(continued)*

Classification and measurement of financial assets *(continued)*

Loans and receivables

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

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. Interests and dividends relating to an available-for-sale financial asset are recognized in profit or loss for the current period.

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

Classification and measurement of financial liabilities

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

9. *Financial instruments* *(continued)*

Classification and measurement of financial liabilities *(continued)*

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. Such kind of financial liabilities are subsequently measured at fair value. All the realized or unrealized gains or losses on these financial liabilities are recognized in profit or loss for the current period.

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

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

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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

9. *Financial instruments* *(continued)*

Fair value of financial instruments

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

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.

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 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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

9. *Financial instruments* *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial assets

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

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

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 recognize any resulting assets or liabilities; and (ii) if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

10. Receivables

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

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

A receivable with an amount greater than RMB10,000,000 is considered to be individually significant and is separately assessed for provision. If there is objective evidence that a receivable is impaired (such as the debtor in serious financial difficulties 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 (inclusive)	—	—
6 months to 1 year (inclusive)	0.5	0.5
1 to 2 years (inclusive)	5	5
2 to 3 years (inclusive)	10	10
3 to 5 years (inclusive)	30	30
Over 5 years	80	80

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

10. Receivables (continued)

(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.

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 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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

12. Construction contract

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

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

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

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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

13. Long-term equity investments (continued)

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

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

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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

13. Long-term equity investments (continued)

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 fee and installation expenses. If the payment for a purchased fixed asset is deferred beyond the normal credit terms, cost of the fixed asset shall be determined based on the present value of the installment. The difference between the actual payment and the present value of the purchase price is recognized in the profit or loss over the credit period, except for such difference that is capitalized according to *Accounting Standards for Business Enterprises No. 17 Borrowing Costs*.

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

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

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

14. Fixed assets (continued)

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 asset, 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 asset, intangible asset 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.

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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

16. Borrowing costs (continued)

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 3 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.

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 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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

17. *Intangible assets* (continued)

Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work (such as turnpike highways and bridges) for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be classified as intangible assets or receivables from granting authority. The assets are classified as intangible assets if the operator receives a right (a license) to charge users of the public service, or as receivables if paid by the granting authority. The Group classifies the non-current assets linked to the long term investment in these concession arrangements as "concession assets" within 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.

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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

18. Long-term prepayments

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

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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

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.

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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

21. Revenue (continued)

Revenue from the rendering of services

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

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

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

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

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

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

21. Revenue (continued)

Revenue from the sales of goods

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

Interest income

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

Royalty income

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

Lease income

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

22. Government grants

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

Notes to Financial Statements (continued)

31 December 2011 (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 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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

23. *Income tax* (continued)

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are 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 a straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period. Contingent rents are charged to profit or loss in the period in which they actually arise.

In the case of being the lessor of an operating lease

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

In the case of 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)

31 December 2011 (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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

26. Employee benefits

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

Retirement benefits

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

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

Termination and early retirement benefits

Employee termination and early retirement benefits are recognized in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. As for termination benefits, the Group recognizes retirement benefits as a liability and an expense when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. As for early retirement benefits, the Group recognizes monthly paid salaries and social benefits for these early retirees during the 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 less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit actuarial valuation method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturities approximating to the terms of the related pension liability.

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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

26. Employee benefits (continued)

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.

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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

30. Production safety expenses

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

Pursuant to provided *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 "Specialized 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.

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*. Such 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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

31. Significant accounting judgments and estimates (continued)

Judgments *(continued)*

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.

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 has not yet been confirmed by relevant tax authorities. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current period income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The realization of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than 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.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies, estimates and prior period errors (continued)

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

Estimation uncertainty (continued)

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.

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.

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 related to the employee retirement benefit obligations.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

III. Taxes

1. Major categories of taxes and respective tax rates

Value-added tax ("VAT")	—	For the Company and certain subsidiaries which are recognized as general VAT payers, VAT payable is 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%. Each of the Company and its subsidiaries calculates and pays 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% to 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)

31 December 2011 (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 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 and the relevant subsidiaries are entitled to enjoy a reduced CIT rate at 15%. According to the Article 2 of 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." Although the Catalogue of Encouraged Industries in the Western Region has not been released until 31 December 2011, the Group's management believe that the subsidiaries within the Group whose principal businesses are the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region in past years still meet the conditions of tax preferential treatment for the Western Region Development. So the preferential income tax rates for the development of the western region are still temporally being used in the calculation of the payment of income tax for current year.

Notes to Financial Statements (continued)

31 December 2011 (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)*

At 31 December 2011, 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）, 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 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 25th Bureau Group LiuZhou Railway Engineering Co., Ltd.（中鐵二十五局集團柳州鐵路工程有限公司）China Railway First Survey and Design Institute Group Ltd.(中鐵第一勘察設計院集團有限公司）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 at a reduced rate of 15%.

Other preferential tax treatments of the Company's subsidiaries

China Civil Engineering Construction Ltd.(中國土木工程集團有限公司）and its subsidiaries

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. *Tax preferential treatments* (continued)

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

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

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

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-tech enterprise by the Science and Technology Department of Jiangxi Province, Jiangxi Provincial Department of Finance, Jiangxi State Administration of Taxation and the Jiangxi Local Taxation Bureau since 2010, and 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 12th Bureau Group Co., Ltd.（中鐵十二局集團有限公司）and its subsidiaries

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

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

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. *Tax preferential treatments* *(continued)*

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

China Railway 12th Bureau Group Co., Ltd.（中鐵十二局集團有限公司）and its subsidiaries (continued)

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

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 Co., Ltd.（中鐵十三局集團有限公司）has been recognized as high-tech enterprise by the Science and Technology Department of Jilin Province, Jilin Provincial Department of Finance, Jilin State Administration of Taxation and the Jilin Local Taxation Bureau since 2009, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2009 to 31 December 2011. In 2011, China Railway 13th Bureau Group Co., Ltd. moved to Tianjin, and settled its income tax payable for the period from January to September 2011 at a rate of 15% in Jilin Provincial. China Railway 13th Bureau Group Co., Ltd. would apply for high-tech enterprise certificate in Tianjin and be subject to a tax rate of 25% until being recognized as high-tech enterprise.

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

China Railway 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-tech enterprise by the Science and Technology Department of Heilongjiang Province, Heilongjiang Provincial Department of Finance, Heilongjiang State Administration of Taxation and the Heilongjiang Local Taxation Bureau since 2010, and 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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. *Tax preferential treatments* *(continued)*

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

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

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

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-tech 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 2009, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2009 to 31 December 2011.

China Railway 15th Bureau Group Co., Ltd.（中鐵十五局集團有限公司）

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

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

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-tech 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-tech 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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. *Tax preferential treatments (continued)*

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

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

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

China Railway 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-tech 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）and its subsidiaries

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

China Railway 19th Bureau Group Co., Ltd.（中鐵十九局集團有限公司）has been recognized as a high-tech enterprise by the Beijing Municipal Science and Technology Commission, 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有限公司）has been recognized as a high-tech enterprise by the Qingdao Municipal Science and Technology Commission, Qingdao Finance Department, Qingdao Municipal Office of the State Administration of Taxation and the Qingdao Local Taxation Bureau since 2010, and 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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. *Tax preferential treatments (continued)*

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

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

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

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

China Railway 23rd Bureau Group Electrical Engineering Co., Ltd.（中鐵二十三局集團電務工程有限公司）has been recognized as a high-tech 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 2009, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2009 to 31 December 2011.

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

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

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

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. *Tax preferential treatments (continued)*

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

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

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

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-tech enterprise by the Shanxi Provincial Science and Technology Department, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2010, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

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

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

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

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

IV. 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 year end	Percentage of equity interest		Percentage of voting rights	Consolidated or not	Non-controlling interests (Note (g))
China Civil Engineering Construction Ltd.	Wholly-owned subsidiary	Beijing	Liu Zhiming	1,210,000	Construction	10000081-7	2,265,071	Direct	100	100	Yes	–
China Railway 11th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Wuhan, Hubei	Wang Guilin	1,031,850	Construction	17931508-7	1,893,912	Direct	100	100	Yes	–
China Railway 12th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Taiyuan, Shanxi	Shi Daoquan	1,060,677	Construction	11007118-4	2,075,868	Direct	100	100	Yes	87,334
China Railway 13th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Changchun, Jilin	Lei Shengxiang	1,044,810	Construction	24499795-1	1,396,621	Direct	100	100	Yes	–
China Railway 14th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Ji'nan, Shandong	Yang Youshi	1,110,000	Construction	16305598-9	2,130,105	Direct	100	100	Yes	6,108
China Railway 15th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Luoyang, Henan	Xu Dongkun	1,117,210	Construction	16995347-2	1,446,941	Direct	100	100	Yes	–
China Railway 16th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Tan Zhengbiao	1,068,300	Construction	10163676-1	1,405,744	Direct	100	100	Yes	–
China Railway 17th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Taiyuan, Shanxi	Duan Dongming	1,044,210	Construction	11007084-3	1,653,322	Direct	100	100	Yes	–
China Railway 18th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Tianjin	Hao Chenyi	1,130,000	Construction	10306009-X	1,103,234	Direct	100	100	Yes	14,582
China Railway 19th 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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

IV. 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 year end	Percentage of equity interest		Percentage of voting rights	Consolidated or not	Non-controlling interests (Note (g))
China Railway 20th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Xi'an, Shaanxi	Yu Wenzhong	1,110,000	Construction	22052306-5	1,594,294	Direct	100	100	Yes	–
China Railway 21st Bureau Group Co., Ltd. (Note (a))	Wholly-owned subsidiary	Lanzhou, Gansu	Meng Guangshun	950,000	Construction	22433362-1	1,357,251	Direct	100	100	Yes	–
China Railway 22nd Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Liu Guozhi	926,000	Construction	71092227-X	1,256,558	Direct	100	100	Yes	23,867
China Railway 23rd Bureau Group Co., Ltd.	Wholly-owned subsidiary	Chengdu, Sichuan	Li Hongqi	900,000	Construction	74033824-2	1,411,847	Direct	100	100	Yes	34,042
China Railway 24th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Shanghai	Wang Beijing	953,244	Construction	13220244-8	1,424,517	Direct	100	100	Yes	6,707
China Railway 25th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Guangzhou, Guangdong	Wang Hanlin	910,720	Construction	19043049-X	1,107,177	Direct	100	100	Yes	–
China Railway Construction Group Ltd. (Note (b))	Wholly-owned subsidiary	Beijing	Wang Wenzhong	1,300,000	Construction	10228709-X	2,340,101	Direct	100	100	Yes	58,361
China Railway Electrification Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Xue Zhigui	710,000	Construction	77705261-9	1,105,530	Direct	100	100	Yes	22,463
China Railway Real Estate Group Co., Ltd. (Note (b))	Wholly-owned subsidiary	Beijing	Li Li	7,000,000	Real estate development	66050723-7	7,062,941	Direct	100	100	Yes	324,287
China Railway First Survey and Design Institute Group Co., Ltd.	Wholly-owned subsidiary	Xi'an, Shaanxi	Wang Zhengming	200,000	Survey, design and consultancy	22433882-8	623,730	Direct	100	100	Yes	2,147

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

IV. 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 year end	Percentage of equity interest		Percentage of voting rights	Consolidated or not	Non-controlling interests (Note (g))
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	6,229
China Railway Fifth Survey and Design Institute Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Lou Delan	155,000	Survey, design and consultancy	40000238-X	291,811	Direct	100	100	Yes	937
China Railway Shanghai Design Institute Group Co., Ltd.	Wholly-owned subsidiary	Shanghai	Li Yongli	130,000	Survey, design and consultancy	13303138-8	267,624	Direct	100	100	Yes	1,646
China Railway Goods and Materials Group Co., Ltd. (Note (h))	Wholly-owned subsidiary	Beijing	Jin Yueliang	1,000,000	Trading of construction materials	10209797-4	1,314,805	Direct	100	100	Yes	20,759
Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	Wholly-owned subsidiary	Kunming, Yunnan	Ma Yunkun	587,984	Manufacturing of large track maintenance machinery	21658661-0	1,349,792	Direct	100	100	Yes	9,400
China Railway Construction Heavy Industry Co., Ltd. (Note (h),(c))	Wholly-owned subsidiary	Changsha, Hu'nan	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 4,502	Direct Indirect	80.02 19.98	80.02 19.98	Yes	2,860
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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

IV. 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 year end	Percentage of equity interest		Percentage of voting rights	Consolidated or not	Non-controlling interests (Note (g))
Chenghe Insurance Broker Co., Ltd (Note (b),(d))	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	10188680-8	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	–
CRCC 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. (Note (e) ,(j))	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 (c))	Wholly-owned subsidiary	Zhuhai, Guangzhou	Xu Sifa	1,000,000	Port and waterway construction	57966883-4	1,000,000	Direct	100	100	Yes	–
							46,713,117					970,429

Notes:

(a) The legal representative of China Railway 21st Bureau Group Co., Ltd. changed to Meng Guangshun on 10 May 2011 from the former legal representative Li Ning.

(b) The Company injected additional contributions to these subsidiaries during the year, resulting in the changes in these subsidiaries' registered capital.

(c) On 28 June 2011, China Railway Rail System Group Co., Ltd. changed its name to China Railway Construction Heavy Industry Co., Ltd..

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

IV. 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: (continued)

(d) On 15 November 2011, Chenghe Insurance Broker (Beijing) Co., Ltd. changed its name to Chenghe Insurance Broker Co., Ltd., and at the same time the legal representative changed to Cao Xirui from the former legal representative Yu Xingxi.

(e) China Railway Construction Investment Co., Ltd. and China Railway Construction and Waterway Bureau Co., Ltd. are newly established subsidiaries of the Company and were incorporated on 4 May 2011 and 20 July 2011, respectively.

(f) China Railway Construction Shandong Jinghu Highway Jile Co., Ltd., which was one of the Company's second tier subsidiaries, was merged into China Railway Construction Investment Co., Ltd. in current year.

(g) All non-controlling interests are arising from the subsidiaries of Company's second tier subsidiaries.

2. *Changes in the scope of consolidation*

The consolidation scope had no significant change compared with last year, except for the subsidiaries newly established during the current year as explained above.

3. *Entities newly consolidated and entities ceased to be consolidated in the current year*

For the year ended 31 December 2011, key information of the newly consolidated significant subsidiaries is presented as follows:

	31 December 2011 Net assets	2011 Net profit/(loss)
China Railway Construction Investment Co., Ltd.	**3,391,651**	42,951
China Railway Construction and Waterway Bureau Co., Ltd.	**985,839**	(14,161)

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

IV. Scope of the consolidated financial statements (continued)

4. Acquisition of material assets and liabilities

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

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

	26 April 2011 Fair value
Cash and bank balances	47
Advances to suppliers	460
Inventories	966,286
Other payables	(866,793)
Net assets	100,000
Satisfied by Cash	100,000

Net cash flows from the acquisition of the above assets and liabilities:

Consideration for the acquisition of assets and liabilities	100,000
Less: Cash in Qinglong	(47)
Net cash paid for the acquisition of assets and liabilities	99,953

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

IV. 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 year end	
	2011	2010	**31 December 2011**	31 December 2010
USD	**6.45635**	6.72545	**6.30090**	6.61179
JPY	**0.08110**	0.07752	**0.08110**	0.08109
HKD	**0.83016**	0.86570	**0.81070**	0.84961
MOP	**0.81476**	0.84100	**0.78860**	0.84092
TTD	**1.01680**	1.08780	**0.97650**	1.05710
LYD	**5.16470**	5.42640	**5.00366**	5.32573
DZD	**0.08696**	0.09370	**0.08329**	0.09062
AED	**1.76483**	1.84580	**1.72921**	1.80044
SAR	**1.72850**	1.81020	**1.69364**	1.76335
NGN	**0.04114**	0.04540	**0.03871**	0.04356
PLN	**2.03962**	2.25800	**1.85283**	2.22640
TZS	**0.00418**	0.00480	**0.00396**	0.00440
TRY	**3.80196**	4.50580	**3.33451**	4.26940
BWP	**0.93861**	1.01620	**0.83373**	1.04348
NPR	**0.08392**	0.09430	**0.07384**	0.09400
SDG	**2.50708**	2.95180	**2.35406**	2.66010
MGA	**0.00295**	0.00330	**0.00279**	0.00310
THB	**0.20990**	0.21195	**0.20050**	0.21930
OMR	**17.02705**	17.68330	**16.44910**	17.60500
EUR	**8.46256**	9.30180	**8.16250**	8.76261
PGK	**2.81497**	2.62620	**2.93873**	2.69120
INR	**0.13131**	0.14830	**0.11652**	0.14610
KWD	**23.16835**	23.60540	**22.77950**	23.55720
GEL	**3.76069**	3.88110	**3.80309**	3.71829
AON	**0.06879**	0.07363	**0.06659**	0.07098
ILS	**1.75873**	1.82462	**1.66301**	1.85444

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements

1. *Cash and bank balances*

	31 December 2011		
	Original currency	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
EUR	23,717	8.16250	193,590
MOP	1,687	0.78860	1,330
SAR	67,000	1.69364	113,474
DZD	3,685,412	0.08329	306,958
LYD	16,866	5.00366	84,392
HKD	151,422	0.81070	122,758
OMR	79	16.44910	1,299
BWP	61,561	0.83373	51,325
AED	22,521	1.72921	38,944
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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

1. *Cash and bank balances* (continued)

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

1. *Cash and bank balances* (continued)

As at 31 December 2011, the Group held restricted cash and bank balances of RMB 2,583,988,000 (31 December 2010: RMB3,863,313,000) (Note V.18).

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

	31 December 2011	31 December 2010
Cash and bank balances at year end	**83,057,641**	65,206,592
Less: non-pledged time deposits with original maturity of three months or more when acquired	**(6,306,070)**	(5,420,135)
Less: other restricted cash and bank balances	**(2,583,988)**	(3,863,313)
Cash and cash equivalents at year end	**74,167,583**	55,923,144
Less: cash and cash equivalents at beginning of the year	**(55,923,144)**	(55,070,050)
Net increase in cash and cash equivalents	**18,244,439**	853,094

2. *Financial assets held for trading*

	31 December 2011	31 December 2010
Investments in equity instruments held for trading	**46,919**	75,490

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

3. *Bills receivable*

	31 December 2011	31 December 2010
Commercial acceptance bills	**29,677**	33,190
Bank acceptance bills	**1,984,942**	450,256
	2,014,619	483,446

As at 31 December 2011, the Group's bills receivable with a carrying amount of RMB394,130,000 (31 December 2010: nil) were pledged to obtain short-term bank loans (Note V.18(b)). Included in the bills receivable above were bills receivable with a carrying amount of RMB200,000,000 (31 December 2010: nil) issued by intercompany of the Group.

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

Issuer	Date of issuance	Due date	Amount
Shanghai Ganghe Industrial Co., Ltd.	29 July 2011	29 January 2012	136,030
Hubei Intercity Railway Co., Ltd.	10 August 2011	10 February 2012	30,000
Shanghai-Kunming Railway Passenger Line (Jiangxi) Co., Ltd.	14 September 2011	14 January 2012	5,000
Hangzhou Xiaoshan Quanxing Materials Co., Ltd.	14 July 2011	14 January 2012	2,900
Ningbo Nationstar Electrical Appliance Co., Ltd.	12 July 2011	12 January 2012	200
			174,130

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

Issuer	Date of issuance	Due date	Amount
China Railway Major Bridge Engineering Group Wuhan Goods and Materials Co., Ltd.	28 October 2011	28 January 2012	25,154
Wuhan Puxiang Iron and Steel Trading Co., Ltd.	21 October 2011	21 April 2012	21,600
China Railway Materials Company Limited	14 November 2011	14 February 2012	20,000
Gem-Year Industrial Co., Ltd.	14 September 2011	14 March 2012	12,000
Linyi Bao Ling Iron Ore Co., Ltd.	19 July 2011	19 January 2012	11,600
Others			58,924
			149,278

V. Notes to the consolidated financial statements (continued)

3. *Bills receivable* (continued)

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

Issuer	Date of issuance	Due date	Amount
China Railway No. 5 Engineering Group Co., Ltd.	8 December 2010	8 June 2011	52,060
Guangzhou Silver Steel Trading Co., Ltd.	6 December 2010	2 April 2011	30,190
China Railway Tunnel Group Co., Ltd.	20 September 2010	20 March 2011	29,000
Nanping Longpu Highway Co., Ltd.	16 November 2010	15 February 2011	20,000
Foshan Shunde District Dafeng Enterprise Development Co., Ltd.	21 September 2010	19 April 2011	13,000
Others			154,092
			298,342

As at 31 December 2011, the Group's derecognized bank acceptance bills issued by third parties which were not matured amounted to RMB354,520,000 (31 December 2010: RMB160,217,000).

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

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

4. *Accounts receivable*

The majority 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 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:

	31 December 2011	31 December 2010
Within 1 year	**59,145,053**	46,517,606
1 to 2 years	**2,640,287**	2,290,143
2 to 3 years	**870,588**	624,697
Over 3 years	**697,074**	477,918
	63,353,002	49,910,364
Less: provision for bad debts	**(434,171)**	(377,746)
	62,918,831	49,532,618

Notes to Financial Statements (continued)

31 December 2011 (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:

	31 December 2011	31 December 2010
Opening balance	**377,746**	400,812
Provision	**178,586**	100,981
Reversal	**(89,245)**	(92,972)
Write-off	**(32,916)**	(31,075)
Closing balance	**434,171**	377,746

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

	31 December 2011			
	Gross carrying amount		Provision for bad debts	
	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)**	

V. Notes to the consolidated financial statements (continued)

4. Accounts receivable (continued)

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

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)		

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. *Accounts receivable* (continued)

As at 31 December 2010, accounts receivable which 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	23,960	(23,960)	100.00	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	(9,721)	63.58	Amount in dispute and in negotiation
Company 4	10,529	(8,205)	77.93	Debtor is in a lawsuit and insolvency
Company 5	16,136	(3,841)	23.80	No transactions and no payment for a long time
Others	1,535,071	(52,806)		
	1,614,122	(109,207)		

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

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

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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. *Accounts receivable* (continued)

As at 31 December 2010, accounts receivable which were individually not significant but subject to separate provision for bad debts 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	5,900	(5,900)	100.00	Amount in dispute and unable to recover
Company 3	3,687	(3,687)	100.00	No transactions and no payments for a long time
Company 4	2,992	(2,992)	100.00	Debtor in financial difficulties
Company 5	2,125	(2,125)	100.00	Debtor in financial difficulties
Others	529,618	(105,886)		
	550,560	(126,828)		

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:

	31 December 2011		31 December 2010	
	Amount	Provision for bad debt	Amount	Provision for bad debt
CRCCG	14,486	—	79,905	—

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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. *Accounts receivable* (continued)

As at 31 December 2010, 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	1,653,838	Within 1 year	3.31
Company 2	Third party	1,247,383	Within 1 year	2.50
Company 3	Third party	1,158,272	Within 1 year	2.32
Company 4	Third party	982,670	Within 1 year	1.97
Company 5	Third party	838,624	Within 1 year	1.68
		5,880,787		11.78

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 2nd Construction Engineering Co., Ltd.	Associate	530	—
		193,163	0.31

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. *Accounts receivable* (continued)

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

	Relationship with the Group	Amount	Percentage of total accounts receivable
CRCCG	Ultimate holding company	79,905	0.16
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	37,026	0.07
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary	9,393	0.02
Chongqing Tiefa Suiyu Highway Co., Ltd.	Fellow subsidiary	4,433	0.01
Xi'an Tianchuang Real Estate Co., Ltd.	Fellow subsidiary	2,155	—
CRCC-HC-CR15G Joint Venture	Jointly controlled entity	1,400	—
Nanchang Railway 2nd Construction Engineering Co., Ltd.	Associate	715	—
		135,027	0.26

As at 31 December 2011, the Group's accounts receivable that are neither past due nor impaired amounted to RMB59,235,090,000 (31 December 2010: RMB46,557,177,000).

As at 31 December 2011, the Group's accounts receivable with a carrying amount of RMB4,718,929,000 (31 December 2010: RMB366,682,000) were pledged to obtain short-term bank loans of RMB2,909,790,000 (31 December 2010: RMB214,022,000) (Note V.18(a)).

5. *Advances to suppliers*

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

	31 December 2011		31 December 2010	
	Gross carrying amount	Percentage	Gross carrying amount	Percentage
Within 1 year	**25,571,488**	**98.07**	27,272,150	96.94
1 to 2 years	**363,463**	**1.39**	752,848	2.68
2 to 3 years	**99,483**	**0.38**	61,423	0.22
Over 3 years	**41,214**	**0.16**	46,309	0.16
	26,075,648	**100.00**	28,132,730	100.00

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

5. *Advances to suppliers* (continued)

As at 31 December 2011 and 31 December 2010, significant advances to suppliers aged over one year were as follows:

	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	

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

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

5. *Advances to suppliers* (continued)

As at 31 December 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 31 December 2010, 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	442,628	Within 1 year and 1 to 2 years	Materials not yet received
Company 2	Third party	271,262	Within 1 year	Equipment not yet received
Company 3	Third party	180,334	Within 1 year	Materials not yet received
Company 4	Third party	178,184	Within 1 year	Materials not yet received
Company 5	Third party	142,288	Within 1 year	Project not yet completed
		1,214,696		

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

Notes to Financial Statements (continued)

31 December 2011 (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:

	31 December 2011	31 December 2010
Within 1 year	**24,049,422**	20,514,141
1 to 2 years	**946,949**	1,103,213
2 to 3 years	**243,430**	210,381
Over 3 years	**402,470**	444,020
	25,642,271	22,271,755
Less: provision for bad debts	**(306,393)**	(276,612)
	25,335,878	21,995,143

Movements in the provision for bad debts are as follows:

	2011	2010
Opening balance	**276,612**	228,324
Provision	**118,562**	93,260
Reversal	**(24,846)**	(25,327)
Write-off	**(63,935)**	(19,645)
Closing balance	**306,393**	276,612

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. *Other receivables* (continued)

Other receivables by category are presented as follows:

	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)**	

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. *Other receivables* (continued)

As at 31 December 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 31 December 2010, 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	79,428	(58,054)	73.09	Debtor in financial difficulties
Company 2	168,893	(50,400)	29.84	Debtor in financial difficulties
Company 3	17,000	(17,000)	100.00	Debtor in financial difficulties
Others	73,058	(771)		
	338,379	(126,225)		

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)		

V. Notes to the consolidated financial statements (continued)

6. ***Other receivables*** *(continued)*

As at 31 December 2010, 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	8,693	(8,693)	100.00	Debtor is insolvent
Company 2	5,000	(5,000)	100.00	Debtor in financial difficulties
Company 3	3,700	(2,960)	80.00	Debtor in financial difficulties
Company 4	2,413	(2,413)	100.00	Debtor in financial difficulties
Company 5	3,850	(1,155)	30.00	Debtor in financial difficulties
Others	76,731	(34,819)		
	100,387	(55,040)		

For the year ended 31 December 2011 and the year ended 31 December 2010, there was no significant reversal of impairment for individually significant other receivables or significant cash settlement for impaired receivables.

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 (31 December 2010: nil).

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).

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. *Other receivables* (continued)

As at 31 December 2010, the five highest amounts of other receivables were as follows:

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

As at 31 December 2011, 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 2010: nil).

As at 31 December 2011, other receivables due 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 2nd 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).

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. *Other receivables* (continued)

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

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

As at 31 December 2011, the amount of other receivables neither past due nor impaired was RMB24,868,327,000 (31 December 2010: RMB20,764,640,000).

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. *Inventories*

	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

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. *Inventories* (continued)

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

2011

	Opening balance	Provision	Reversal	Write-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

2010

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

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

Notes to Financial Statements (continued)

31 December 2011 (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 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**
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**

Notes to Financial Statements (continued)

31 December 2011 (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
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)

31 December 2011 (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 2010
Changsha Shanyu City Project	June 2004	December 2015	2,200,000	381,465
Tongjing International City Project	May 2005	December 2013	1,410,000	319,786
Properous Place Project	February 2007	May 2011	300,000	64,675
CRCC Jing Nan Yipin Project	May 2007	October 2013	1,460,510	530,336
Xuzhou Rencai Jiayuan Project	August 2007	November 2011	1,800,000	390,126
Guiyang CRCC International City Project	September 2007	September 2016	8,104,880	2,599,748
CRCC International Garden Project	November 2007	December 2012	1,481,950	92,118
Fangshan Guangyang Garden Project	February 2008	March 2011	1,280,000	30,003
CRCC Lingxiu City Project	May 2008	December 2014	3,164,310	351,896
Huatie Everyday Project	July 2008	June 2012	800,000	109,363
Jingjiang Garden Project	August 2008	December 2011	317,278	254,543
Hefei CRCC International City Project	August 2008	December 2013	6,300,000	1,745,114
CRCC Fengling Shanyu City Project	December 2008	September 2012	1,958,400	687,808
Kaiyuan Community Project	March 2009	June 2012	650,000	387,623
CRCC Lucky Garden Project	May 2009	December 2012	336,840	145,321
Changsha CRCC International City Project	June 2009	November 2015	1,960,000	797,833
Beijing CRCC International City Project	July 2009	March 2014	6,519,510	3,431,455
Chengdu Longquanyi Project	September 2009	August 2014	3,000,000	1,577,770
Wuhan 1818 Center Project	November 2009	December 2013	1,600,000	189,732

Notes to Financial Statements (continued)

31 December 2011 (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 2010
Tiantian Garden IV Project	December 2009	December 2012	325,000	106,266
CRCC Wutong Garden Project	December 2009	August 2014	1,367,740	455,002
Tangshan Fengrun Shiliu Jiayuan Project	January 2010	November 2011	157,028	67,239
River Palace Project	February 2010	December 2012	1,100,000	535,767
Golden Bridge Xindu Project	June 2010	September 2011	147,970	40,902
CRCC Donglai Shangcheng Project	June 2010	August 2014	687,049	131,845
CRCC Haixi Project	August 2010	January 2013	700,000	315,532
CRCC Qingxiu City Project	October 2010	March 2012	3,400,000	2,129,554
Chenghua District Land of Chengdu Project	November 2010	December 2013	1,200,000	443,939
Xin Ran JiaYuan Project	November 2010	October 2012	2,612,930	1,509,229
Hangzhou CRCC International City Project	March 2011	April 2014	4,893,770	1,978,103
Tianjin CRCC International City Project	March 2011	December 2015	9,734,970	4,182,368
Gaoxin District Land of Chengdu Project	May 2011	December 2013	2,400,000	1,254,416
CRCC Liwan International City Project	June 2011	April 2013	2,530,000	1,344,224
Fangshan Shengshui Jiaming Project	June 2011	June 2013	2,100,000	1,388,000
Xi'an CRCC International City Project	August 2011	May 2018	5,152,500	705,049
Others				643,989
				31,318,139

As at 31 December 2011, the aggregate carrying amount of borrowing costs capitalized in properties under development was RMB872,873,000 (31 December 2010: RMB501,147,000). Borrowing costs capitalized during the year ended 31 December 2011 amounted to RMB510,981,000 (For the year ended 31 December 2010: RMB399,599,000). The capitalization rates of borrowing costs ranged from 5.60% to 7.27% during the current year (For year ended 31 December 2010: 5.26% to 5.72%).

Notes to Financial Statements (continued)

31 December 2011 (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:

Project name	Completion date	2011 Opening balance	Addition	Deduction	Closing balance
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 Jianyuan 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

Notes to Financial Statements (continued)

31 December 2011 (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)*:

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

As at 31 December 2011, the Group's inventories with an aggregate carrying amount of RMB12,821,131,000, including land use rights under the properties under development of RMB9,785,327,000 and completed properties held for sale of RMB3,035,804,000 (31 December 2010: RMB6,806,666,000 of inventories, comprising of land use rights under the properties under development of RMB6,804,044,000 and completed properties held for sale of RMB2,622,000), were mortgaged to obtain long-term loans (Note V.18(c)).

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

8. *Construction contracts*

	31 December 2011	31 December 2010
Contract costs incurred to date	**1,402,495,869**	1,191,285,685
Recognized profits less recognized losses	**96,976,070**	81,186,172
Less: progress billings	**(1,439,361,785)**	(1,229,814,795)
	60,110,154	42,657,062

At end of the year:

	31 December 2011	31 December 2010
Gross amount due from contract customers	**74,175,970**	60,120,409
Gross amount due to contract customers	**(14,065,816)**	(17,463,347)
	60,110,154	42,657,062

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

	For the year ended 31 December 2011	For the year ended 31 December 2010
Opening balance	**133,785**	307,464
Provision	**54,525**	559,196
Reversal	**(16,041)**	(14,963)
Write-off	**(31,252)**	(717,912)
Closing balance	**141,017**	133,785

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:

	31 December 2011		31 December 2010	
	Gross carrying amount	Provision	Gross carrying amount	Provision
CRCCG	**110,719**	**—**	61,671	—

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

	31 December 2011		31 December 2010	
	Gross carrying amount	Provision	Gross carrying amount	Provision
CRCCG	**—**	**—**	2,398	—

V. Notes to the consolidated financial statements (continued)

9. Available-for-sale financial assets

	31 December 2011	31 December 2010
Available-for-sale bonds	—	13
Available-for-sale equity instruments	242,097	273,760
	242,097	273,773

No provision for impairment of available-for-sale financial assets has been made or reversed during the years of 2011 and 2010.

The Group's available-for-sale financial assets are investment to companies that are listed outside Hong Kong.

10. Long-term receivables

	31 December 2011		
	Gross carrying amount	Provision for bad debts	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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

10. *Long-term receivables* (continued)

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

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

	31 December 2011	31 December 2010
Within 1 year	**12,558,103**	12,880,890
1 to 2 years	**5,638,095**	1,315,229
2 to 3 years	**803,303**	336,430
Over 3 years	**118,619**	225,240
	19,118,120	14,757,789
Less: provision for bad debts	**(67,247)**	(54,853)
	19,050,873	14,702,936
Less: current portion of non-current assets	**(10,546,813)**	(6,779,659)
	8,504,060	7,923,277

V. Notes to the consolidated financial statements (continued)

10. *Long-term receivables* (continued)

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

	2011	2010
Opening balance	**54,853**	48,760
Provision for bad debts	**12,394**	6,093
Closing balance	**67,247**	54,853

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 31 December 2011, the above provision is made for individually tested impaired long-term receivables of RMB67,247,000 (31 December 2010: RMB54,853,000) with a carrying amount before provision for impairment of RMB634,127,000 (31 December 2010: RMB361,435,000).

As at 31 December 2011, 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 RMB1,500,000,000 (31 December 2010: RMB2,077,000,000), including a current portion of RMB500,000,000 (31 December 2010: RMB577,000,000).

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

	31 December 2011	31 December 2010
Neither past due nor impaired	**18,362,772**	14,247,661
Past due but not impaired		
— Within 3 months	**40,463**	40,936
— 3 to 6 months	**20,978**	35,262
— More than 6 months	**59,780**	72,495
	18,483,993	14,396,354

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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

11. *Investments in jointly controlled entities and associates*

2011

Jointly controlled entities	Type	Place of registration	Legal representative	Business scope	Registered capital	Organization code	Total assets at year end	Total liabilities at year end	Total net assets at year end	Operating revenue in current year	Net profit/ (loss) in current year
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 highway	150,000	79748689-5	133,623	368	133,255	–	(2,094)

Associates	Type	Place of registration	Legal representative	Business scope	Registered capital	Organization code	Total assets at year end	Total liabilities at year end	Total net assets at year end	Operating revenue in current year	Net profit in current year
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	Limited company	Beijing	Zhu Zhensheng	Technology consultancy	5,000	72634082I	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	61880902O	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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to key items of consolidated financial statements (continued)

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

2010

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

Associates	Type	Place of registration	Legal representative	Business scope	Registered capital	Organization code	Total assets at year end	Total liabilities at year end	Total net assets at year end	Operating revenue in the year	Net profit in the year
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	Limited company	Beijing	Zhu Zhensheng	Technology consultancy	5,000	72634082I	8,447	3,022	5,425	16,133	183
Shekou Xinghua Enterprise Co., Ltd.	Joint stock company	Shekou, Guangdong	Li Zhuozhi	Real estate development	46,377	618809020	122,590	10,225	112,365	14,535	5,198
Chongqing Yurong Highway Co., Ltd.	Limited company	Chongqing	Du Guoping	Construction	979,750	55675000-X	891,931	402,056	489,875	–	–

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Long-term equity investments

		31 December 2011	31 December 2010
Equity method			
Jointly controlled entities:			
Unlisted		**1,475,588**	1,443,814
	(1)	**1,475,588**	1,443,814
Associates:			
Unlisted		**663,237**	411,638
	(2)	**663,237**	411,638
Cost method			
Unlisted		**2,331,280**	2,362,246
	(3)	**2,331,280**	2,362,246
		4,470,105	4,217,698
Less: provision for impairment	(4)	**(25,886)**	(25,957)
		4,444,219	4,191,741

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

(1) Investments in jointly controlled entities

2011

Company name	Investment cost	Movements				Percentage of ownership in equity	Percentage of voting rights
		Opening balance	Share of profit/(loss)	Distribution of dividends	Closing balance		
Hubei Wanjia Real Estate Development Limited	8,000	15,130	5,533	(11,000)	9,663	40	40
Chun Wo-Henryvicy-CRCC-Queensland Rail Joint Venture	—	456	(21)	(404)	31	20	20
Chun Wo-Henryvicy-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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

(1) Investments in jointly controlled entities *(continued)*

2010

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

(2) Investments in associates

2011

Company name	Investment cost	Opening balance	Movements: Increase	Movements: Share of profits	Movements: Distribution of dividends	Movements: Disposal	Closing balance	Percentage of ownership in equity	Percentage of voting rights
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		

2010

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

(3) Equity investments under cost method

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
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	60,000	60,000	—	60,000	12.00	12.00
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	2.14	2.14
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	(10,881)	179,006		
		2,362,246	(30,966)	2,331,280		

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

(3) Equity investments under cost method *(continued)*

2010

Company name	Investment cost	Opening balance	Movements 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
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	60,000	60,000	—	60,000	12.00	12.00
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 General Plaza Co., Ltd.	6,000	6,000	—	6,000	2.14	2.14
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	11,115	1,030	12,145	0.43	0.43
Beijing-Guangzhou Passenger Railway Henan Company Limited	1,500,000	900,000	600,000	1,500,000	5.00	5.00
Essence Securities Co. Ltd.	251,500	251,500	—	251,500	2.09	2.09
Vossloh Fastening Systems (China) Co., Ltd.	56,969	—	56,969	56,969	16.20	16.20
Others		213,273	5,814	219,087		
		1,698,433	663,813	2,362,246		

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

(4) Provision for impairment

Company name	2011 Opening balance	Provision	Write-off	Closing balance
Associate:				
VIP Development Limited	1,571	—	(71)	1,500
Jointly controlled entity:				
China Railway Communications International Engineering and Technology Co., Ltd.	10,578	—	—	10,578
Equity investments, at cost:				
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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

(4) Provision for impairment *(continued)*

	2010			
Company name	Opening balance	Provision	Write-off	Closing balance
Associate:				
VIP Development Limited	1,618	—	(47)	1,571
Jointly controlled entity:				
China Railway Communications International Engineering and Technology Co., Ltd.	—	10,578	—	10,578
Equity investments, at cost:				
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	4,388	540	—	4,928
Others	1,757	—	—	1,757
	13,268	540	—	13,808
	14,886	11,118	(47)	25,957

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V Notes to the consolidated financial statements (continued)

13. *Fixed assets*

2011:

	Opening balance	Additions	Transferred from construction in progress *(Note V.14)*	Disposals	Closing balance
Gross carrying amount:					
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
Total	60,472,434	11,553,647	2,607,996	(3,637,055)	70,997,022
Accumulated depreciation:					
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)
Total	(25,080,145)	(9,218,718)	—	2,406,972	(31,891,891)

Notes to Financial Statements (continued)

31 December 2011 (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
Net carrying amount:					
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
Total	35,392,289	2,334,929	2,607,996	(1,230,083)	39,105,131
Provision for impairment:					
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)
Total	(219,986)	(391,629)	—	13,936	(597,679)
Carrying amount:					
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
Total	35,172,303	1,943,300	2,607,996	(1,216,147)	38,507,452

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V Notes to the consolidated financial statements (continued)

13. *Fixed assets* (continued)

2010

	Opening balance	Additions	Transferred from construction in progress *(Note V.14)*	Disposals	Closing balance
Gross carrying amount:					
Buildings	7,063,825	806,532	1,077,738	(318,277)	8,629,818
Machinery	20,977,944	4,899,410	1,040,482	(929,126)	25,988,710
Vehicles	7,741,882	2,545,350	127,337	(461,084)	9,953,485
Production equipment	4,081,259	1,304,893	168,896	(237,608)	5,317,440
Measuring and testing equipment	1,575,678	713,293	6,019	(95,189)	2,199,801
Other equipment	6,161,640	3,077,354	114,266	(970,080)	8,383,180
Total	47,602,228	13,346,832	2,534,738	(3,011,364)	60,472,434
Accumulated depreciation:					
Buildings	(1,823,898)	(388,759)	—	111,626	(2,101,031)
Machinery	(7,902,539)	(2,857,932)	—	531,104	(10,229,367)
Vehicles	(4,237,508)	(1,449,908)	—	377,788	(5,309,628)
Production equipment	(1,483,044)	(462,622)	—	142,244	(1,803,422)
Measuring and testing equipment	(799,234)	(290,077)	—	68,702	(1,020,609)
Other equipment	(3,247,270)	(2,158,680)	—	789,862	(4,616,088)
Total	(19,493,493)	(7,607,978)	—	2,021,326	(25,080,145)
Net carrying amount:					
Buildings	5,239,927	417,773	1,077,738	(206,651)	6,528,787
Machinery	13,075,405	2,041,478	1,040,482	(398,022)	15,759,343
Vehicles	3,504,374	1,095,442	127,337	(83,296)	4,643,857
Production equipment	2,598,215	842,271	168,896	(95,364)	3,514,018
Measuring and testing equipment	776,444	423,216	6,019	(26,487)	1,179,192
Other equipment	2,914,370	918,674	114,266	(180,218)	3,767,092
Total	28,108,735	5,738,854	2,534,738	(990,038)	35,392,289

V Notes to the consolidated financial statements (continued)

13. Fixed assets *(continued)*

2010 *(continued)*

	Opening balance	Additions	Transferred from construction in progress *(Note V.14)*	Disposals	Closing balance
Provision for impairment:					
Buildings	(93,978)	—	—	5,406	(88,572)
Machinery	(99,060)	—	—	12,213	(86,847)
Vehicles	(9,857)	—	—	328	(9,529)
Production equipment	(9,935)	—	—	89	(9,846)
Measuring and testing equipment	(4,681)	—	—	317	(4,364)
Other equipment	(21,738)	—	—	910	(20,828)
Total	(239,249)	—	—	19,263	(219,986)
Carrying amount:					
Buildings	5,145,949	417,773	1,077,738	(201,245)	6,440,215
Machinery	12,976,345	2,041,478	1,040,482	(385,809)	15,672,496
Vehicles	3,494,517	1,095,442	127,337	(82,968)	4,634,328
Production equipment	2,588,280	842,271	168,896	(95,275)	3,504,172
Measuring and testing equipment	771,763	423,216	6,019	(26,170)	1,174,828
Other equipment	2,892,632	918,674	114,266	(179,308)	3,746,264
Total	27,869,486	5,738,854	2,534,738	(970,775)	35,172,303

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. *Fixed assets* (continued)

As at 31 December 2011, except for the ownership titles of the Group's certain buildings with a carrying amount of RMB79,446,000 which were restricted (31 December 2010: RMB66,512,000) (Note V.18(d)), there was no other restriction on the titles of Group's fixed assets.

Fixed assets that are temporarily idle are as follows:

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

As at 31 December 2010:

	Gross carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery	261	(76)	—	185
Other equipment	401	(152)	—	249
	662	(228)	—	434

Notes to Financial Statements (continued)

31 December 2011 (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:

	31 December 2011	31 December 2010
Gross carrying amount	1,840,749	806,076
Accumulated depreciation	(161,236)	(140,805)
Carrying amount	1,679,513	665,271

As at 31 December 2011 and 31 December 2010, the Group's fixed assets held under finance leases were construction machinery

As at 31 December 2011, the Group was in the process of applying for the title certificate for the following fixed asset:

Name of fixed asset	Carrying amount	Reason for not yet obtaining the title certificate	Estimated date of obtaining the title certificate
South Annex Building of China Railway Construction Group Co., Ltd.	20,317	Unsettled	December 2012
	20,317		

As at 31 December 2011, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of RMB20,317,000 (31 December 2010: RMB57,742,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The Company's management is also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2011.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

14. Construction in progress

	31 December 2011			31 December 2010		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
New Base Building of China Civil Engineering Construction Ltd.	–	–	–	44,487	–	44,487
Nigeria Equipment Installation Project of China Civil Engineering Construction Ltd.	75,695	–	75,695	212,295	–	212,295
Han Jiang Equipment Manufacturing Base of No.6 Engineering Co., Ltd. of China Railway 11th Bureau Group Co., Ltd.	–	–	–	44,030	–	44,030
Office Building of Electrification Engineering Co, Ltd. of China Railway 12th Bureau Group Co., Ltd.	195,450	–	195,450	–	–	–
Office Building of No.1 Engineering Co., Ltd. of China Railway 12th Bureau Group Co., Ltd.	43,029	–	43,029	–	–	–
Tianjin Office building of China Railway 13th Bureau Group Co., Ltd.	53,441	–	53,441	–	–	–
Slurry Balance TBM of China Railway 14th Bureau Group Co., Ltd. (Herrenknecht) 10 DEC CRCC 14 MIX 001	102,380	–	102,380	–	–	–
9-meter Slurry Balance TBM 623 of China Railway 15th Bureau Group Co., Ltd.	126,646	–	126,646	70,721	–	70,721
9-meter Slurry Balance TBM 624 of China Railway 15th Bureau Group Co., Ltd.	126,646	–	126,646	70,721	–	70,721
Slurry Treatment Equipment of China Railway 15th Bureau Group Co., Ltd. for Guangshengang Railway Project	46,350	–	46,350	15,450	–	15,450
Coking Plant Project of Jiaodianjixian Corp. of China Railway 15th Bureau Group Co., Ltd.	–	–	–	145,330	(132,912)	12,418
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16th Bureau Group Co., Ltd. (Herrenknecht)	89,147	–	89,147	109,531	–	109,531
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16th Bureau Group Co., Ltd. (Japan AOCUN)	–	–	–	72,154	–	72,154
Two sets of Earth Pressure Balance TBM EPB6250 Tunnel Boring Machines for construction of Kunming subway	–	–	–	14,398	–	14,398

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

14. *Construction in progress* (continued)

	31 December 2011			31 December 2010		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Two sets of Earth Pressure Balance TBM EPB6410 Tunnel Boring Machines for construction of Kunming subway	–	–	–	31,600	–	31,600
Compound TBM of China Railway 18th Bureau Group Co., Ltd.	80,042	–	80,042	–	–	–
Hard Rock TBM of China Railway 18th Bureau Group Co., Ltd.	–	–	–	231,197	–	231,197
The Office Building of No. 6 Engineering Corporation Ltd. of China Railway 20th Bureau Group Co., Ltd.	–	–	–	33,593	–	33,593
The Office Building of No. 6 Engineering Corporation Ltd. of China Railway 21st Bureau Group Co., Ltd.	75,196	–	75,196	–	–	–
Technological Transformation Project of 2500T/D New Dry Clinker Cement Production Line of China Railway 23rd Bureau Group Co., Ltd.	–	–	–	323,213	–	323,213
Earth Pressure Balance TBM of China Railway 23rd Bureau Group Co., Ltd.	53,630	–	53,630	–	–	–
Kunming Industrial Base of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	49,746	–	49,746	206,050	–	206,050
Plant, Office Building and Science Research Center of China Railway Construction Heavy Industry Co., Ltd.	32,363	–	32,363	32,363	–	32,363
Equipment Installation Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	35,051	–	35,051	51,468	–	51,468
Second-stage Housing Construction Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	173,386	–	173,386	20,914	–	20,914
Others	706,034	–	706,034	595,436	–	595,436
	2,064,232	–	2,064,232	2,324,951	(132,912)	2,192,039

Notes to Financial Statements (continued)

31 December 2011 (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 out	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 11th Bureau Group Co., Ltd.	52,579	44,030	8,549	(52,579)	—	—	Self-funding	100
Office Building of No.1Engineering Co., Ltd. of China Railway 12th Bureau Group Co., Ltd.	300,000	—	43,029	—	—	43,029	Self-funding	14
Office Building of Electrification Engineering Co, Ltd. of China Railway 12th Bureau Group Co., Ltd.	200,000	—	195,450	—	—	195,450	Self-funding	98
Tianjin Office building of China Railway 13th Bureau Group Co., Ltd.	250,000	—	53,441	—	—	53,441	Self-funding	21
Slurry Balance TBM of China Railway 14th Bureau Group Co., Ltd. (Herrenknecht) 10 DEC CRCC 14 MIX 001	120,000	—	102,380	—	—	102,380	Self-funding	85
9-meter Slurry Balance TBM 623 of China Railway 15th Bureau Group Co., Ltd.	220,000	70,721	55,925	—	—	126,646	Self-funding	58
9-meter Slurry Balance TBM 624 of China Railway 15th Bureau Group Co., Ltd.	220,000	70,721	55,925	—	—	126,646	Self-funding	58
Slurry Treatment Equipment of China Railway 15th 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 15th Bureau Group Co., Ltd.	357,000	145,330	—	—	(145,330)	—	Self-funding	41
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16th Bureau Group Co., Ltd. (Herrenknecht)	192,755	109,531	80,810	(101,194)	—	89,147	Self-funding	99
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16th 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

Notes to Financial Statements (continued)

31 December 2011 (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 out	Disposals	Closing balance	Source of funds	Proportion of investment to budget %
Compound TBM of China Railway 18th Bureau Group Co., Ltd.	128,000	—	80,042	—	—	80,042	Self-funding	63
Hard Rock TBM of China Railway 18th 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 20th 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 21th Bureau Group Co., Ltd.	75,196	—	75,196	—	—	75,196	Self-funding	100
Technological Transformation Project of 2500T/D New Dry Clinker Cement Production Line of China Railway 23rd Bureau Group Co., Ltd.	324,550	323,213	1,337	(324,550)	—	—	Self-funding	100
Earth Pressure Balance TBM of China Railway 23rd 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) *(Note)*	(91,372)	2,064,232		

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

14. *Construction in progress* (continued)

2010

	Budget	Opening balance	Additions	Transferred out	Disposals	Closing balance	Source of funds	Proportion of investment to budget %
New Base Building of China Civil Engineering Construction Ltd.	50,000	11,120	33,367	—	—	44,487	Self-funding	89
Nigeria Equipment Installation Project of China Civil Engineering Construction Ltd.	568,323	194,839	373,484	(356,028)	—	212,295	Self-funding	99
Han Jiang Equipment Manufacturing Base of No.6 Engineering Co., Ltd. of China Railway 11th Bureau Group Co., Ltd.	159,000	—	44,030	—	—	44,030	Self-funding	28
9-meter Slurry Balance TBM 623 of China Railway 15th Bureau Group Co., Ltd.	220,000	—	70,721	—	—	70,721	Self-funding	32
9-meter Slurry Balance TBM 624 of China Railway 15th Bureau Group Co., Ltd.	220,000	—	70,721	—	—	70,721	Self-funding	32
Slurry Treatment Equipment of China Railway 15th Bureau Group Co., Ltd. for Guangshengang Railway Project	80,000	—	15,450	—	—	15,450	Self-funding	19
Coking Plant Project of Jiaodianjixian Corp. of China Railway 15th Bureau Group Co., Ltd.	357,000	147,542	7,445	(9,657)	—	145,330	Self-funding	43
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16th Bureau Group Co., Ltd. (Herrenknecht)	192,755	—	109,531	—	—	109,531	Self-funding	57
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16th Bureau Group Co., Ltd. (Japan AOCUN)	176,000	—	72,154	—	—	72,154	Self-funding	41
Two sets of Earth Pressure Balance TBM EPB6250 Tunnel Boring Machines for construction of Kunming subway	70,900	—	14,398	—	—	14,398	Self-funding	20
Two sets of Earth Pressure Balance TBM EPB6410 Tunnel Boring Machines for construction of Kunming subway	90,286	—	31,600	—	—	31,600	Self-funding	35
Hard Rock TBM of China Railway 18th Bureau Group Co., Ltd.	269,874	3,475	227,722	—	—	231,197	Self-funding	86

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

14. *Construction in progress* (continued)

2010 *(continued)*

	Budget	Opening balance	Additions	Transferred out	Disposals	Closing balance	Source of funds	Proportion of investment to budget %
The Office Building of No.6 Engineering Corporation Ltd of China Railway 20th Bureau Group Co., Ltd.	44,477	20,014	13,579	—	—	33,593	Self-funding	76
Technological Transformation Project of 2500T/D New Dry Clinker Cement Production Line of China Railway 23rd Bureau Group Co., Ltd.	323,214	315,394	7,819	—	—	323,213	Self-funding	100
Kunming Industrial Base of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	950,000	361,624	215,786	(371,360)	—	206,050	Self-funding	61
Plant, Office Building and Science Research Center of China Railway Construction Heavy Industry Co., Ltd.	125,000	25,827	12,401	(5,865)	—	32,363	Self-funding	31
Equipment Installation Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	110,000	54,467	39,472	(42,471)	—	51,468	Self-funding	85
Second-stage Housing Construction Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	150,000	—	20,914	—	—	20,914	Self-funding	14
Others		1,437,510	1,172,903	(1,749,907)	(265,070)	595,436		
Total		2,571,812	2,553,497	(2,535,288)	(265,070)	2,324,951		
Provision for impairment		(550)	(132,912)	550	—	(132,912)		
Carrying amount		2,571,262	2,420,585	(2,534,738) *(Note)*	(265,070)	2,192,039		

Note: For the year ended 31 December 2011, the construction in progress with a carrying amount of RMB2,607,996,000 (2010: RMB2,534,738,000) was transferred to fixed assets; RMB19,363,000 (2010: nil) was transferred to intangible assets and RMB9,984,000 (2010: nil) was transferred to properties held for sale.

Notes to Financial Statements (continued)

31 December 2011 (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:

2011

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

2010

	Progress %	Accumulated amount of interest capitalized	Interest capitalized during the current year	Capitalization rate during the current year %
Kunming Industrial Base of Kunming China Railway Large Maintenance Machinery Co., Ltd.	61	62,156	21,770	3.96
Others		28,383	5,757	
		90,539	27,527	

For the year ended 31 December 2010, provision for impairment of construction in progress with the amount of RMB132,912,000 had been written off when the item was disposed in 2011.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

15. Intangible assets

2011

	Opening balance	Additions	Disposals	Closing balance
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
Total	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)
Total	(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
Total	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	—	—	—	—
Total	(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
Total	6,372,612	495,795	(77,162)	6,791,245

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

15. *Intangible assets* (continued)

2010

	Opening balance	Additions	Disposals	Closing balance
Gross carrying amount:				
Land use rights	5,380,924	246,300	(93,399)	5,533,825
Concession assets	571,678	556,527	—	1,128,205
Mining rights	170,689	—	—	170,689
Others	98,441	23,523	(5,691)	116,273
Total	6,221,732	826,350	(99,090)	6,948,992
Accumulated amortization:				
Land use rights	(327,441)	(148,142)	51,316	(424,267)
Concession assets	(58,045)	(27,945)	—	(85,990)
Mining rights	(3,636)	(4,132)	—	(7,768)
Others	(35,862)	(17,719)	4,270	(49,311)
Total	(424,984)	(197,938)	55,586	(567,336)
Net carrying amount:				
Land use rights	5,053,483	98,158	(42,083)	5,109,558
Concession assets	513,633	528,582	—	1,042,215
Mining rights	167,053	(4,132)	—	162,921
Others	62,579	5,804	(1,421)	66,962
Total	5,796,748	628,412	(43,504)	6,381,656
Provision for impairment:				
Land use rights	(9,044)	—	—	(9,044)
Concession assets	—	—	—	—
Mining rights	—	—	—	—
Others	—	—	—	—
Total	(9,044)	—	—	(9,044)
Carrying amount:				
Land use rights	5,044,439	98,158	(42,083)	5,100,514
Concession assets	513,633	528,582	—	1,042,215
Mining rights	167,053	(4,132)	—	162,921
Others	62,579	5,804	(1,421)	66,962
Total	5,787,704	628,412	(43,504)	6,372,612

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

15. *Intangible assets* (continued)

The remaining lease terms of the Group's land use rights represents in the PRC are analyzed as follows:

	31 December 2011	31 December 2010
Long term of not less than 50 years	**370,776**	254,025
Medium term of less than 50 years but not less than 10 years	**4,689,955**	4,820,599
Short term of less than 10 years	**68,141**	25,890
	5,128,872	5,100,514

As at 31 December 2011, the amortization of land use rights in the next year will be RMB128,338,000 (31 December 2010: RMB115,701,000).

As at 31 December 2011, the Group's concession rights with the carrying amount of RMB438,103,000 (31 December 2010: RMB458,256,000) and the land use rights with the carrying amount of RMB86,148,000 (31 December 2010: nil) were restricted. The amortization of these concession rights in 2011 was RMB20,153,000 (31 December 2010: 20,814,000) and the amortization of these land use rights in 2011 was RMB2,020,000 (31 December 2010: Nil) (Note V.18(d),(e)). There were no other intangible assets whose titles were restricted as at 31 December 2011.

As at 31 December 2011, the Group was in the process of applying for the title certificates of certain of its land in the PRC with an aggregate carrying amount of RMB33,853,000 (31 December 2010: RMB86,001,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2011.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

15. *Intangible assets* (continued)

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

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**	**—**	**—**

2010:

	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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

16. Deferred tax assets and liabilities

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

Recognized deferred tax assets and liabilities:

	31 December 2011	31 December 2010
Deferred tax assets		
Provision for early retirement benefits	**999,427**	1,144,229
Provision for impairment of assets	**183,853**	154,046
Deductible tax losses	**32,969**	46,232
Accruals and provisions	**51,621**	4,193
Additional tax deduction on asset revaluation surplus arising from a prior restructuring	**616,892**	661,275
Others	**102,229**	60,343
	1,986,991	2,070,318
Deferred tax liabilities		
Recognition of revenue on construction contracts	**100,267**	85,434
Others	**177,749**	184,320
	278,016	269,754

Unrecognized deferred tax assets are presented as follows:

	31 December 2011	31 December 2010
Deductible tax losses	**169,204**	161,165
Others	**—**	10,970
	169,204	172,135

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

16. *Deferred tax assets and liabilities* (continued)

Deductible temporary differences and deductible tax losses that are not recognized as deferred tax assets will expire in the following years:

	31 December 2011
2012	5,012
2013	60,566
2014	86,182
2015	290,532
2016	289,684
	731,976

	31 December 2010
2011	4,385
2012	79,855
2013	76,934
2014	153,430
2015	458,959
	773,563

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

17. Provision for impairment of assets

2011

	Opening balance	Provision	Reversal	Write-off	Closing balance
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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

17. *Provision for impairment of assets* (continued)

2010

	Opening balance	Provision	Reversal	Write-off	Closing balance
Provision for bad debts	677,896	200,334	(118,299)	(50,720)	709,211
Provision for decline in value of inventories	218,935	8,431	(164,721)	(6,488)	56,157
Provision for foreseeable contract losses	307,464	559,196	(14,963)	(717,912)	133,785
Provision for impairment of long-term equity investments	14,886	11,118	—	(47)	25,957
Provision for impairment of fixed assets	239,249	—	—	(19,263)	219,986
Provision for impairment of construction in progress	550	132,912	—	(550)	132,912
Provision for impairment of intangible assets	9,044	—	—	—	9,044
	1,468,024	911,991	(297,983)	(794,980)	1,287,052

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

18. Assets with title restrictions

2011

	Opening balance	Increase	Decrease	Closing balance	
Pledged assets:					
Accounts receivable	366,682	4,676,429	(324,182)	4,718,929	Note(a)
Bills receivable	—	394,130	—	394,130	Note(b)
Inventories	6,806,666	11,063,707	(5,049,242)	12,821,131	Note(c)
Fixed assets	66,512	61,427	(48,493)	79,446	Note(d)
Intangible assets — land use rights	—	88,168	(2,020)	86,148	Note(d)
Intangible assets — concession rights	458,256	—	(20,153)	438,103	Note(e)
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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

18. *Assets with title restrictions* (continued)

2010

	Opening balance	Increase	Decrease	Closing balance	
Pledged assets:					
Accounts receivable	—	366,682	—	366,682	Note (a)
Inventories	1,620,897	6,300,444	(1,114,675)	6,806,666	Note (c)
Fixed assets	616,445	23,036	(572,969)	66,512	Note (d)
Intangible assets — land use rights	30,920	—	(30,920)	—	Note (d)
Intangible assets — concession rights	408,926	70,144	(20,814)	458,256	Note (e)
Assets whose titles are restricted for other reasons:					
Cash — security deposit for acceptance bills	1,887,370	5,764,168	(4,924,695)	2,726,843	
Cash — security deposit for letters of credit	179,272	116,514	(201,511)	94,275	
Cash — security deposit for performance bonds	68,696	43,118	(35,488)	76,326	
Cash — security deposit for letters of guarantee	315,555	193,241	(275,833)	232,963	
Cash — others	131,162	1,535,893	(934,149)	732,906	
	2,582,055	7,652,934	(6,371,676)	3,863,313	
	5,259,243	14,413,240	(8,111,054)	11,561,429	

Notes:

(a) As at 31 December 2011, the Group's accounts receivable of RMB4,718,929,000 (31 December 2010: RMB366,682,000) were pledged to obtain short-term loans of RMB2,909,790,000 (31 December 2010: RMB214,022,000) (Note V.19(a)).

(b) As at 31 December 2011, the Group's bills receivable of RMB394,130,000 (31 December 2010: nil) were pledged to obtain short-term loans of RMB357,630,000 (31 December 2010: nil) (Note V.19(a)).

(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.29 and V.30(c)).

As at 31 December 2010, the Group's inventories of RMB6,806,666,000, including land use rights under the properties under development of RMB6,804,044,000 and completed properties held for sale of RMB2,622,000, were mortgaged to obtain long-term loans of RMB3,262,549,000 (Notes V.29 and V.30(c)).

(d) As at 31 December 2011, the Group's buildings of RMB79,446,000 (31 December 2010: RMB66,512,000) and land use rights of RMB86,148,000 (31 December 2010: nil) were mortgaged to obtain short-term loans of RMB103,500,000 (31 December 2010: RMB47,500,000) and long-term loans of RMB7,884,000 (31 December 2010: RMB6,551,000). The amortization of these land use rights in 2011 was RMB2,020,000 (2010: Nil) (Notes V.19(b)) and V.30(a)).

(e) As at 31 December 2011, the Group's concession assets of RMB438,103,000 (31 December 2010: RMB458,256,000) were pledged to obtain a long-term loan of RMB174,530,000 (31 December 2010: RMB196,480,000). The amortization of these concession assets in 2011 was RMB20,153,000 (2010: RMB20,814,000) (Note V.30(b)).

V. Notes to the consolidated financial statements (continued)

19. *Short-term loans*

	31 December 2011	31 December 2010	
Secured loans	—	43,400	
Pledged loans	3,267,420	214,022	*Note (a)*
Mortgaged loans	103,500	47,500	*Note (b)*
Guaranteed loans	5,650,575	3,339,600	*Note (c)*
Loans on credit	25,138,499	12,598,149	
	34,159,994	16,242,671	

Notes:

(a) As at 31 December 2011, certain short-term loans were secured by the pledge of the Group's accounts receivable with the amount of RMB4,718,929,000 (31 December 2010: RMB366,682,000) (Note V.18(a)).

As at 31 December 2011,certain short-term loans were secured by the pledge of the Group's bills receivable with the amount of RMB394,130,000 (31 December 2010: nil) (Note V.18(b)).

(b) As at 31 December 2011, certain short-term loans were secured by the mortgages of the Group's buildings with the amount of RMB59,989,000 (31 December 2010: RMB50,087,000) and land use rights with the amount of RMB86,148,000 (31 December 2010: nil) (Note V.18(d)).

(c) As at 31 December 2011, all guaranteed loans were internally guaranteed by the entities comprising the Group.

As at 31 December 2011, interest rates for the above loans ranged from 3.02% to 9.84% per annum (31 December 2010: from 1.83% to 6.84%).

As at 31 December 2011, there was no short-term loans defaulted by the Group (31 December 2010: nil).

20. *Short-term bonds payable*

	Opening balance	Increase	Decrease	Closing balance
2011	—	7,504,783	—	7,504,783
2010	402,370	12,629	(414,999)	—

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 interests will be repaid at the end of the term.

On 20 January 2011, China Railway 14th Bureau Group Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.4 billion with a fixed interest rate of 4.5% per annum. The principal and the interests will be repaid at the end of the term.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

20. *Short-term bonds payable* (continued)

On 17 May 2011, China Railway 15th Bureau Group Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB0.25 billion with a fixed interest rate of 4.85% per annum. The principal and the interests will be repaid at the end of the term.

On 19 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 interests 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 interests 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 interests will be repaid at the end of the term.

On 21 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 interests will be repaid at the end of the term.

Bond	Principle	Issuance date	Interest rate per annum	Maturity	Accrued interest	Closing balance
China Railway Co., Ltd. — 2011 first tranche	5,000,000	4 November 2011	5.55%	366 days	43,335	5,043,335
China Railway 14th Bureau Group Co., Ltd. — 2011 first tranche	400,000	20 January 2011	4.5%	365 days	16,712	416,712
China Railway 15th Bureau Group Co., Ltd. — 2011 first tranche	250,000	17 May 2011	4.85%	366 days	7,612	257,612
China Railway 16th Bureau Group Co., Ltd. — 2011 first tranche	560,000	19 September 2011	7.11%	366 days	11,236	571,236
China Railway 19th Bureau Group Co., Ltd. — 2011 first tranche	500,000	13 October 2011	7.38%	366 days	7,688	507,688
China Railway 21st Bureau Group Co., Ltd. — 2011 first tranche	500,000	11 October 2011	7.38%	366 days	8,200	508,200
China Railway 25th Bureau Group Co., Ltd. — 2011 first tranche	200,000	21 December 2011	6.82%	366 days	—	200,000
	7,410,000				94,783	7,504,783

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

21. *Bills payable*

	31 December 2011	31 December 2010
Commercial acceptance bills	**386,132**	311,602
Bank acceptance bills	**10,586,322**	13,295,967
	10,972,454	13,607,569

As at 31 December 2011, bills with an amount of RMB10,972,454,000 will due in the next accounting period (31 December 2010: RMB13,607,569,000).

22. *Accounts payable*

Accounts payable are non-interest-bearing.

	31 December 2011	31 December 2010
Within 1 year	**143,150,129**	123,190,878
1 to 2 years	**4,864,240**	3,547,448
2 to 3 years	**848,547**	607,484
More than 3 years	**536,057**	242,796
	149,398,973	127,588,606

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

	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	

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

22. *Accounts payable* (continued)

	Relationship with the Group	31 December 2010	Reasons for payables not beingsettled
Company 1	Third party	98,309	Land expropriation and relocation fees unsettled
Company 2	Third party	35,140	Material procurement costs unsettled
Company 3	Third party	29,079	Material procurement costs unsettled
Company 4	Third party	21,418	Construction costs unsettled
Company 5	Third party	18,998	Construction costs unsettled
		202,944	

As at 31 December 2011, there were no accounts payable to shareholders that held 5% or more of the Company's voting rights (31 December 2010: nil).

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

23. *Advances from customers*

	31 December 2011	31 December 2010
Within 1 year	**34,138,741**	40,215,839
1 to 2 years	**4,057,800**	1,331,529
2 to 3 years	**149,354**	44,422
More than 3 years	**1,002,599**	1,132,329
	39,348,494	42,724,119

As at 31 December 2011 and 31 December 2010, there were no advances due to shareholders that held 5% or more of the Company's voting rights.

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

23. *Advances from customers* (continued)

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

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		

Property name	31 December 2010	Percentage of accumulated pre-sales in advance	Estimated completion date
Beijing CRCC International City Project I	1,855,401	98	December 2011
Guiyang CRCC International City Project I	797,058	88	October 2011
Hefei CRCC International City Project I	784,640	58	October 2011
Fruit Shell City Project I	751,190	78	September 2011
Kaiyuan Community Project	718,488	46	June 2012
CRCC Qingxiu City Project I	493,545	14	November 2011
CRCC Jingnan Yipin Project I	409,527	98	October 2011
Fangshan Guangyang Garden	391,196	88	March 2011
Others	668,146		
	6,869,191		

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

23. *Advances from customers* (continued)

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	

As at 31 December 2010, significant advances aged over one year were as follows:

	Relationship with the Group	31 December 2010	Reasons for being outstanding
Company 1	Third party	776,083	Work performed not billed
Company 2	Third party	304,947	Work performed not billed
Company 3	Third party	174,000	Work performed not billed
Company 4	Third party	34,690	Work performed not billed
Company 5	Third party	32,380	Work performed not billed
		1,322,100	

24. *Employee benefits payable*

2011

	Opening balance	Accrued	Paid	Closing balance
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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

24. *Employee benefits payable* (continued)

2010

	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	2,959,544	15,547,351	(15,281,440)	3,225,455
Staff welfare	—	667,606	(667,606)	—
Social insurance	2,019,558	3,681,472	(3,354,206)	2,346,824
Including:				
Medical insurance	797,888	1,070,577	(916,646)	951,819
Basic pension	876,559	2,061,031	(1,892,224)	1,045,366
Contribution to pension annuity	129,400	271,789	(301,603)	99,586
Unemployment insurance	111,058	130,072	(121,479)	119,651
Work injury insurance	72,022	91,095	(80,664)	82,453
Maternity insurance	32,631	56,908	(41,590)	47,949
Early retirement benefits (Current portion)	956,060	981,665	(988,985)	948,740
Housing funds	839,435	961,876	(1,136,392)	664,919
Union fund and employee education fund	495,455	421,002	(414,521)	501,936
Others	157,084	812,822	(826,751)	143,155
	7,427,136	23,073,794	(22,669,901)	7,831,029

	31 December 2011	31 December 2010
Early retirement benefits obligations *(Note)*	**4,611,052**	5,295,705
Less: current portion	**(867,267)**	(948,740)
Non-current portion	**3,743,785**	4,346,965

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 services, salary levels at the time of application, minimum compensation levels set by the local regulatory authorities, and the district in which the employee is located.

The Group's obligations in respect of the early retirement benefits at the end of the reporting period were computed by an independent actuary, Towers Waston Management Consulting(Shenzhen) Co., Ltd. which is a member of the Society of Actuaries of the United States of America, using the projected unit credit actuarial cost method.

As at 31 December 2011, there was no employee benefits payable in arrears (31 December 2010: nil).

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

25. *Taxes payable*

	31 December 2011	31 December 2010
Value-added tax	**(90,585)**	(402,695)
Business tax	**4,368,033**	4,133,062
Corporate income tax	**1,429,113**	1,021,671
Individual income tax	**631,123**	504,898
City maintenance and construction tax	**279,498**	259,998
Resource tax	**4,868**	2,673
Others	**191,344**	219,730
	6,813,394	5,739,337

26. *Interest payables*

	Note V	31 December 2011	31 December 2010
Interest payables for corporate bonds	29, 31	**277,136**	183,855
Interest payables for short-term borrowings		**36,727**	2,914
Interest payables for long-term borrowings		**150**	289
		314,013	187,058

27. *Dividends payable*

Payable to		31 December 2011	31 December 2010
Beijing Modas Investment Co., Ltd.		**39,971**	39,971
CRCCG	*Note*	**—**	378,312
Public shareholders of A Shares	*Note*	**—**	122,500
Public shareholders of H Shares	*Note*	**—**	94,377
NSSF	*Note*	**—**	21,688
Others		**17,518**	34,746
		57,489	691,594

Note: At the annual general meeting held on 31 May 2011, the Company's shareholders resolved to approve the final dividend for the year ended 31 December 2010 of RMB0.5 (including tax) per 10 shares, which amounted to RMB616,877,000 based on the total number of shares of 12,337,541,500. The dividend was paid on 22 July 2011.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

28. *Other payables*

	31 December 2011	31 December 2010
Guarantees and deposits	**10,319,331**	9,060,144
Payables for advances	**7,687,238**	7,051,262
Accrued business taxes and surcharges	**3,313,828**	2,550,257
Rental expenses payable	**1,164,787**	1,320,379
Land expropriation and relocation compensation payable	**339,733**	252,590
Payables for acquisition of fixed assets and construction in progress	**389,843**	254,627
Repair and maintenance payable	**229,870**	207,738
Transportation fees	**180,230**	138,892
Fees for property management and utilities	**78,355**	104,508
Others *(Note)*	**8,829,362**	8,585,336
	32,532,577	29,525,733

Note: In accordance with the notices Notice Relating to the Allocation of State-owned Capital Operating Budget to CRCCG for 2008 (Cai Qi [2008] No. 260) [(財政部關於下達中國鐵建建築總公司2008年中央國有資本經營預算(撥款)的通知)(財企[2008]260號)] and Notice Relating to the Allocation of the Wenchuan Earthquake Reconstruction Funds to State-owned Enterprises for 2008 (Cai Qi [2008] No. 399) [(財政部關於撥付2008年中央企業汶川地震災後恢復重建基金的通知)(財企[2008]399號)] issued by the Ministry of Finance, the Ministry of Finance injected an amount of RMB189,660,000 to CRCCG for the reconstruction work in relation to the earthquake in Wenchuan County of Sichuan Province in the PRC in 2008. Thereafter, CRCCG contributed the fund received from the Ministry of Finance into the Company and the Company has recorded such amount in other payables as at 31 December 2011 and 31 December 2010 accordingly (Note VI.6(f)).

Other payables to shareholders that held 5% or more of the Company's voting rights are as follows:

	31 December 2011	31 December 2010
CRCCG	**202,275**	198,370

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

28. *Other payables* (continued)

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

	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**	Payables not settled
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.

	Relationship with the Group	31 December 2010	Reasons for not being settled
CRCCG	Ultimate holding company	189,660	Reconstruction funds
Company 1	Third party	33,288	Payables not settled
Company 2	Third party	30,302	Payables not settled
Company 3	Third party	18,800	Deposit not due
Company 4	Third party	8,000	Deposit not due
		280,050	

Included in the significant other payables aged over one year as at 31 December 2010 was an aggregate amount of RMB8,000,000 repaid after 31 December 2010.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

29. *Current portion of non-current liabilities*

	31 December 2011	31 December 2010
Current portion of long-term loans	**3,473,980**	955,513
Current portion of long-term payables	**499,216**	229,516
Current portion of bonds payable	**9,988,064**	—
	13,961,260	1,185,029

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

	31 December 2011	31 December 2010
Pledged loans	**24,760**	21,950
Mortgaged loans	**678,000**	110,000
Guaranteed loans	**693,918**	653,729
Loans on credit	**2,077,302**	169,834
	3,473,980	955,513

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

	Term	Currency	Interest rate %	31 December 2011 Foreign amounts	31 December 2011 RMB equivalent	31 December 2010 RMB
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	EUR	5.40	—	**150,000**	—
Company 5	From 2010-9-30 to 2012-9-29	RMB	5.47	—	**100,000**	—
					920,000	—

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

29. *Current portion of non-current liabilities* (continued)

As at 31 December 2010, the five highest amounts of current portion of long-term loans were as follows:

	Term	Currency	Interest rate %	31 December 2011 Foreign amounts	31 December 2011 RMB equivalent	31 December 2010 RMB equivalent
Company 1	From 2009-10-28 to 2011-8-31	RMB	3.84	—	**150,000**	40,000
Company 2	From 2010-9-29 to 2011-12-31	RMB	5.40	—	**100,000**	—
Company 3	From 2006-11-27 to 2011-12-31	EUR	4.40	**8,922**	**78,180**	—
Company 4	From 2009-6-28 to 2011-3-20	RMB	3.51	—	**75,000**	75,000
Company 5	From 2006-11-8 to 2011-12-31	RMB	3.78	—	**60,000**	60,000
					463,180	175,000

As at 31 December 2011, there was no current portion of long-term loans defaulted by the Group (31 December 2010: nil).

As at 31 December 2011, the five highest amounts of 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 plus 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 plus 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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

29. *Current portion of non-current liabilities* (continued)

As at 31 December 2010, the five highest amounts of 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 2008-7-17 to 2012-7-17	242,264	Benchmark interest rate of four-year bank loans	5,904	79,344	Nil
Company 2	From 2009-6-30 to 2012-3-30	108,072	Benchmark rate of three-year bank loans minus 10%	1,539	34,533	Nil
Company 3	From 2010-8-27 to 2013-8-27	96,734	Benchmark rate of three-year bank loans minus 15%	3,922	31,395	Nil
Company 4	From 2009-4-30 to 2016-4-30	213,286	Benchmark interest rate of over-five-year bank loans	5,043	30,639	Nil
Company 5	From 2009-10-19 to 2012-10-19	54,036	Benchmark rate of three-year bank loans minus 10%	1,393	16,643	Nil
		714,392		17,801	192,554	

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

	Face value	Issuing date	Maturity	Amount issued	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 *(Note V.26)*	9,988,064

As at 31 December 2010, there was no current portion of bonds payable in the Group.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

30. Long-term loans

	31 December 2011	31 December 2010
Pledged loans *(Note (b))*	**149,770**	174,530
Mortgaged loans *(Note (a) and Note (c))*	**5,174,342**	3,159,100
Guaranteed loans *(Note (d))*	**3,861,146**	1,062,740
Loans on credit	**9,033,555**	3,088,434
	18,218,813	7,484,804

Notes:

(a) As at 31 December 2011, certain long-term bank loans were secured by mortgages of the Group's buildings with the carrying amount of RMB19,457,000 (31 December 2010: RMB16,425,000) (Note V.18(d)).

(b) As at 31 December 2011, certain long-term bank loans were secured by pledge of the Group's concession assets of the BOT Project of Jiyang Guest-greeting Yellow River Bridge with the carrying amount of RMB438,103,000 (31 December 2010: RMB458,256,000) (Note V.18(e)).

(c) As at 31 December 2011, certain long-term bank loans were secured by mortgages of the Group's inventories with the carrying amount of RMB12,821,131,000 (31 December 2010: RMB6,806,666,000), which included carrying value of land use rights under the properties under development of RMB9,785,327,000 (31 December 2010: RMB6,804,044,000) and completed properties held for sale of RMB3,035,804,000 (31 December 2010: RMB2,622,000) (Note V.18(c)).

(d) As at 31 December 2011, the guaranteed long-term loans were all internally guaranteed by the entities comprising the Group.

(e) As at 31 December 2011, there was no long-term loans defaulted by the Group (31 December 2010: nil).

The maturity profile of the long-term loans as at the end of the reporting period is as follows:

	31 December 2011	31 December 2010
Within one year	**3,473,980**	955,513
In the second year	**11,414,809**	3,727,250
In the third to fifth years, inclusive	**6,256,888**	2,983,304
Beyond five years	**547,116**	774,250
	21,692,793	8,440,317

V. Notes to the consolidated financial statements (continued)

30. *Long-term loans* (continued)

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

	Starting date	Maturity date	Currency	Interest rate %	Foreign currency	31 December 2011 RMB equivalent	31 December 2010 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

As at 31 December 2010, the five highest amounts of long-term loans were as follows:

	Starting date	Maturity date	Currency	Interest rate %	Foreign currency	31 December 2010 RMB equivalent	Foreign currency	31 December 2009 RMB equivalent
Loan 1	2010-2-4	2013-2-3	RMB	4.86	—	1,258,608	—	—
Loan 2	2010-9-1	2012-8-31	USD	3.54	216,000	1,428,147	—	—
Loan 3	2010-9-30	2015-9-30	RMB	5.47	—	700,000	—	—
Loan 4	2006-11-27	2018-6-30	EUR	4.40	57,271	501,843	61,625	603,750
Loan 5	2010-2-2	2012-2-2	RMB	4.68	—	308,000	—	—
						4,196,598		603,750

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

31. *Bonds payable*

2011

	Opening balance	Additions	Decrease	Closing balance
Medium-term corporate bonds	**14,930,359**	**7,450,222**	**(9,988,064)**	**12,392,517**

2010

	Opening balance	Additions	Decrease	Closing balance
Medium-term corporate bonds	10,000,000	4,930,359	—	14,930,359

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

	Principle	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.26)*	12,392,517

As at 31 December 2010, bonds payable were as follows:

	Principle	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 2009	10,000,000	2009-8-24	3 years	10,000,000	3.4%	340,000	120,165	9,966,057
First issue of medium-term notes in 2010	5,000,000	2010-8-27	5 years	5,000,000	3.78%	63,690	63,690	4,964,302
				15,000,000		403,690	183,855 *(Note V.26)*	14,930,359

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

32. Long-term payables

	31 December 2011	31 December 2010
Retention money payables	**1,472,392**	1,425,048
Finance lease payables	**1,746,092**	262,291
Others	**235,342**	103,458
	3,453,826	1,790,797

The maturity profile of long-term payables as at the end of the reporting period is as follows:

	31 December 2011	31 December 2010
Within one year	**499,216**	229,516
In the second year	**1,712,243**	1,219,693
In the third to fifth years, inclusive	**1,443,587**	526,260
Beyond five years	**297,996**	44,844
	3,953,042	2,020,313

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

32. *Long-term payables (continued)*

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 plus 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 plus 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 plus 20%	15,278	116,717	Nil
		1,595,291		232,248	1,255,456	

As at 31 December 2010, 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 2009-4-30 to 2016-4-30	213,286	Benchmark rate of five-year bank loans minus 5%	12,824	112,156	Nil
Company 2	From 2010-8-27 to 2013-8-27	96,734	Benchmark rate of three-year bank loans minus 15%	2,262	48,721	Nil
Company 3	From 2008-7-17 to 2012-7-17	242,264	Benchmark rate of four-year bank loans	1,003	36,812	Nil
Company 4	From 2009-10-19 to 2012-10-19	54,036	Benchmark rate of three-year bank loans minus 10%	556	17,488	Nil
Company 5	From 2010-3-23 to 2013-3-23	40,331	5.85	716	16,177	Nil
		646,651		17,361	231,354	

As at 31 December 2011, no independent third party has provided a guarantee for the Group's finance leases (31 December 2010: nil).

As at 31 December 2011 and 31 December 2010, the Group's finance lease payables were for the purchases of machinery and equipment and were measured in RMB.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

33. *Special payables*

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

2010

	Opening balance	Additions	Decrease	Closing balance
Research and development funds	69,233	5,729	(25,041)	49,921
Specific projects funds	127,356	77,752	(10,272)	194,836
Others	16,338	165	(15,185)	1,318
	212,927	83,646	(50,498)	246,075

The increase of special payables was mainly due to research and development funds received from Ministry of Railways of the People's Republic of China during the year.

34. *Deferred income*

	31 December 2011	31 December 2010
Government grants related to assets	**151,174**	176,423
Government grants related to income	**5,788**	2,510
	156,962	178,933
Less: current portion of deferred income	**(25,956)**	(22,710)
	131,006	156,223

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

35. *Share capital*

2011

		Movements in the current year					
	Opening balance	New shares issued	Bonus shares	Transferred from capital reserve	Shares released from the Lock-up period	Subtotal	Closing balance
Restricted shares							
— State-owned shares	7,566,246	—	—	—	(7,566,246)	(7,566,246)	—
— NSSF	245,000	—	—	—	—	—	245,000
Unrestricted shares							
— RMB ordinary shares (A shares)	2,450,000	—	—	—	7,566,246	7,566,246	10,016,246
— Overseas listed foreign shares (H shares)	2,076,296	—	—	—	—	—	2,076,296
	12,337,542	—	—	—	—	—	12,337,542

2010

		Movements in the current year					
	Opening balance	New shares issued	Bonus shares	Transferred from capital reserve	Shares released from the Lock-up period	Subtotal	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	—	—	—	—	—	2,450,000
— Overseas listed foreign shares (H shares)	2,076,296	—	—	—	—	—	2,076,296
	12,337,542	—	—	—	—	—	12,337,542

V. Notes to the consolidated financial statements (continued)

36. *Capital reserve*

2011

	Opening balance	Additions	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

2010

	Opening balance	Additions	Decrease	Closing balance
Share premium	34,746,711	—	—	34,746,711
Others	(3,226,610)	2,788,714	(322,581)	(760,477)
	31,520,101	2,788,714	(322,581)	33,986,234

37. *Specialized reserve*

The Group provided for and utilized safety production expenses according to *the Circular on Printing and Issuing the Interim Measures for the Financial Management of Production Safety Expenses of Enterprises in High-risk Industries* and *the Interim Measures for the Financial Management of Production Safety Expenses of Enterprises in High-risk Industries and Production Safety Expenses of Financial Management Temporary Regulation in High-Risk Industries and Enterprises,* issued by the Ministry of Finance and the State Administration of Work Safety. For details, please refer to Note II.30.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

38. *Surplus reserve*

2011

		Opening balance	Additions	Decrease	Closing balance
Statutory surplus reserve	*Note*	855,536	—	—	855,536

2010

		Opening balance	Additions	Decrease	Closing balance
Statutory surplus reserve	*Note*	617,274	238,262	—	855,536

Note: In accordance with the Company Law and the Company's Articles of Association, the Company appropriated 10% of the net profit to the surplus reserve. Where the accumulated amount of surplus reserve reaches 50% 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.

39. *Retained earnings*

	2011	2010
Retained earnings at beginning of the year	**10,101,077**	8,684,002
Net profit attributable to the owners	**7,854,292**	4,246,221
Less: appropriation to statutory surplus reserve	**—**	(238,262)
ordinary share cash dividends declared	**(616,877)**	(2,590,884)
Retained earnings at the year end	**17,338,492**	10,101,077

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

40. Revenue and cost of sales

The operating revenue is as follows:

	2011	2010
Revenue from principal operations	**455,503,351**	467,931,621
Other operating revenue	**1,862,759**	2,227,172
	457,366,110	470,158,793

The operating cost is as follows:

	2011	2010
Cost of sales	**409,327,413**	428,647,118

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

	2011		2010	
Sectors	**Revenue**	**Cost of sales**	Revenue	Cost of sales
Construction operations	**402,018,106**	**363,765,029**	426,169,035	391,386,219
Survey, design and consultancy operations	**7,462,580**	**5,193,579**	8,326,200	6,124,147
Manufacturing operations	**7,455,622**	**5,945,844**	8,153,601	6,696,611
Other business operations	**40,429,802**	**34,422,961**	27,509,957	24,440,141
	457,366,110	**409,327,413**	470,158,793	428,647,118

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

	2011		2010	
Regions	**Revenue**	**Cost of sales**	Revenue	Cost of sales
Mainland China	**440,166,805**	**394,006,820**	447,689,336	404,232,263
Outside Mainland China	**17,199,305**	**15,320,593**	22,469,457	24,414,855
	457,366,110	**409,327,413**	470,158,793	428,647,118

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

40. *Revenue and cost of sales (continued)*

For the 2011, operating revenues from the five highest amounts of customers were as follows:

	Amount	Percentage of total operating revenue
Customer 1	9,173,872	2.01
Customer 2	8,329,759	1.82
Customer 3	6,275,620	1.37
Customer 4	6,213,709	1.36
Customer 5	6,086,296	1.33
	36,079,256	7.89

For the 2010, operating revenues from the five highest amounts of customers were as follows:

	Amount	Percentage of total operating revenue
Customer 1	11,059,939	2.35
Customer 2	7,401,184	1.57
Customer 3	7,070,313	1.50
Customer 4	6,162,205	1.31
Customer 5	5,816,175	1.24
	37,509,816	7.97

41. *Business tax and surcharges*

	2011	2010
Business tax	**12,310,534**	12,685,233
City maintenance and construction surtax	**644,429**	585,362
Others	**1,091,817**	701,011
	14,046,780	13,971,606

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

42. *Selling and distribution expenses*

	2011	2010
Employee compensation costs	**588,283**	474,085
Transportation expenses	**323,103**	349,573
Business development expenses	**252,430**	231,004
Agency service fees	**191,655**	145,675
Advertising expenses	**163,000**	112,626
Repair and maintenance expenses	**83,235**	92,795
Others	**144,215**	125,231
	1,745,921	1,530,989

43. *General and administrative expenses*

	2011	2010
Research and development expenses	**8,472,164**	8,824,597
Employee compensation costs	**6,185,470**	5,517,523
Entertainment expenses	**877,819**	875,813
Depreciation expenses	**845,317**	627,585
Traveling expenses	**741,824**	783,023
Office expenses	**595,279**	596,606
Others	**2,133,526**	1,934,095
	19,851,399	19,159,242

For the year ended 31 December 2011, the auditors' remuneration included in the general and administrative expenses was RMB38,764,000 (for the year ended 31 December 2010: RMB36,558,000).

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

44. *Finance costs*

	2011	2010
Interest expenses		
Less: interest income	**3,682,502**	1,617,839
capitalized interest	**(1,440,377)**	(777,031)
Exchange gains	**(525,042)**	(427,126)
Bank charges and others	**(111,696)**	(243,617)
	376,360	341,095
	1,981,747	511,160

The Group's interest expenses are as follows:

	2011	2010
Interest on loans wholly repayable within 5 years	**2,721,378**	1,123,404
Interest on loans repayable beyond 5 years	**20,234**	83,745
Interest on finance leases	**76,172**	26,164
Interest on discounted bills	**118,682**	13,789
Interest on corporate bonds	**746,036**	370,737
Total interest expenses	**3,682,502**	1,617,839

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)).

45. *Impairment losses*

	2011	2010
Reversal of provisions for bad debts	**195,451**	82,035
Reversal of provisions for decline in value of inventories	**(1,005)**	(156,290)
Provisions for foreseeable contract losses	**38,484**	544,233
Impairment of long-term equity investments	**—**	11,118
Impairment of fixed assets	**391,629**	—
Impairment of construction in progress	**—**	132,912
	624,559	614,008

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

46. *Loss arising from fair value changes*

	2011	2010
Financial assets held for trading	**(27,109)**	(20,410)

47. *Investment income*

	2011	2010
Share of net profits of associates	**16,692**	9,726
Share of net profits/(losses) of jointly controlled entities	**61,114**	(7,856)
(Losses)/gains from disposal of associates	**(2,589)**	1,908
Gains from disposal of jointly controlled entities	**—**	1,605
Investment income from disposal of other long-term equity investments	**11,011**	53,283
Gains from holding funds	**7,043**	14,700
Investment income gained during the period in which the Company held available-for-sale financial assets	**1,425**	7,202
Dividend income received from other long-term equity investments	**72,515**	41,874
Gains from disposal of available-for-sale financial assets	**156**	10,680
Others	**1,016**	2,241
	168,383	135,363

For the year ended 31 December 2011, investment income above were from listed companies and unlisted companies of RMB12,229,000 (2010: RMB32,582,000) and RMB 156,154,000 (2010: RMB102,781,000), respectively.

Among the above income from long-term equity investments under the equity method, investees with investment income which accounted for more than 5% of the Group's total profit or the five highest amounts of investees in terms of proportion of their investment income to the Group's total profit are presented as follows:

	2011	2010	Reason for fluctuation
China-Africa Lekkil Investment Co., Ltd.	**32,317**	(25,594)	Increase in profits
CRCC-HC-CR15G JV	**23,272**	—	Increase in profits
Chongqing Monorail Transportation Engineering Co., Ltd.	**15,212**	8,506	Increase in profits
Hubei Wanjia Real Estate Development Co., Ltd.	**5,533**	10,000	Decrease in profits
Guangzhou Shekou Huaxing Co., Ltd.	**1,712**	1,710	Increase in profits
	78,046	(5,378)	

As at 31 December 2011, the remittance of the Group's investment income was not subject to significant restrictions.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

48. *Non-operating income*

	2011	2010
Gains on disposal of non-current assets	**65,336**	89,688
Including:		
Gains on disposal of fixed assets	**59,881**	84,380
Gains on disposal of intangible assets	**5,455**	5,308
Government grants	**173,148**	103,033
Gains on compensation, penalties and fines	**31,185**	20,107
Gains on stocktaking	**173**	750
Others	**251,695**	196,052
	521,537	409,630

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

	2011	2010
Enterprise development funding	**63,698**	14,165
Relocation compensation	**32,197**	14,034
Refund of taxes	**28,903**	19,100
Equipment funding from Ministry of Railways	**24,970**	18,378
Economic and technological cooperation special funds	**—**	14,112
Others	**23,380**	23,244
	173,148	103,033

49. *Non-operating expenses*

	2011	2010
Loss on disposal of non-current assets	**212,470**	81,999
Including:		
Loss on disposal of fixed assets	**209,246**	81,999
Loss on disposal of intangible assets	**3,224**	—
Loss on stocktaking	**83,250**	1,279
Loss on compensation, penalties and fines	**63,198**	36,443
Donations	**4,897**	14,542
Others	**31,396**	26,231
	395,211	160,494

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

50. *Income tax expenses*

	2011	2010
Current tax expenses - Mainland China	**2,054,310**	1,465,383
Current tax expenses - Hong Kong	**1,874**	709
Current tax expenses - Others	**19,182**	32,308
Deferred tax expenses	**98,561**	273,723
	2,173,927	1,772,123

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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:

	2011	2010
Total profit	**10,055,891**	6,088,759
Income tax at the statutory income tax rate *(Note (a))*	**2,513,973**	1,522,190
Tax effect of lower tax rates for some subsidiaries	**(377,445)**	(451,944)
Tax effect of share of profits and losses of jointly controlled entities and associates	**(11,805)**	2,187
Income not subject to tax	**(46,167)**	(58,072)
Expenses not deductible for tax purpose	**371,950**	178,660
Tax losses utilised from previous years	**(60,231)**	(19,033)
Income tax benefits on locally purchased machinery and research and development expenses	**(389,899)**	(446,422)
Tax losses not recognized	**71,066**	111,036
Undeductible loss and impairment from overseas projects	**118,338**	963,472
Adjustments in respect of current income tax of previous periods	**(15,853)**	(29,951)
Tax expense at the Group's effective tax rate	**2,173,927**	1,772,123

Notes:

(a) The income tax of the Group is calculated based on the estimated taxable profit arised 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 RMB15,062,000 (2010: RMB 7,847,000) and RMB2,903,000 (2010: RMB1,761,000) 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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

51. *Earnings per share*

The basic earnings per share is calculated based on the net profit of the current period attributable to the ordinary shareholders of the Company and the weighted average number of outstanding ordinary shares during the period.

	2011	2010
Earnings		
Net profit attributable to ordinary shareholders of the Company	**7,854,292**	4,246,221
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)*	**0.64**	0.34

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.

52. *Other comprehensive income/(loss)*

	2011	2010
Losses from available-for-sale financial assets	**(31,634)**	(115,192)
Less: tax effects of available-for-sale financial assets	**6,972**	25,119
	(24,662)	(90,073)
Exchange differences on foreign currency translation	**96,194**	16,368
Government compensation for relocation	**49,515**	—
	121,047	(73,705)

53. *Notes to consolidated cash flow statement*

Significant cash flows are listed below:

	2011	2010
Cash paid relating to other operating activities:		
Deposits	**682,995**	1,111,043
Entertainment expenses	**881,246**	878,034
Traveling expenses	**755,080**	788,710
Office expenses	**608,879**	626,793
Transportation costs	**366,281**	365,668
Business development expenses	**191,936**	209,244
Energy costs	**200,557**	300,209
Repair and maintenance costs	**327,520**	288,829
Consulting fees	**248,009**	182,260
Agency service fees	**184,607**	139,500
Insurance fees	**79,441**	96,747
Others	**119,722**	160,220
	4,646,273	5,147,257

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

54. Supplementary information to the consolidated cash flow statement

(1) Supplementary information to the consolidated cash flow statement

	2011	2010
Reconciliation of net profit to cash flows (used in)/ from operating activities		
Net profit	**7,881,964**	4,316,636
Plus:		
Provision for impairment of assets	**624,559**	614,008
Depreciation of fixed assets	**9,218,718**	7,607,978
Amortization of intangible assets	**169,080**	197,938
Losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	**147,134**	(7,689)
Losses from changes in fair value	**27,109**	20,410
Finance costs	**1,605,387**	170,065
Investment income	**(168,383)**	(135,363)
Decrease in deferred tax assets	**83,327**	281,254
Increase/(decrease) in deferred tax liabilities	**15,234**	(7,531)
Increase in inventories	**(14,918,773)**	(25,563,197)
Net increase in construction contracts	**(17,491,576)**	(11,358,412)
Increase in operating receivables	**(18,158,741)**	(23,017,546)
Increase in operating payables	**18,388,650**	53,134,019
Net cash flows from/(used in) operating activities	**(12,576,311)**	6,252,570

Changes in cash and cash equivalents:

	2011	2010
Cash at the end of year	**60,466,789**	54,141,998
Less: opening balance of cash	**(54,141,998)**	(46,525,957)
Plus: closing balance of cash equivalents	**13,700,794**	1,781,146
Less: opening balance of cash equivalents	**(1,781,146)**	(8,544,093)
Net increase in cash and cash equivalents	**18,244,439**	853,094

(2) Cash and cash equivalents

	31 December 2011	31 December 2010
Cash	**60,466,789**	54,141,998
Including: cash on hand	**518,814**	586,116
bank deposits on demand	**59,947,975**	53,555,882
Cash equivalents	**13,700,794**	1,781,146
Closing balance of cash and cash equivalents	**74,167,583**	55,923,144

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions

1. *Parent*

Company name	Nature of enterprise	Place of registration	Legal representative	Business scope	Registered capital	Percentage of ownership interest in the Company	Percentage of voting rights in the Company	Organization code
CRCCG	State-owned enterprise	Beijing	Meng Fengchao	Construction and management	5,969,888	61.33	61.33	10001066-0

2. *Subsidiaries*

Refer to note IV - "Business Combination and the 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
Shanghai Tunnel Yushchenko Bridge Strengthening Works and Detection Technology Co., Ltd.	Associate	78055700-1
Chongqing Yurong Highway Co., Ltd.	Associate	55675000-X
Gansu China Railway Construction and Estate Investment Co., Ltd.	Associate	55627243-1
Wuhan Lvyin Lawn Engineering Co., Ltd.	Associate	71199357-1
Wuhan Beitong Technology Co., Ltd.	Associate	722741230
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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

4. *Other related parties*

Company name	Related party relationship	Organization code
China Civil (Hong Kong) Building Limited	Fellow subsidiary	N/A
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary	76141766-0
Chongqing Tiefa Suiyu Highway Co., Ltd.	Fellow subsidiary	76593295-0
Same Fast Limited	Fellow subsidiary	N/A
Xi'an Tianchuang Real Estate Co., Ltd.	Fellow subsidiary	73506582-5
China Railway Construction (Hong Kong) Co., Ltd.	Fellow subsidiary	N/A
Jinli Assets Management Center	Fellow subsidiary	71093514-2
China Great Wall Finance Company	Fellow subsidiary	101128572

5. *Related party transactions*

(1) Construction operations revenue *(Note (a))*	2011		2010	
	Amount	Percentage	Amount	Percentage
Chongqing Yurong Highway Co., Ltd.	**1,900,784**	**0.47**	210,000	0.05
Groupement CITIC-CRCC Joint Venture	**1,051,254**	**0.26**	1,365,885	0.32
Chongqing Monorail Transportation Engineering Co., Ltd.	**395,255**	**0.10**	255,534	0.06
CRCCG *(Note (e))*	**177,481**	**0.04**	203,571	0.05
Chongqing Tiefa Suiyu Highway Co., Ltd. *(Note (e))*	**2,578**	**—**	5,316	—
Nanjing Changjiang Tunnel Co., Ltd. *(Note (e))*	**—**	**—**	428,582	0.10
	3,527,352	**0.87**	2,468,888	0.58

(2) Survey, design and consultancy operations revenue *(Note (b))*	2011		2010	
	Amount	Percentage	Amount	Percentage
CRCCG *(Note (e))*	**402**	**0.01**	5,830	0.07
Nanjing Changjiang Tunnel Co., Ltd. *(Note (e))*	**—**	**—**	237	—
	402	**0.01**	6,067	0.07

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

5. *Related party transactions (continued)*

(3) Other income (Note (c))	2011 Amount	2011 Percentage	2010 Amount	2010 Percentage
Chongqing Monorail Transportation Engineering Co., Ltd.	**48,921**	**0.10**	—	—
CRCCG (Note (e))	**37,829**	**0.08**	—	—
Groupement CITIC-CRCC Joint Venture	**13,783**	**0.03**	72,329	0.20
CRCC-HC-CR15G Joint Venture	**150**	**—**	3,745	0.01
	100,683	**0.21**	76,074	0.21

(4) Purchase of goods and rendering of services (Note (d))	2011 Amount	2011 Percentage	2010 Amount	2010 Percentage
Petrochina-CRCC Petroleum Marketing Co., Ltd.	**1,229,030**	**0.30**	278,387	0.06
Groupement CITIC-CRCC Joint Venture	**71,909**	**0.02**	239,014	0.06
Wuhan Lvyin Lawn Engineering Co., Ltd.	**7,643**	**—**	—	—
Shanghai Tunnel Yushchenko Bridge Strengthening Works and Detection Technology Co., Ltd.	**—**	**—**	100	—
	1,308,582	**0.32**	517,501	0.12

(5) Other expenses (Note (c))	2011 Amount	2011 Percentage	2010 Amount	2010 Percentage
China Great Wall Finance Company (Note (e),(f))	**105,916**	**0.03**	—	—
CRCCG (Note (e))	**33,453**	**0.01**	29,821	0.01
Jinli Assets Management Center (Note (e))	**29,721**	**0.01**	68,313	0.02
China-Africa Lekkil Investment Co., Ltd.	**816**	**—**	5,222	—
Xi'an Tianchuang Real Estate Co., Ltd. (Note (e))	**—**	**—**	1,563	—
	169,906	**0.05**	104,919	0.03

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

5. *Related party transactions (continued)*

(6) Related party guarantee

Guarantee issued and granted to a related party

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

31 December 2010

	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	1,067,204	25 May 2010	25 May 2015	No

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 the connection transaction or continuous related party transactions defined in chapter 14A of the Hong Kong Listing Rules.

(f) According to "Proposal in relation to investment in the Finance Company" approved by the 44th meeting of the first session of the Board held on 13 May 2011, and the announcement made on 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 new 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 recorded in other receivables.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

6. *Amounts due from/to related parties*

	31 December 2011		31 December 2010	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable *(Note (a))*				
Chongqing Yurong Highway Co., Ltd.	**119,676**	—	—	—
Chongqing Monorail Transportation Engineering Co., Ltd.	**45,263**	—	37,026	—
CRCCG *(Note (b))*	**14,486**	—	79,905	—
CRCC-HC-CR15G Joint Venture	**4,976**	—	1,400	—
Chongqing Tiefa Suiyu Highway Co., Ltd.	**4,243**	—	4,433	—
Beijing Tongda Jingcheng Highway Co., Ltd.	**3,405**	—	9,393	—
Xi'an Tianchuang Real Estate Co., Ltd.	**584**	—	2,155	—
Nanchang Railway 2nd Construction Engineering Co., Ltd.	**530**	—	715	—
	193,163	—	135,027	—
Amounts due from customers for contract work *(Note (a))*				
Groupement CITIC-CRCC Joint Venture	**192,765**	—	218,270	—
CRCCG *(Note (c))*	**110,719**	—	61,671	—
Chongqing Monorail Transportation Engineering Co., Ltd.	**73,330**	—	18,806	—
	376,814	—	298,747	—
Advance to supplier *(Note (a))*				
PetroChina-CRCC Petroleum Marketing Co., Ltd.	—	—	11,440	—

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

6. *Amounts due from/to related parties (continued)*

	31 December 2011		31 December 2010	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Other receivables *(Note (a))*				
China Great Wall Finance Company *(Note (d))*	**1,222,000**	**—**	—	—
Groupement CITIC-CRCC Joint Venture	**166,295**	**—**	162,232	—
China-Africa Lekkil Investment Co., Ltd.	**137,123**	**—**	208,605	—
Nanchang Xinlong Real Estate Co., Ltd.	**26,599**	**475**	26,599	475
Chongqing Yurong Highway Co., Ltd.	**19,536**	**—**	169	—
Nanchang Railway 2nd Construction Engineering Co., Ltd.	**6,130**	**31**	7,079	—
CRCC-HC-CR15G Joint Venture	**—**	**—**	26,804	—
CRCC-Tongguan Investment Co., Ltd.	**2,160**	**—**	2,056	—
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	**1,828**	**—**	2,083	—
Shaanxi Jiuzheng Medical Technology Co., Ltd.	**1,360**	**329**	1,352	—
Chongqing Monorail Transportation Engineering Co., Ltd.	**384**	**—**	443	—
Gansu China Railway Construction and Estate Investment Co., Ltd.	**—**	**—**	99,000	—
CLPE-CRCC-HG Joint Venture	**—**	**—**	460	—
Hubei Wanjia Real Estate Development Co., Ltd.	**—**	**—**	430	—
	1,583,415	**835**	537,312	475
Current portion of non-current asset				
CRCCG *(Note (e))*	**500,000**	**—**	577,000	—
Long-term receivable				
CRCCG *(Note (e))*	**1,000,000**	**—**	1,500,000	—

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

6. *Amounts due from/to related parties (continued)*

	31 December 2011	31 December 2010
Accounts payable *(Note (a))*		
PetroChina-CRCC Petroleum Marketing Co., Ltd.	**25,914**	301
Wuhan Beitong Technology Co., Ltd.	**1,743**	—
Wuhan Lvyin Lawn Engineering Co., Ltd.	**88**	—
Nanchang Railway 2nd Construction Engineering Co., Ltd.	—	131
	27,745	432
Amounts due to customers for contract work *(Note (a))*		
Groupement CITIC-CRCC Joint Venture	**34,588**	—
Chongqing Monorail Transportation Engineering Co., Ltd.	**2,087**	—
CRCCG	—	2,398
	36,675	2,398
Advances from Customers *(Note (a))*		
Chongqing Yurong Highway Co., Ltd.	**124,512**	2,000
Groupement CITIC-CRCC Joint Venture	**75,490**	70,698
Chongqing Monorail Transportation Engineering Co., Ltd.	—	25,141
CRCC-HC-CR15G Joint Venture	—	64
	200,002	97,903
Dividend payable *(Note (a))*		
CRCCG	—	378,312

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

6. *Amounts due from/to related parties (continued)*

	31 December 2011	31 December 2010
Other payables *(Note (a))*		
Groupement CITIC-CRCC Joint Venture	**2,017,951**	2,074,951
CRCCG *(Note (f))*	**202,275**	198,370
Chongqing Tiefa Suiyu Highway Co., Ltd.	**200,000**	—
Hubei Wanjia Real Estate Development Limited	**4,000**	5,052
Jinli Assets Management Center	**2,170**	2,638
China Railway Communications International Engineering and Technology Co., Ltd.	**930**	930
Shaanxi Jiuzheng Medical Technology Co., Ltd.	**450**	450
Nanchang Railway 2nd Construction Engineering Co., Ltd.	**150**	150
HK ACE Joint Venture	**—**	723
Chongqing Monorail Transportation Engineering Co., Ltd.	**—**	3,531
CRCC-HC-CR15G Joint Venture	**—**	383
	2,427,926	2,287,178

Notes:

(a) The amounts due from/to the related parties were interest-free, unsecured, and with no fixed terms of repayment.

(b) The accounts receivable from CRCCG mainly arose from China Railway Construction Group Ltd., one of the Group's subsidiaries, which was constructed the 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 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 31 December 2011, an amount of RMB500,000,000 shall be paid within one year and the remaining amount of RMB1,000,000,000 shall be paid in 2013 and 2014 by CRCCG respectively.

(f) The amount due to CRCCG mainly represented the fund contributed by CRCCG for the reconstruction work in relation to the earthquake in Wenchuan County of Sichuan Province in the PRC in 2008, which was funded to CRCCG by the Ministry of Finance of the PRC (Note V.28).

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

7. *Parent and subsidiaries*

Investment in subsidiaries	31 December 2011	31 December 2010
Unlisted, measured at cost	**46,708,615**	33,722,567
Loans to subsidiaries	**34,357,048**	29,337,878
	81,065,663	63,060,445

As at 31 December 2011, there was no account receivable due from a subsidiary in the current assets of the Company (31 December 2010: nil) and the carrying amount of the accounts payable due to subsidiaries in the current liabilities was RMB415,053,000 (31 December 2010: RMB614,305,000). The accounts payable are unsecured, interest-free and shall be paid on demand or within one year.

The loans including in the investments to subsidiaries are unsecured, interest-free and with no fixed terms of repayment.

VII. Contingencies

1. The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

VII. Contingencies (continued)

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	**31 December 2011**	31 December 2010
Jointly controlled entity	**1,067,204**	1,067,204
An investee of the Company	**117,600**	117,600
	1,184,804	1,184,804

The Company	**31 December 2011**	31 December 2010
Subsidiaries	**3,011,317**	4,213,576
Jointly controlled entity	**1,067,204**	1,067,204
An investee of the Company	**117,600**	117,600
	4,196,121	5,398,380

In addition, certain interest-bearing bank and other loans of the Company of approximately RMB58,466,000 (31 December 2010: RMB82,263,000) were guaranteed by the subsidiaries of the Company as at 31 December 2011.

VIII. Commitments

	31 December 2011	31 December 2010
Capital commitments		
Contracted, but not provided for	**932,050**	757,602
Authorized by the board, but not contracted for	**72,672**	320,846
	1,004,722	1,078,448
Investment commitments		
Contracted, but not fulfilled	**625,000**	195,950
Authorized by the board, but not contracted for	**3,000,000**	1,000,000
	3,625,000	1,195,950

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

IX. Events after the balance sheet date

1. Pursuant to the resolution approved by the 9th meeting of the second session of the Board of Directors on 24 February 2012, the Group planned to merge Guangdong Province Hangsheng Construction Group Co., Ltd. ("Hangsheng Company"), which was acquired by the Company, into China Railway Construction and Waterway Bureau Co., Ltd. The acquisition price of RMB300,000,000 and related expenses paid for acquisition of RMB4,048,000 will be injected as additional contributions to China Railway Construction and Waterway Bureau Co., Ltd. by the Company.

2. Pursuant to the resolution approved by the Board of the Company, the Company participated in the restructuring, reform and capital increase of China Great Wall Finance Company by the controlling shareholder. Upon completion of the restructuring, the company's name will be changed to CRCC Finance Company Limited ("Finance Company"), with a egistered capital of RMB1,300 million. On 21 March 2012, the Company received the Approval of Changes of Subsequent Matters Upon Restructuring of China Great Wall Finance Company (Yin Jian Fu [2012] No. 137) issued by China Banking Regulatory Commission ("CBRC") (《中國銀監會關於中國長城財務公司重組後續事項變更的批復》) as well as the Finance Permit (《金融許可證》) approved and issued by CBRC, and obtained corporate legal person business license from Beijing Administration for Industry and Commerce on 28 March 2012. The Finance Company was approved to commence business.

3. On 29 March, 2012, the Company held the 11th meeting of the second session of the Board of Directors and proposed a cash dividend of RMB 1,233,541,500 for the year ended 31 December 2011.

4. Except for the above event, no significant events took place subsequent to 31 December 2011.

X. Other significant events

1. Leases

As the lessee

Finance leases: As at 31 December 2011, the balance of unrecognized financing charges was RMB431,076,000 (31 December 2010: RMB38,214,000), which was amortized using the effective interest rate method over the lease terms. The future minimum lease payments under non-cancellable finance leases are as follows:

	31 December 2011	31 December 2010
Less than 1 year (including 1 year)	**623,156**	243,926
1 to 2 years (including 2 years)	**567,524**	156,738
2 to 5 years (including 5 years)	**1,193,758**	113,335
Over 5 years	**275,214**	10,002
	2,659,652	524,001

For fixed assets leased under finance leases, refer to Note V.13.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

1. *Leases (continued)*

Significant operating leases: According to the leases entered into with the lessors, the minimum lease payments under non-cancellable leases are as follows:

	31 December 2011	31 December 2010
Less than 1 year (including 1 year)	**68,622**	67,119
1 to 2 years (including 2 years)	**44,761**	49,016
2 to 3 years (including 3 years)	**12,537**	38,702
Over 3 years	**27,928**	458
	153,848	155,295

For the year ended 31 December 2011, payments under operating leases recognized in profit or loss for the current year amounted to RMB103,692,000 (2010: RMB87,010,000).

2. *Assets and liabilities measured at fair value*

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

2010

	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	97,339	(20,410)	—	75,490
Available-for-sale financial assets	367,948	—	(115,192)	273,773
	465,287	(20,410)	(115,192)	349,263

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

3. Segment reporting

Operating segments

For management purposes, the Group's 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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

3. *Segment reporting (continued)*

Operating segments *(continued)*

2011

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Other business operations	Eliminations and adjustments	Total
Revenue from external customers	402,018,106	7,462,580	7,455,622	40,429,802	—	457,366,110
Inter-segment sales	5,522,656	1,000	1,459,604	6,029,347	(13,012,607)	—
	407,540,762	7,463,580	8,915,226	46,459,149	(13,012,607)	457,366,110
Share of profits and losses of jointly controlled entities and associates	72,254	(100)	—	5,652	—	77,806
Impairment losses recognized/ (reversed)	623,696	4,593	(2,563)	(1,167)	—	624,559
Depreciation and amortization	8,815,526	162,225	266,132	143,915	—	9,387,798
Profit before tax	6,089,067	978,683	576,799	2,685,580	(274,238)	10,055,891
Segment assets *(i)*	349,606,024	11,947,585	13,171,456	84,065,798	(35,808,022)	422,982,841
Segment liabilities *(ii)*	306,507,889	8,886,666	9,236,649	68,720,749	(36,087,884)	357,264,069
Other segment information						
Investments in jointly controlled entities and associates	2,008,858	11,706	7,000	99,183	—	2,126,747
Increase in non-current assets other than long-term equity investments	13,583,265	209,632	792,791	214,379	—	14,800,067

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

3. *Segment reporting (continued)*

Operating segments *(continued)*

2010

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Other business operations	Eliminations and adjustments	Total
Revenue from external customers	426,169,035	8,326,200	8,153,601	27,509,957	—	470,158,793
Inter-segment sales	2,328,188	6,793	1,102,283	4,985,222	(8,422,486)	—
	428,497,223	8,332,993	9,255,884	32,495,179	(8,422,486)	470,158,793
Share of profits and losses of jointly controlled entities and associates	(15,825)	106	(1,641)	19,230	—	1,870
Impairment losses recognized/ (reversed)	630,853	2,929	135,688	(155,462)	—	614,008
Depreciation and amortization	7,191,770	133,300	300,705	180,141	—	7,805,916
Profit before tax	3,446,396	879,559	364,767	1,398,037	—	6,088,759
Segment assets (i)	294,257,023	11,202,658	12,661,766	61,116,897	(28,973,145)	350,265,199
Segment liabilities (ii)	248,434,557	9,409,224	9,846,907	54,095,129	(29,752,038)	292,033,779
Other segment information						
Investments in jointly controlled entities and associates	1,766,222	7,505	7,000	62,576	—	1,843,303
Increase in non-current assets other than long-term equity investments	15,045,510	513,893	871,688	295,588	—	16,726,679

(i) Segment assets do not include deferred tax assets of RMB1,986,991,000 (31 December 2010: RMB2,070,318,000) as the Group does not manage these assets based on operating segments. In addition, inter-segment receivables of RMB37,795,013,000 (31 December 2010: RMB 31,043,463,000) are eliminated on consolidation.

(ii) Segment liabilities do not include deferred tax liabilities of RMB278,016,000 (31 December 2010: RMB269,754,000) and corporate income tax payable of RMB1,429,113,000 (31 December 2010: RMB1,021,671,000) as the Group does not manage these liabilities based on operating segments. In addition, inter-segment payables of RMB37,795,013,000 (31 December 2010: RMB31,043,463,000) are eliminated on consolidation.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

3. *Segment reporting* (continued)

Group Information

Geographical information

Revenue from external customers

	2011	2010
Mainland China	**440,166,805**	447,689,336
Outside Mainland China	**17,199,305**	22,469,457
	457,366,110	470,158,793

Non-current assets [(i)]

	31 December 2011	31 December 2010
Mainland China	**47,310,259**	42,280,117
Outside Mainland China	**2,296,545**	3,372,014
	49,606,804	45,652,131

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 years ended 31 December 2011 and 2010.

X. Other significant events (continued)

4. *Financial instruments and their risks*

Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, bonds payable, short-term corporate bonds, finance lease liabilities, and cash and 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 year ended 31 December 2011.

Financial instruments by category

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

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 receivable	—	—	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)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

4. *Financial instruments and their risks* (continued)

Financial instruments by category (continued)

31 December 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

31 December 2010

Financial assets

	Financial assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
Held-to-maturity investments	—	1,295	—	—	1,295
Available-for-sale financial assets	—	—	—	273,773	273,773
Long-term equity investments under cost method	—	—	—	2,348,438	2,348,438
Bills receivable	—	—	483,446	—	483,446
Accounts receivable	—	—	49,532,618	—	49,532,618
Interest receivable	—	—	200	—	200
Other receivables	—	—	21,995,143	—	21,995,143
Long-term receivables	—	—	7,923,277	—	7,923,277
Current portion of non-current assets	—	—	6,779,659	—	6,779,659
Financial assets held for trading	75,490	—	—	—	75,490
Cash and bank balances	—	—	65,206,592	—	65,206,592
	75,490	1,295	151,920,935	2,622,211	154,619,931

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

4. *Financial instruments and their risks (continued)*

Financial instruments by category *(continued)*

31 December 2010 *(continued)*

Financial liabilities

	Financial liabilities at amortized cost
Short-term loans	16,242,671
Bills payable	13,607,569
Accounts payable	127,588,606
Interest payables	187,058
Dividends payable	691,594
Other payables	29,525,733
Current portion of non-current liabilities	1,185,029
Long-term loans	7,484,804
Bonds payable	14,930,359
Long-term payables	1,790,797
	213,234,220

Credit risk

Credit risk is the risk of financial loss on one party of a financial instrument due to the failure of another party to meet its obligations.

The Group trades only with recognized and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

The credit risk of the Group's other financial assets, which comprise cash and 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.

X. Other significant events (continued)

4. *Financial instruments and their risks* (continued)

Credit risk *(continued)*

As the Group's major customers are the PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

As at 31 December 2011 and 31 December 2010, further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable, other receivables and long-term receivables which are neither past due nor impaired or past due but not impaired 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 RMB576,300 million as at 31 December 2011, of which an amount of approximately RMB215,300 million has been utilized.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases and other interest-bearing borrowings. The Group's policy is that not more than 75% of borrowings shall mature in the following 12 months based on the carrying amount of borrowings reflected in the financial statements. As at 31 December 2011, 64.3% (31 December 2010: 43.4%) of the Group's borrowings would mature in less than one year.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

4. *Financial instruments and their risks (continued)*

Liquidity risk *(continued)*

The table below summarizes the maturity profile of the Group's financial assets and liabilities as at the balance sheet date, based on the undiscounted contractual cash flows:

	31 December 2011					
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

4. *Financial instruments and their risks (continued)*

Liquidity risk *(continued)*

	31 December 2010					
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Short-term loans	—	16,242,671	—	—	—	16,242,671
Bills payable	—	13,607,569	—	—	—	13,607,569
Accounts payable	—	127,588,606	—	—	—	127,588,606
Interest payables	—	187,058	—	—	—	187,058
Dividends payable	—	691,594	—	—	—	691,594
Other payables	—	29,525,733	—	—	—	29,525,733
Current portion of non-current liabilities	—	1,185,029	—	—	—	1,185,029
Long-term loans	—	—	3,727,250	2,983,304	774,250	7,484,804
Bonds payable	—	—	—	14,930,359	—	14,930,359
Long-term payables	—	—	1,219,693	526,260	44,844	1,790,797
Unrecognized financing charges in connection with finance leases	—	20,430	9,893	7,891	—	38,214
Interest payments on financial liabilities	—	1,142,215	582,314	790,393	70,475	2,585,397
Guarantees given to banks in connection with facilities granted to a jointly controlled entity and other investees	1,184,804	—	—	—	—	1,184,804
	1,184,804	190,190,905	5,539,150	19,238,207	889,569	217,042,635

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

4. *Financial instruments and their risks* (continued)

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.

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 31 December 2011 were at fixed interest rates.

If there would be a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by one percentage point, with all other variables held constant, the consolidated operating results would have decreased/increased by approximately RMB277,706,000 for the year (2010: RMB79,811,000), 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 31 December 2011 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.

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 years ended 31 December 2011 and 2010 in order to reduce the Group's exposure to foreign currency risk in this regard.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of United States dollar, Euro, Nigerian naira, Algerian dinar, Hong Kong dollar and Saudi riyal, with all other variables held constant, of the Group's net profit.

Notes to Financial Statements (continued)

31 December 2011 (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)

Effect on net profit

Increase/ (decrease) in net profit

		2011	2010
Increase in the United States dollar rate	2%	**(70,900)**	(51,900)
Decrease in the United States dollar rate	(2%)	**70,900**	51,900
Increase in the Euro rate	7%	**(46,600)**	(38,700)
Decrease in the Euro rate	(7%)	**46,600**	38,700
Increase in the Nigerian naira rate	4%	**20,400**	2,200
Decrease in the Nigerian naira rate	(4%)	**(20,400)**	(2,200)
Increase in the Algerian dinar rate	4%	**9,700**	9,700
Decrease in the Algerian dinar rate	(4%)	**(9,700)**	(9,700)
Increase in the Hong Kong dollar rate	2%	**1,900**	1,700
Decrease in the Hong Kong dollar rate	(2%)	**(1,900)**	(1,700)
Increase in the Saudi riyal	3%	**2,400**	10,800
Decrease in the Saudi riyal	(3%)	**(2,400)**	(10,800)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2011 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.

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 years ended 31 December 2011 and 2010.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

4. *Financial instruments and their risks* (continued)

Market risk (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes short-term loans, long-term loans, short-term bonds payable, bills payable, accounts payable, employee benefits payable (excluded provision for early retirement benefits), interest 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:

	31 December 2011	31 December 2010
Short-term loans	**34,159,994**	16,242,671
Long-term loans	**18,218,813**	7,484,804
Short-term bonds payable	**7,504,783**	—
Bills payable	**10,972,454**	13,607,569
Accounts payable	**149,398,973**	127,588,606
Employee benefits payable (excluded provision for early retirement benefits) (Note V.24)	**8,719,250**	6,882,289
Interest payables	**314,013**	187,058
Dividends payable	**57,489**	691,594
Other payables	**32,532,577**	29,525,733
Current portion of non-current liabilities	**13,961,260**	1,185,029
Bonds payable	**12,392,517**	14,930,359
Long-term payables	**3,453,826**	1,790,797
Less: cash and bank balances	**(83,057,641)**	(65,206,592)
Net debt	**208,628,308**	154,909,917
Total equity	**65,718,772**	58,231,420
Total equity and net debt	**274,347,080**	213,141,337
Gearing ratio	**76%**	73%

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

4. Financial instruments and their risks (continued)

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 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.

The carrying amounts and fair values of the Group's financial instruments are as follows:

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

4. *Financial instruments and their risks (continued)*

Fair value *(continued)*

	Carrying amounts		Fair values	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
Financial assets				
Held-to-maturity investments	**1,269**	1,295	**1,269**	1,295
Available-for-sale financial assets	**242,097**	273,773	**242,097**	273,773
Long-term equity investments under cost method	**2,317,472**	2,348,438	**2,317,472**	2,348,438
Bills receivable	**2,014,619**	483,446	**2,014,619**	483,446
Accounts receivable	**62,918,831**	49,532,618	**62,918,831**	49,532,618
Interest receivable	**60,370**	200	**60,370**	200
Dividends receivable	**46,844**	—	**46,844**	—
Other receivables	**25,335,878**	21,995,143	**25,335,878**	21,995,143
Current portion of non-current assets	**10,546,813**	6,779,659	**10,546,813**	6,779,659
Long-term receivables	**8,504,060**	7,923,277	**8,504,060**	7,735,219
Financial assets held for trading	**46,919**	75,490	**46,919**	75,490
Cash and bank balances	**83,057,641**	65,206,592	**83,057,641**	65,206,592
	195,092,813	154,619,931	**195,092,813**	154,431,873
Financial liabilities				
Short-term loans	**34,159,994**	16,242,671	**34,159,994**	16,242,671
Short-term bonds payable	**7,504,783**	—	**7,504,783**	—
Bills payable	**10,972,454**	13,607,569	**10,972,454**	13,607,569
Accounts payable	**149,398,973**	127,588,606	**149,398,973**	127,588,606
Interest payables	**314,013**	187,058	**314,013**	187,058
Dividends payable	**57,489**	691,594	**57,489**	691,594
Other payables	**32,532,577**	29,525,733	**32,532,577**	29,525,733
Current portion of non-current liabilities	**13,961,260**	1,185,029	**13,961,260**	1,185,029
Long-term loans	**18,218,813**	7,484,804	**18,162,902**	7,392,788
Bonds payable	**12,392,517**	14,930,359	**12,392,517**	14,930,359
Long-term payables	**3,453,826**	1,790,797	**3,444,660**	1,630,207
	282,966,699	213,234,220	**282,901,622**	212,981,614

Notes to Financial Statements (continued)

31 December 2011 (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

Net current assets

	31 December 2011	31 December 2010
Current assets	**360,324,148**	291,995,967
Less: current liabilities	**(318,741,720)**	(262,808,802)
Net current assets	**41,582,428**	29,187,165

Total assets less current liabilities

	31 December 2011	31 December 2010
Total assets	**422,982,841**	350,265,199
Less: current liabilities	**(318,741,720)**	(262,808,802)
Total assets less current liabilities	**104,241,121**	87,456,397

Company

Net current assets

	31 December 2011	31 December 2010
Current assets	**60,094,271**	47,837,931
Less: current liabilities	**(34,381,420)**	(16,517,626)
Net current assets	**25,712,851**	31,320,305

Total assets less current liabilities

	31 December 2011	31 December 2010
Total assets	**110,762,169**	89,554,703
Less: current liabilities	**(34,381,420)**	(16,517,626)
Total assets less current liabilities	**76,380,749**	73,037,077

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

5. *Other financial information (continued)*

(ii) Pension scheme contributions

	2011	2010
Pension scheme contributions (defined contribution plans)	**2,616,972**	2,332,820
Pension scheme costs (defined benefits plans)	**275,946**	146,950

As at 31 December 2011, there was no forfeited contributions available to reduce the Group's contribution to its pension scheme in the future years (31 December 2010: Nil).

(iii) Directors' and Supervisors' remuneration and five highest paid employees

Directors' and Supervisors' remuneration

	2011	2010
Fees	**—**	—
Other emoluments:		
Salaries, housing benefits, other allowances and benefits in kind	**3,048**	2,344
Performance related bonuses	**1,802**	3,170
Pension scheme contributions	**234**	210
	5,084	5,724

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

5. *Other financial information (continued)*

(iii) Directors' and Supervisors' remuneration and five highest paid employees *(continued)*

The names of the Directors and Supervisors and their respective remuneration for the year are as follows:

	Fees	Salaries, housing benefits, other allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Year ended 31 December 2011					
Executive directors:					
Mr. MENG Fengchao	—	363	61	33	457
Mr. ZHAO Guangfa	—	363	366	33	762
Mr. PENG Shugui	—	308	336	33	677
Mr. HU Zhenyi	—	308	311	33	652
	—	1,342	1,074	132	2,548
Non-executive directors:					
Mr. HUO Jingui	—	180	311	19	510
Mr. ZHU Mingxian	—	147	—	—	147
	—	327	311	19	657
Independent non-executive directors:					
Mr. LI Kecheng	—	159	—	—	159
Mr. ZHAO Guangjie	—	175	—	—	175
Mr. WU Taishi	—	180	—	—	180
Mr. NGAI Wai Fung	—	138	—	—	138
	—	652	—	—	652
Supervisors:					
Mr. Qi Xiaofei	—	206	—	18	224
Mr. HUANG Shaojun	—	266	165	33	464
Mr. ZHANG Liangcai	—	141	87	18	246
Ms. YU Fengli	—	114	165	14	293
	—	727	417	83	1,227
	—	3,048	1,802	234	5,084

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

5. *Other financial information (continued)*

(iii) Directors' and Supervisors' remuneration and five highest paid employees *(continued)*

	Fees	Salaries, housing benefits, other allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Year ended 31 December 2010					
Executive directors:					
Mr. MENG Fengchao	—	34	—	5	39
Mr. DING Yuanchen	—	85	552	16	653
Mr. ZHAO Guangfa	—	201	625	32	858
	—	320	1,177	53	1,550
Non-executive directors:					
Mr. LI Guorui	—	184	649	29	862
Mr. HUO Jingui	—	171	552	32	755
Mr. ZHU Mingxian	—	181	—	—	181
	—	536	1,201	61	1,798
Independent non-executive directors:					
Mr. LI Kecheng	—	188	—	—	188
Mr. ZHAO Guangjie	—	209	—	—	209
Mr. WU Taishi	—	206	—	—	206
Mr. NGAI Wai Fung	—	182	—	—	182
	—	785	—	—	785
Supervisors:					
Mr. PENG Shugui	—	171	552	32	755
Mr. HUANG Shaojun	—	266	120	32	418
Ms. YU Fengli	—	266	120	32	418
	—	703	792	96	1,591
	—	2,344	3,170	210	5,724

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

5. *Other financial information (continued)*

(iii) Directors' and Supervisors' remuneration and five highest paid employees *(continued)*

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

There was no arrangement under which a Director or a Supervisor waived or agreed to waive any remuneration during the year (2010: Nil).

Five highest paid employees

An analysis of the five highest paid employees within the Group for the year is as follows:

	2011	2010
Non-director and non-supervisor employees	5	5

Details of the remuneration of the above non-director and non-supervisor highest paid employees for the year are as follows:

	2011	2010
Salaries, housing benefits, other allowances and benefits in kind	964	931
Performance related bonuses	7,186	5,761
Pension scheme contributions	157	83
	8,307	6,775

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	2011	2010
Nil to RMB1,000,000 (Including 1,000,000)	—	—
RMB1,000,000 to 1,500,000 (Including 1,500,000)	4	4
RMB1,500,000 to 2,000,000 (Including 2,000,000)	—	1
RMB2,000,000 to 2,500,000 (Including 2,500,000)	—	—
RMB2,500,000 to 3,000,000 (Including 3,000,000)	—	—
Higher than RMB3,000,000	1	—
	5	5

6. *Comparative amounts*

Some comparative amounts have been restated to conform with the current year's presentation.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements

1. Accounts receivable

An ageing analysis of accounts receivable is as follows:

	31 December 2011	31 December 2010
Within 1 year	**666,357**	—
2 to 3 years	**—**	1,211
Over 3 years	**—**	6,195
	666,357	7,406

Accounts receivable by category are as follows:

	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**	**—**	**—**

	31 December 2010			
	Amount	Percentage	Provision for bad debts	Percentage
Individually not significant but subject to separate provision for bad debts	7,406	100.00	—	—
	7,406	100.00	—	—

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

1. *Accounts receivable* (continued)

As at 31 December 2011, 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 2010: nil).

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

As at 31 December 2010, significant accounts receivable were as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total accounts receivable
Company 1	Third party	5,206	Over 3 years	70.30
Company 2	Third party	1,211	2 to 3 years	16.35
Company 3	Third party	789	Over 3 years	10.65
Others		200	Over 3 years	2.70
		7,406		100.00

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

2. *Other receivables*

An ageing analysis of other receivables is as follows:

	31 December 2011	31 December 2010
Within 1 year	**37,998,155**	29,716,764
1 to 2 years	**6,812**	128,732
2 to 3 years	**115,129**	3,636
Over 3 years	**138,858**	152,648
	38,258,954	30,001,780

Other receivables by category are as follows:

	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**	**—**	**—**

	31 December 2010			
	Amount	Percentage	Provision for bad debts	Percentage
Individually significant and subject to separate provision for bad debts	29,783,945	99.27	—	—
Individually not significant but subject to separate provision for bad debts	217,835	0.73	—	—
	30,001,780	100.00	—	—

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

2. *Other receivables (continued)*

As at 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 31 December 2010, the five highest amounts of other receivables were as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
Company 1	Subsidiary	21,515,251	Within 1 year	71.71
Company 2	Subsidiary	1,297,500	Within 1 year	4.32
Company 3	Subsidiary	1,108,949	Within 1 year	3.70
Company 4	Subsidiary	635,046	Within 1 year	2.12
Company 5	Subsidiary	617,554	Within 1 year	2.06
		25,174,300		83.91

As at 31 December 2011, 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 2010: nil).

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

	31 December 2011	31 December 2010
Subsidiaries	**36,805,765**	29,770,868
Fellow subsidiary *(note)*	**1,222,000**	—
Jointly controlled entities	**174,789**	197,885
Associates	**—**	169
	38,202,554	29,968,922

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

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

3. *Long-term equity investments*

		31 December 2011	31 December 2010
Cost method			
Equity investment in entities with no joint control or significant influence	(i)	**1,508,652**	1,586,444
Subsidiaries	(ii)	**46,708,615**	33,722,567
Equity method			
Jointly controlled entities	(iii)	**1,277,739**	1,250,466
Associates	(iv)	**—**	195,950
		49,495,006	36,755,427

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

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

Company name	Investment cost	Opening balance	Decrease	Closing balance	Percentage of ownership	Percentage of voting rights
Guotai Jun'an Securities Corporation Limited	8,652	8,652	—	8,652	0.16	0.16
Beijing Railway Hotel Company Limited	7,791	7,791	(7,791)	—	—	—
Beijing Guangzhou Passenger Railway He'nan Company Limited	1,500,000	1,500,000	—	1,500,000	5.00	5.00
Others		70,001	(70,001)	—		
		1,586,444	(77,792)	1,508,652		

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

3. *Long-term equity investments* *(continued)*

(ii) Subsidiaries

Company name	31 December 2011 Percentage of equity interest attributable to the Company	31 December 2011 Carrying amount	31 December 2010 Carrying amount
China Civil Engineering Construction Ltd.	100%	2,265,071	2,094,869
China Railway 11th Bureau Group Co., Ltd.	100%	1,893,912	1,620,428
China Railway 12th Bureau Group Co., Ltd.	100%	2,075,868	1,633,455
China Railway 13th Bureau Group Co., Ltd.	100%	1,396,621	1,262,078
China Railway 14th Bureau Group Co., Ltd.	100%	2,130,105	2,031,822
China Railway 15th Bureau Group Co., Ltd.	100%	1,446,941	1,307,569
China Railway 16th Bureau Group Co., Ltd.	100%	1,405,744	1,235,995
China Railway 17th Bureau Group Co., Ltd.	100%	1,653,322	1,358,529
China Railway 18th Bureau Group Co., Ltd.	100%	1,103,234	1,015,179
China Railway 19th Bureau Group Co., Ltd.	100%	1,454,638	1,290,674
China Railway 20th Bureau Group Co., Ltd.	100%	1,594,294	1,331,838
China Railway 21st Bureau Group Co., Ltd.	100%	1,357,251	1,302,635
China Railway 22nd Bureau Group Co., Ltd.	100%	1,256,558	1,186,585
China Railway 23rd Bureau Group Co., Ltd.	100%	1,411,847	1,360,627
China Railway 24th Bureau Group Co., Ltd.	100%	1,424,517	1,370,784
China Railway 25th Bureau Group Co., Ltd.	100%	1,107,177	1,101,535
China Railway Construction Group Ltd.	100%	2,340,101	1,941,944
China Railway Electrification Bureau Group Co., Ltd.	100%	1,105,530	1,017,110
China Railway Real Estate Group Co., Ltd.	100%	7,062,941	2,000,000
China Railway First Survey and Design Institute Group Co., Ltd.	100%	623,730	540,301
China Railway Fourth Survey and Design Institute Group Co., Ltd.	100%	1,015,309	804,283
China Railway Fifth Survey and Design Institute Group Co., Ltd.	100%	291,811	233,220
China Railway Shanghai Design Institute GroupCo., Ltd.	100%	267,624	225,464
China Railway Goods and Materials Group Co., Ltd.	100%	1,314,805	758,955

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

3. *Long-term equity investments (continued)*

(ii) Subsidiaries *(continued)*

Company name	31 December 2011 Percentage of equity interest attributable to the Company	31 December 2011 Carrying amount	31 December 2010 Carrying amount
Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	100%	1,349,792	1,205,196
China Railway Construction Heavy Industry Co., Ltd.	100%	1,234,810	854,591
Beijing Tiecheng Construction Supervision Co., Ltd.	80.02%	26,385	20,763
China Railway Construction (HK) Limited	100%	5,898	5,898
Chenghe Insurance Broker Co., Ltd.	100%	53,290	20,000
China Railway Construction Shandong Jinghu Highway Jile Co., Ltd. *(Note)*	65%	—	554,800
China Railway Construction (Beijing) Business Management Co., Ltd.	100%	18,313	14,264
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	—
China Railway Construction and Waterway Bureau Co., Ltd.	100%	1,000,000	—
		46,708,615	33,722,567

Note: For details, refer to Note IV.1 (note f).

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

3. *Long-term equity investments* *(continued)*

(iii) Investments in jointly controlled entities

2011

Company name	Investment cost	Opening balance	Movements: Share of the profit	Movements: Distribution of cash dividends	Closing balance	Percentage of equity	Percentage of voting rights
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		

2010

Company name	Investment cost	Opening balance	Movements: Increase of investments	Movements: Share of the profit/ (loss)	Movements: Distribution of cash dividends	Closing balance	Percentage of equity	Percentage of voting rights
CRCC-Tongguan Investment Co., Ltd.	1,200,000	1,000,000	200,000	—	—	1,200,000	50	50
China-Africa Lekkil Investment Co., Ltd.	49,554	63,064	—	(13,510)	—	49,554	35	35
Others	—	2,072	—	718	(1,878)	912		
		1,065,136	200,000	(12,792)	(1,878)	1,250,466		

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

3. *Long-term equity investments (continued)*

(iv) Investments in associates

2011

Company name	Investment cost	Opening balance	Increase	Transfer out	Closing balance	Percentage of equity	Percentage of voting rights
Chongqing Yurong Highway Co., Ltd.	—	195,950	195,950	(391,900)	—	—	—

2010

Company name	Investment cost	Opening balance	Increase	Transfer out	Closing balance	Percentage of equity	Percentage of voting rights
Chongqing Yurong Highway Co., Ltd.	195,950	—	195,950	—	195,950	40	40

4. *Revenue and cost of sales*

The operating revenue is as follows:

	2011	2010
Operating revenue from principal operations	5,537,079	9,896,493
Other operating revenue	8,300	10,281
	5,545,379	9,906,774

The operating cost is as follows:

	2011	2010
Operating cost	5,252,391	12,888,290

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

Sectors	2011 Revenue	2011 Cost of sales	2010 Revenue	2010 Cost of sales
Construction operations	5,518,621	5,241,134	9,880,852	12,879,425
Others	26,758	11,257	25,922	8,865
	5,545,379	5,252,391	9,906,774	12,888,290

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

4. *Revenue and cost of sales (continued)*

For the year ended 31 December 2011, operating revenues from the five highest amounts of customers were as follows:

	Amount	Percentage of total operating revenue
Customer 1	1,832,250	33.04
Customer 2	1,581,483	28.52
Chongqing Yurong Highway Co., Ltd.	853,200	15.39
Customer 4	848,142	15.29
Customer 5	381,593	6.88
	5,496,668	99.12

For the year ended 31 December 2010, operating revenues from the five highest amounts of customers were as follows:

	Amount	Percentage of total operating revenue
Customer 1	6,968,538	70.34
Customer 2	1,392,174	14.05
Customer 3	746,706	7.54
Customer 4	397,360	4.01
Customer 5	210,000	2.12
	9,714,778	98.06

5. *Investment income*

	2011	2010
Share of net profit/(loss) of the jointly controlled entities	**33,391**	(12,792)
Gains on fund holding	**760**	6,247,390
Others	**7,043**	14,700
	459	4,289
	41,653	6,253,587

For the year ended 31 December 2011, the investment income were composed of investment income of RMB7,502,000 (2010: RMB18,989,000) from listed companies and RMB34,151,000 from unlisted companies (2010: RMB6,234,598,000).

As at 31 December 2011, the remittance of the Company's investment income was not subject to significant restriction.

Notes to Financial Statements (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

6. *Supplementary information to the cash flow statement*

(1) Supplementary information to cash flow statement

	2011	2010
Reconciliation of net (loss)/profit to cash flows from/(used in) operating activities		
Net (loss)/profit	(140,262)	2,382,620
Plus:		
Provision for impairment of assets	—	503,353
Depreciation of fixed assets	13,363	19,721
Amortization of intangible assets	47	—
Losses from disposal of fixed assets	31	46
Losses from changes in fair value	12,758	9,804
Financial income	(57,668)	(31,180)
Investment income	(41,653)	(6,253,587)
(Increase)/decrease in deferred tax assets	(2,730)	782
Increase/(decrease) in deferred tax liabilities	79	(2,319)
Decrease in inventories	1,174	34,547
Net decrease/(increase) in construction contracts	620,340	(50,329)
Increase in operating receivables	(6,160,595)	(14,142,251)
Increase in operating payables	2,911,604	2,373,375
Net cash flows from/(used in) operating activities	(2,843,512)	(15,155,418)

Significant investing and financing activities not involving cash:

	2011	2010
Dividend income from subsidiaries transferred into capital	3,780,848	—

(2) Cash and cash equivalents

	31 December 2011	31 December 2010
Cash	1,519,849	2,828,086
Including: Cash on hand	1,634	5,302
Bank deposits on demand	1,518,215	2,822,784
Cash equivalents	12,383,403	1,461,197
Closing balance of cash and cash equivalents	13,903,252	4,289,283

Supplementary Information

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

1. SUMMARY OF NON-RECURRING PROFIT OR LOSS

	2011	2010
Losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	**147,134**	(7,689)
Gains from disposal of long-term equity investments	**(8,422)**	(56,796)
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)	**(152,848)**	(82,733)
Gains from debt restructuring	**(6,177)**	(11,853)
Losses from changes in fair value of held-for-trading financial assets	**27,109**	20,410
Investment gains from disposal of held-for-trading financial assets and available-for-sale financial assets	**(7,814)**	(25,380)
Reversal of impairment for accounts receivable	**(114,091)**	(118,299)
Other non-operating income and expenses other than the above items	**(175,857)**	(146,861)
Impact on income tax	**72,742**	107,300
Impact on non-controlling interests (after tax)	**766**	5,251
Non-recurring profit or loss, net	**(217,458)**	(316,650)

Non-recurring profit or loss items included in non-operating income and non-operating expenses for the year 2011 and 2010 were as follows:

Non-operating income

	2011	2010
Gains on disposal of non-current assets	**65,336**	89,688
Including:		
Gains on disposal of fixed assets	**59,881**	84,380
Gains on disposal of intangible assets	**5,455**	5,308
Government grants	**152,848**	103,033
Gains on compensation, penalties and fines	**31,185**	20,107
Gains on stocktaking	**173**	750
Others	**251,695**	196,052
	501,237	409,630

Supplementary Information (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

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

Non-operating expenses

	2011	2010
Loss on disposal of non-current assets	212,470	81,999
Including:		
Loss on disposal of fixed assets	209,246	81,999
Loss on disposal of intangible assets	3,224	—
Loss on stocktaking	83,250	1,279
Loss on compensation, penalties and fines	63,198	36,443
Donations	4,897	14,542
Others	31,396	26,231
	395,211	160,494

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

Group

2011	Weighted average return on net assets %	EPS (RMB) Basic	EPS (RMB) Diluted
Net profit attributable to the Company's ordinary shareholders	12.98	0.64	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	12.62	0.62	N/A

2010	Weighted average return on net assets %	EPS (RMB) Basic	EPS (RMB) Diluted
Net profit attributable to the Company's ordinary shareholders	7.85	0.34	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	7.26	0.32	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)

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 31 December 2011, cash and bank balances increased by 27.4% to RMB83,057,641,000 as compared to 31 December 2010, mainly due to the increase in loans and other borrowings drawn by the Group to finance its business operations.

(2) As at 31 December 2011, held-for-trading financial assets decreased by 37.8% to RMB46,919,000 as compared to 31 December 2010, mainly due to the decrease in the fair values of these investments in 2011.

(3) As at 31 December 2011, bills receivable increased by 316.7% to RMB2,014,619,000 as compared to 31 December 2010, mainly because owners of certain construction projects issued more bills receivable for settlement.

(4) As at 31 December 2011, account receivables increased by 27.0% to RMB62,918,831,000 as compared to 31 December 2010, mainly due to that under the impact of the implementation of macroeconomic regulation and control policy and slowing down in the investment in infrastructure in China, certain customers incurred shortages in funding and postponed their payments for the construction projects.

(5) As at 31 December 2011, advances to suppliers decreased by 7.3% to RMB26,075,648,000 as compared to 31 December 2010, mainly due to that under the impact of the implementation of the macroeconomic regulation and control policy and slowing down in the investment in infrastructure in China, advances paid to suppliers for materials and equipment decreased accordingly.

(6) As at 31 December 2011, other receivables increased by 15.2% to RMB25,335,878,000 as compared to 31 December 2010, 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 2010 and entered into major construction phase during the year.

(7) As at 31 December 2011, inventories increased by 27.5% to RMB76,005,525,000 as compared to 31 December 2010, mainly due to the additions of properties under development in line with the expansion of the Group's real estate business.

(8) As at 31 December 2011, amount due from customers for contract work increased by 23.4% to RMB74,175,970,000 as compared to 31 December 2010, mainly due to that under the impact of the implementation of macroeconomic regulation and control policy and slowing down in the investment in infrastructure in China, certain customers incurred shortages in funding and postponed in issuing progress billings for the construction projects.

Supplementary Information (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

3. ANALYSIS ON CHANGES OF MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(9) As at 31 December 2011, current portion of non-current assets increased by 55.6% to RMB10,546,813,000 as compared to 31 December 2010, mainly due to the increase in amount of retention money receivables and "Build-Transfer" receivables due within one year.

(10) As at 31 December 2011, other current assets decreased by 45.1% to RMB39,090,000 as compared to 31 December 2010, mainly due to that prepaid income taxes in some of the entities within the Group were greater than the income tax payable at the end of the year.

(11) As at 31 December 2011, fixed assets increased by 9.5% to RMB38,507,452,000 as compared to 31 December 2010, mainly due to purchase of construction equipments for highway and urban rail constructions.

(12) As at 31 December 2011, short-term loans increased by 110.3% to RMB34,159,994,000 as compared to 31 December 2010, mainly due to that under the impact of the implementation of macroeconomic regulation and control policy and slowing down in the investment in infrastructure in China, certain customers incurred shortages in funding and hence the Group had drawn more loans to finance the construction projects during the year.

(13) As at 31 December 2011, accounts payable increased by 17.1% to RMB149,398,973,000 as compared to 31 December 2010, mainly due to that under the impact of the implementation of macroeconomic regulation and control policy and slowing down in the investment in infrastructure in China, the Group had slowed down in its payments for purchase and construction.

(14) As at 31 December 2011, advances from customers decreased by 7.9% to RMB39,348,494,000 as compared to 31 December 2010, mainly due to the decrease in advances received for large railway construction projects undertaken by the Group, under the impact of the implementation of macroeconomic regulation and control policy and slowing down in the investment in infrastructure in China.

(15) As at 31 December 2011, interest payables increased by 67.9% to RMB314,013,000 as compared to 31 December 2010, mainly due to the increase in accrued interest on the corporate bonds issued by the Group during the year.

(16) As at 31 December 2011, dividends payable decreased by 91.7% to RMB57,489,000 as compared to 31 December 2010, mainly due to payment of the cash dividends by the Group.

(17) As at 31 December 2011, other payables increased by 10.2% to RMB32,532,577,000 as compared to 31 December 2010, mainly due to the increase in payables for advances, guarantees and deposits.

(18) As at 31 December 2011, current portion of non-current liabilities increased by 1,078.1% to RMB13,961,260,000 as compared to 31 December 2010, mainly because the 3-years bonds payable of RMB9,988,064,000 will be due within one year.

Supplementary Information (continued)

31 December 2011 (All amounts in RMB'000 unless otherwise stated)

3. ANALYSIS ON CHANGES OF MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(19) As at 31 December 2011, long-term loans increased by 143.4% to RMB18,218,813,000 as compared to 31 December 2010, mainly due to that under the impact of the implementation of macroeconomic regulation and control policy and slowing down in the investment in infrastructure in China, certain customers incurred shortages in funding and hence the Group had drawn more loans to finance the construction projects during the year.

(20) As at 31 December 2011, long-term payables increased by 92.9% to RMB3,453,826,000 as compared to 31 December 2010 mainly due to the increase in finance leases of machinery and equipment for construction work.

(21) For the year ended 31 December 2011, revenue decreased by 2.7% to RMB457,366,110,000 as compared to 2010, mainly due to that because of less spending on railway construction granted by the government and the slowing down in investment in infrastructure, there were less new construction projects and large railway construction projects were undertaken by the Group.

(22) For the year ended 31 December 2011, cost of sales decreased by 4.5% to RMB409,327,413,000 as compared to 2010, which was in line with the decline in revenue.

(23) For the year ended 31 December 2011, business tax and surcharges increased by 0.5% to RMB14,046,780,000 as compared to 2010, which was mainly due to the increase in revenue from real estate business.

(24) For the year ended 31 December 2011, selling and distribution expenses increased by 14.0% to RMB1,745,921,000 as compared to 2010, mainly due to the increase in bidding and marketing activities.

(25) For the year ended 31 December 2011, general and administrative expenses increased by 3.6% to RMB19,851,399,000 as compared to 2010, mainly due to the increase in employee compensations for the managerial department.

(26) For the year ended 31 December 2011, finance costs increased by 287.7% to RMB1,981,747,000 as compared to 2010, mainly due to the increase in interest on loans and other borrowings.

(27) For the year ended 31 December 2011, non-operating expenses increased by 146.2% to RMB395,211,000 as compared to 2010, mainly due to more losses incurred from disposal of fixed assets and stocktaking.

(28) For the year ended 31 December 2011, income tax expenses increased by 22.7% to RMB2,173,927,000, mainly due to the increase in the operating profit.

Business Highlights For The Previous Five Years

CONSOLIDATED INCOME STATEMENT

Unit: million

Item	2011	2010	2009	2008	2007
Revenue	**457,366.11**	470,158.79	355,520.77	226,140.71	177,487.29
Cost of sales	**409,327.41**	428,647.12	322,427.81	203,607.08	160,598.33
Taxes and surcharges	**14,046.78**	13,971.61	10,544.54	6,730.52	5,489.88
Selling and distribution expenses	**1,745.92**	1,530.99	1,016.38	848.89	696.11
General and administration expenses	**19,851.40**	19,159.24	13,408.95	8,724.93	5,326.35
Financial expenses	**1,981.75**	511.16	365.60	1,061.51	860.19
Impairment losses of assets	**624.56**	614.01	-268.26	610.08	118.64
Gain arising from fair value changes	**-27.11**	-20.41	11.91	-90.50	52.39
Investment income	**168.39**	135.37	155.87	234.54	440.64
Operating profit	**9,929.57**	5,839.62	8,193.53	4,701.74	4,890.82
Non-operating income	**521.54**	409.63	300.26	265.16	219.19
Non-operating expenses	**395.22**	160.49	186.39	398.07	133.23
Non-operating income, net	**126.32**	249.14	113.87	-132.91	85.96
Total profit	**10,055.89**	6,088.76	8,307.40	4,568.83	4,976.78
Income tax	**2,173.93**	1,772.12	1,575.69	862.55	1,828.22
Net profit	**7,881.96**	4,316.64	6,731.71	3,706.28	3,148.56
Attributable to owners of the Company	**7,854.29**	4,246.22	6,599.07	3,643.84	3,143.40
Minority interest	**27.67**	70.42	132.64	62.44	5.16
Basic earnings per share	**0.64**	0.34	0.53	0.32	0.39
Diluted earnings per share	**N/A**	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE

Unit: million

Item	2011	2010	2009	2008	2007
Total assets	**422,982.84**	350,265.20	282,990.27	220,101.54	156,877.78
Total liabilities	**357,264.07**	292,033.78	228,911.03	171,800.27	151,603.94
Equity	**65,718.77**	58,231.42	54,079.24	48,301.27	5,273.84

Documents For Inspection

1. financial statements signed and sealed by the chairman, chief financial officer and head of the accounting department;

2. original audit report with the seal of Ernst & Young Hua Ming and signed and sealed by certified public accountant;

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. CRCC 2011 Self-evaluation Report on Internal Control ; and

5. CRCC 2011 Social Responsibility Report.

Other Information

(I) SPECIAL STATEMENT OF CERTIFIED PUBLIC ACCOUNTANT ON CAPITAL APPROPRIATION

For details, please refer to the Special Statement on Amounts Due from Controlling Shareholder and other Related Parties of China Railway Construction Corporation Limited (關於中國鐵建股份有限公司應收控股股東和其他關聯方款項的專項説明) from Ernst & Young.

(II) STATEMENT ON THE APPROPRIATION OF NON-OPERATING CAPITAL AND OTHER CAPITAL FROM/TO RELATED PARTIES OF THE LISTED COMPANY FOR 2011 (上市公司2011年度非經營性資金佔用及其他關聯資金往來情況匯總表)

For details, please refer to the Special Statement on Amounts Due from Controlling Shareholder and other Related Parties of China Railway Construction Corporation Limited (關於中國鐵建股份有限公司應收控股股東和其他關聯方款項的專項説明) from Ernst & Young.

(III) GENERAL STATEMENT ON THE ONGOING SUPERVISION OF LISTING

Not applicable

(IV) STATEMENT ON THE ENTRUSTED LOAN AND ENTRUSTED WEALTH MANAGEMENT OF THE LISTED COMPANY

Not applicable

(V) IMPLEMENTATION OF PERFORMANCE UNDERTAKINGS IN RELATION TO MERGER AND MATERIAL ASSET RESTRUCTURING AND THE REMEDIAL ACTIONS THEREOF

Not applicable

(VI) RECORD SHEET OF EQUITY INTEREST

Not applicable

(VII) OTHER FINANCING SITUATION

Not applicable

By order of the Board
China Railway Construction Corporation Limited
Chairman
MENG Fengchao

Beijing, PRC
29 March 2012

As at the date of this announcement, the Board comprises Mr. MENG Fengchao (Chairman and Executive Director), Mr. PENG Shugui (Vice Chairman and Executive Director), Mr. ZHAO Guangfa (President and Executive Director), Mr. HU Zhenyi (Executive Director), Mr. ZHU Mingxian (Non-executive Director), Mr. LI Kecheng (Independent Non-executive Director), Mr. ZHAO Guangjie (Independent Non-executive Director), Mr. WU Taishi (Independent Non-executive Director) and Mr. NGAI Wai Fung (Independent Non-executive Director).