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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)

2012 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 2012. This announcement, containing the full text of the 2012 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 announcement of the annual results. Printed version of the Company's 2012 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 2013.



Contents

Definitions and Important Risk Warnings	2
Basic Corporate Information	4
Highlights of Accounting and Operating Data	8
Chairman's Statement	12
Report of Directors	14
Significant Events	73
Changes In Share Capital And Shareholders	94



Directors, Supervisors, Senior Management and Staff	102
Corporate Governance Structure and Corporate Governance Report	118
Internal Control	138
Audited Financial Statements	139
Five Year Results Highlights	355
Documents for Inspection	356



Definitions and Important Risk Warnings

1. DEFINITIONS

Unless otherwise stated in context, the following terms should have the following meanings in this report:

Definition of frequently used terms

“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, mainland”	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, prior year”	year 2011
“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 2012
“end of the Reporting Period”	31 December 2012
“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

2. IMPORTANT RISK WARNINGS

The main risks the Company may encounter are market risk, cash flow risk, overseas risk, project management risk and investment risk. Please refer to Chapter 5, Report of the Directors for the potential risks and countermeasures in the discussion and analysis of the Directors concerning the future development of the Company.

Important Notice

- I. The Board and the Supervisory Committee of the Company and the directors (the “Directors”), supervisors and members of the senior management warrant the truthfulness, accuracy and completeness of the contents herein and confirm that there are no misrepresentation or misleading statements contained in, or material omissions from, this report, and accept joint and several responsibilities.
- II. All the Directors of the Company attended the Twentieth Meeting of Second Session of the Board (“Board Meeting”).
- III. The 2012 financial report of the Company was prepared under the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant regulations (“PRC GAAP”), Ernst & Young Hua Ming LLP has issued a standard unqualified audit report. Unless specifically indicated, Renminbi is the reporting currency in this annual report.
- IV. MENG Fengchao, Chairman of the Company, ZHUANG Shangbiao, CFO, and CAO Xirui, Head of the Finance Department (person in charge of accounting), confirm that the financial report in this annual report are true, accurate and complete.
- V. The profit distribution plan or reserves-to-equity transfer plan during the Reporting Period as reviewed by the Board Meeting:

According to the audited financial report of the Company for 2012, the undistributed profit of the parent as at the beginning of 2012 was RMB3,118,051,224.91. After taking into consideration of the net profit of RMB3,616,228,761.56 recorded for the parent of the year and deducting the cash dividend of RMB1,233,754,150.00 for 2011, the distributable profit for the parent at the end of the year was RMB5,500,525,836.47. Pursuant to the Company Law and the Articles of Association, in 2012, after the appropriation to the statutory surplus reserve of RMB361,622,876.16, which was 10% of the net profit of the parent, the profit attributable to the shareholders of the parent was RMB5,138,902,960.31. A cash dividend of RMB0.11 (tax inclusive) per share will be distributed based on the total share capital of 12,337,541,500 shares as at 31 December 2012, totaling RMB1,357,129,565.00. Upon such distribution, the undistributed profit for the parent will amount to RMB3,781,773,395.31, which will be transferred to the next year.

This profit distribution plan is subject to the approval by the 2012 annual general meeting of the Company.

- VI. Forward looking statements, including future plan and development strategy, contained in this report do not constitute a real commitment to investors by the Company. Investors should be reminded of such investment risks.
- VII. None of the controlling shareholder of the Company or its associates has misappropriated the Company’s funds for purposes other than for business.
- VIII. The Company did not provide external guarantees in violation of any prescribed decision-making procedures.
- IX. 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.



Basic Corporate Information



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.2 in 2012. It was listed among the Fortune "Global 500 Companies" consecutively, ranking No.111 in 2012. It was listed among the "Top 500 Chinese Enterprises" consecutively, ranking No.11 in 2012.

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 470 national-level awards in construction, survey, design and consultancy, including 63 National Prizes for Progress in Science and Technology, 90 National Prizes for "Four Excellences" in Survey and Design, 50 Zhan Tianyou Civil Engineering Awards, 180 National High-Quality Projects Awards and 87 Lu ban Prizes for China Construction. The Company holds 1,740 patents and 180 national-level engineering methods.

At present, the Company's operations cover 31 provinces, autonomous regions, municipalities and Hong Kong and Macau special administrative regions in China, as well as 59 foreign countries 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 220 experts who are recipients of special subsidies granted by the State Council.

I. CORPORATE INFORMATION

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
Legal representative of the Company	MENG Fengchao



II. CONTACT PERSONS AND CONTACT METHODS

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

III. BASIC INFORMATION

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

VI. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

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

Basic Corporate Information



V. BASIC INFORMATION OF THE COMPANY'S SHARES

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

VI. CHANGES IN REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

(1) *Basic information*

There was no change in registration of the Company during the Reporting Period.

(2) *Related information of the first business registration of the Company*

Please refer to the contents in Basic Corporate Information in 2011 annual report for the first business registration of the Company.

(3) *Change in major business of the Company since its listing*

No change.

(4) *Change in controlling shareholder of the Company since its listing*

No change.



VII. OTHER INFORMATION

1. *Auditors appointed by the Company*

Name	Ernst & Young Hua Ming LLP
Office address	Level 16, Ernst & Young Tower, Oriental Plaza, No.1, East Chang An Ave., Dong Cheng District, Beijing

Names of signing accountants	YANG Shujuan SHEN Yan

2. *Legal advisers appointed by the Company*

As to Hong Kong law	Name	Baker & McKenzie
	Office address	23/F, One Pacific Place, 88 Queensway, Hong Kong
As to the PRC law	Name	Beijing Deheng Law Office
	Office address	12/F, Tower B, Focus Place, No. 19 Finance Street, Beijing

3. *Share registrar of H shares:*

Name	Computershare Hong Kong Investor Services Limited
Office address	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Highlights Of Accounting Data and Financial Indicators



I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY AT THE END OF THE REPORTING PERIOD FOR THE PAST THREE YEARS

(I) Major accounting data

Unit: million

Major accounting data	2012	2011	Change as compared to the corresponding period last year (%)	2010
Revenue	484,312.93	457,366.11	5.89	470,158.79
Net profit attributable to shareholders of the Company	8,478.89	7,854.29	7.95	4,246.22
Net profit excluding non-recurring profit or loss attributable to shareholders of the Company	8,119.22	7,636.83	6.32	3,929.57
Net cash flows used in operating activities	5,544.97	-12,576.31	N/A	6,252.57
	As at the end of 2012	As at the end of 2011	Change as compared to the corresponding period last year (%)	As at the end of 2010
Net assets attributable to shareholders of the Company	71,963.67	64,748.34	11.14	57,403.31
Total assets	480,661.30	422,982.84	13.64	350,265.20



(II) Major financial indicators

Major financial indicators	2012	2011	Change as compared to the corresponding period last year (%)	2010
Basic earnings per share (yuan per share)	0.69	0.64	7.81	0.34
Diluted earnings per share (yuan per share)	N/A	N/A	N/A	N/A
Basic earnings per share after deduction of non-recurring profit or loss (yuan per share)	0.66	0.62	6.45	0.32
Weighted average return on net assets (%)	12.47	12.98	Decreased by 0.51 percentage points	7.85
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	11.94	12.62	Decreased by 0.68 percentage points	7.26



Highlights Of Accounting Data and Financial Indicators (continued)

II. ACCOUNTING DATA DIFFERENCES BETWEEN THE PRC GAAP AND IFRSS

Before the 2011 annual report, 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 2010 general meeting of the Company held on 31 May 2011, but only the same version of annual report prepared under the PRC GAAP to all shareholders. All the financial information 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

Non-recurring profit or loss items	2012	2011	2010
Net profit attributable to ordinary shareholders of the Company	8,478.89	7,854.29	4,246.22
Add/(less): non-recurring profit or loss items			
(Gains)/losses from disposal of fixed assets, intangible assets and other long-term assets	-8.87	147.13	-7.69
Gains from disposal of long-term equity investment	-119.23	-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)	-386.19	-152.85	-82.73
Net gains from debt restructuring	-2.67	-6.18	-11.85
(Gains)/losses from changes in fair value of financial assets held for trading	-3.24	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	-172.08	-114.09	-118.30
Losses from exchange of non-monetary assets	0.03	—	—
Other non-operating income and expenses other than the above items	210.33	-175.86	-146.86
Sub-total	-481.92	-290.97	-429.20
Impact on income tax of non-recurring profit or loss, net	120.48	72.74	107.30
Impact of non-recurring profit or loss attributable to minority interests (after tax)	1.77	0.77	5.25
Net effect of non-recurring profit or loss	-359.67	-217.46	-316.65
Net profit excluding non-recurring profit or loss items attributable to ordinary shareholders of the Company	8,119.22	7,636.83	3,929.57

Highlights Of Accounting Data and Financial Indicators (continued)

IV. ITEMS MEASURED AT FAIR VALUE

Unit: million

Item	Balance at the beginning of the period	Balance at the end of the period	Change during the period	Impact on profit for the period
Financial assets held for trading	46.92	115.03	68.11	3.24
Available-for-sale financial assets	242.10	264.97	22.87	—
Total	289.02	380.00	90.98	3.24

Chairman's Statement



DEAR SHAREHOLDERS,

I would like to extend my heartfelt gratitude to all shareholders and investors for the cares and supports for the Group. On behalf of the Board, I am pleased to present to the shareholders the annual report of the Company for 2012.

The year of 2012 witnessed a complex political and economic environment at home and abroad. Focusing on the scientific development and structural adjustment, the Group put more emphasis on the lean management, cost reduction and efficiency enhancement, as well as the risk control, and achieved the goal of stable growth. In 2012, the main economic indicators of the Group realized comprehensive growth. For the year, the new contract value, revenues and net profits amounted to RMB789,336.9 million, RMB484,312.9 million, and RMB8,520.6 million, representing a year-on-year growth of 15.88%, 5.89% and 8.10%, respectively. The gross profit margin increased by 0.12 percentage points year-on-year to 10.62%. And the total assets reached RMB480,661.3 million, representing a year-on-year growth of 13.64%. According to the revenues in 2011, the Company ranked 111th on the "Fortune Global 500" listing, the 2nd among ENR's "Top 225 Global Contractors" and the 11th on the "Top 500 Chinese Enterprises" listing. In the public selections organized by different institutions such as the Research Center of Market Value Management in Chinese Listed Companies, Institute of Chinese Listed Companies Development (中國上市公司發展研究院), Securities Daily and Securities Times, Hong Kong Ta Kung Pao, the Company was recognized as "Top 100 Listed Companies in the PRC with Capital Brands in 2012 (2012年度中國上市公司資本品牌百強)", "Top 100 Listed Companies of Corporate Integrity in China in 2012" "Top 100 Listed Company with Consolidated Power in China in 2012" "The Most Influential Listed Company Overseas (最具海外影響力上市公司)" and the "Best Listed Company in Investor Relations Management (最佳投資者關係管理上市公司)" and "Top10 – Turnover" in 2012.

The Group spared no efforts in expanding the market. It continued to refine the structure and outlay of operation and improve the operational capacity. The Group maintained its leading market share by seizing the opportunities brought by the recovery in railway market. With great importance attached to other markets outside the railway, the new contract value of housing construction, highway, municipal works and urban rail increased steadily, and new achievements were obtained in exploiting the market of hydraulic engineering and environmental protection. The Group also quickened its pace of "Go global" and fully leveraged the commercial advantages of China Civil Engineering Construction Corporation and China Railway Construction International Group Co., Ltd as well as the design and construction advantages of the group companies, all these efforts brought a new overseas contract value of RMB73,340.7 million.

The Group deepened the structural adjustment and promoted the specialized development. It established (invested) CRCC Finance Company Limited and China Railway Construction International Group Co., Ltd.. The Group consolidated the acquired Guangdong Province Hangsheng Construction Group Co., Ltd., together with an engineering company, into China Railway Construction and Waterway Bureau Co., Ltd. More efforts have been put on developing the non-construction contracting business which further lifted its proportion in the business of the Group and delivered a fast development in real estate development, logistics and materials trading services. For the non-construction contracting business, the new contract value was RMB128,993.9 million, representing a year-on-year increase of 37.44%. The revenues amounted to RMB88,126.5 million, representing a year-on-year increase of 40.24% and accounting for 17.78% of the total revenues, a 4.42 percentage points increase as compared with 2011. The profit (before tax) was RMB5,748.6 million, representing a year-on-year increase of 35.55% and accounting for 52.37% of the total profits, a 11.31 percentage points increase as compared with 2011.



The Group valued costs reduction and efficiency enhancement through promoting the lean management and reinforcing the capacity to coordinate the projects and control the costs. The Group implemented the centralized purchase of “engineering factors, finance and insurance, commerce and trade”, in a bid to refining the system for the centralized purchasing of equipment and materials. Efforts have been made on the centralized management of capital, expanding the financing channels and centralized control of bond financing. The intensified comprehensive budget and accountability for cost management enhanced the ability to control the progress. The Group paid more attention to the financial supervision and audit. It strengthened the system construction of internal control of risk and incorporated the risk management into the daily management of the Group. It focused on the construction of informationization, which improved the management and control and reduced the operating costs.

The Group promoted the technological innovation. During this year, the Group possessed 3 additional state-level science and research centers, 5 provincial-level science and research centers, and entered into contracts with the Ministry of Science and Technology of the PRC for 2 “863” Program. It also obtained 2 National Prizes for Progress in Science and Technology, among which the “Beijing-Tianjin Intercity Line (京津城际)” was granted the first prize. 8 projects applied for the Zhan Tianyou Awards and the Group received 136 Provincial and Ministerial Level Science and Technology Progress Awards, 249 Provincial and Ministerial Level Engineering Methods and 703 patents, representing the best historical results.

Looking into 2013, along with the decreased risk of global economic downturn, the economy is expected to pick up slowly. The domestic economy will maintain a stable yet fast growth and a series of new measures in the domestic economy is worth expecting. New opportunities are provided for us in light of the recovery in the railway construction market, the upturn of the investments in the highways and municipal works, the fast growth of investments in railway construction, more construction of social security housings and more investments in the fields including ecology restoration, water conservancy and hydroelectricity, environmental protection and clean energy. In 2013, the keynote of the Group is to maintain the continuous and sound development of the enterprise, which can be concluded as “pursue a steady growth based on structure adjustment and foundation consolidation, improve the benefits so as to achieve an overall performance enhancement”. For this objective, in the new year, we will expedite the structural adjustment to facilitate the transformation and upgrading, deepen the reform to vitalize the enterprise, reinforce the management to consolidate the base for its development, strengthen the risk control to ensure a stable development, put more efforts in scientific innovation to enhance the competitiveness, build the talents pool to help the enterprise achieve substantial development and construct the corporate culture which serves as the soul for the enterprise's development.

The Group will follow the mission and responsibility of “construction at present is the wave of the future” and adhere to the strategic guideline of “based on the construction to pursue a diversified business and realize transformation and upgrading for an integrated operation”, ushering the enterprise towards the goal of “a transnational group in construction industry with high capacity to create value”, in a bid to returning to the society with quality projects and to the shareholders with sound results.

Meng Fengchao
Chairman
 Beijing, the PRC
 28 March 2013



Report of Directors

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD

(I) DISCUSSION AND ANALYSIS OF THE OVERALL OPERATIONS

In 2012, facing the complicated and volatile operating environment both at home and abroad, the Group took scientific development as the theme and structural adjustment as the main direction. With a greater emphasis on lean management, cost reduction and efficiency enhancement, as well as risk management and control, it recorded a steady growth.

1. Sparing no efforts in market expansion and making outstanding achievements in operations

During the Reporting Period, the Group spared no effort in market expansion. First, the Group constantly optimized the operating structure, improved the operating layout and boosted its operating capacity. Second, the Group seized the opportunity of the railway market recovery to stay ahead in market share in the railway market. Third, the Group attached great importance to non-railway markets, thus achieving steady growth in the value of new contracts for housing construction, road, municipal works and urban rail transit. New progress was made in the market development in respect of water conservancy and environmental protection. Fourth, the Group successfully put in place the new ultra-grade qualifications of the headquarter and its second-tier enterprises, and obtained 19 ultra first-grade construction general contracting qualifications. Fifth, the Group quickened the pace of “going global” and improved its international operating capacity. In 2012, the Group exceeded the targets set for the year in all respects. The total value of new contracts amounted to RMB789,336.9 million, accounting for 143.5% of the value as set in the annual plan and representing an increase of 15.88% as compared to the corresponding period last year, of which the value of overseas new contracts amounted to RMB73,340.7 million, accounting for 9.29% of the total value of new contracts. As at the end of 2012, the value of outstanding contracts of the Group totaled RMB1,491,859.6 million, representing an increase of 24.50% as compared to the corresponding period last year. The key indicators are as follows:

Unit: '00 million

Category	Value of new contracts			Value of outstanding contracts		
	2012	2011	Growth	2012	2011	Growth
Construction operations	6,603.430	5,873.211	12.43%	13,806.367	11,278.947	22.41%
Survey, design and supervision operations	81.814	75.890	7.81%	27.478	18.532	48.27%
Manufacturing operations	102.808	119.677	-14.10%	29.860	26.896	11.02%
Logistics and materials trading	880.497	577.192	52.55%	921.661	544.842	69.16%
Real estate	211.646	140.771	50.35%	119.368	89.096	33.98%
Other	13.174	25.045	-47.40%	13.862	24.190	-42.70%
Total	7,893.369	6,811.786	15.88%	14,918.596	11,982.503	24.50%

Report of Directors (continued)

As the core business and advantageous segment of the Group, the construction operations continued to be consolidated and strengthened in 2012. The value of new contracts for construction operations amounted to RMB660,343.00 million, accounting for 83.66% of the total contract value and representing an increase of 12.43% as compared to the corresponding period last year. Among this, the value of new contracts for railway construction amounted to RMB172,002.9 million, accounting for 26.05% of the construction operations segment and representing an increase of 25.22% as compared to the corresponding period last year; the value of new contracts for road projects amounted to RMB132,092.4 million, accounting for 20.00% of the construction operations segment and representing an increase of 22.10% as compared to the corresponding period last year. The value of new contracts for housing construction amounted to RMB155,953.00 million, accounting for 23.62% of the construction operations segment and representing an decrease of 4.69% as compared to the corresponding period last year; the value of new contracts for hydraulic and electric engineering amounted to RMB22,833.90 million, accounting for 3.46% of the construction operations segment and representing an decrease of 26.98% as compared to the corresponding period last year; the value of new contracts for urban rail transit amounted to RMB61,920.6 million, accounting for 9.38% of the construction operations segment and representing an increase of 44.10% as compared to the corresponding period last year; the value of new contracts for municipal engineering amounted to RMB78,642.1 million, accounting for 11.91% of the construction operations segment and representing an increase of 39.51% as compared to the corresponding period last year; the value of new contracts for airport terminals amounted to RMB2,065.0 million, accounting for 0.31% of the construction operations segment and representing an increase of 104.28% as compared to the corresponding period last year. The decreases in the value of new contracts for the housing construction and hydraulic and electric engineering as compared with last year were mainly attributable to the sharp increase of new contracts in 2011, representing an increase of 208.4% and 165.6% respectively as compared with 2010. Therefore the decrease in 2012 was normal. The new contract value of urban rail construction and municipal constructions increased notably, mainly attributable to the fact that 1) the Group had exerted stronger marketing efforts in respect of the two items and 2) more opportunities arose as the market capacity of the two items increased.

In 2012, the value of new contracts for non-construction operations of the Group amounted to RMB128,993.9 million, accounting for 16.34% of the total value of new contracts and representing an increase of 37.44% as compared to the corresponding period last year. Among this, the value of new contracts for survey, design and consultancy amounted to RMB8,181.4 million, representing an increase of 7.81% as compared to the corresponding period last year; the value of new contracts for manufacturing operations amounted to RMB10,280.8 million, representing a decrease of 14.10% as compared to the corresponding period last year; the value of new contracts for logistics and materials trading amounted to RMB88,049.7 million, representing an increase of 52.55% as compared to the corresponding period last year; the value of new contracts for real estate amounted to RMB21,164.6 million, representing an increase of 50.35% as compared to the corresponding period last year. The main reason for the decrease in the new contracts for manufacturing operations is the decrease in the number of railway orders. The main reason for the decrease in new contracts for other businesses is the overall scale of other businesses, which is easily volatile in nature given its insignificance and its taking up a smaller portion in the business portfolio of the Company. In this respect, the decrease was within a reasonable range. The main reason for the significant increase in logistics and materials trading operations and real estate development operations is nonetheless a result of the Group's expedition of the development of the two segments.



Report of Directors (continued)

2. Attaching importance to cost reduction and efficiency and achieving continuous improvement in the quality of economic operation

The Group attached importance to cost reduction and efficiency enhancement. It further promoted lean management and continuously strengthened its overall project planning and cost control ability. It also promoted centralized procurement by combining “engineering factors, finance and insurance as well as commerce and trade services” in all respects and further improved the centralized procurement system for equipment and materials. It also enhanced centralized fund management, developed financing channels and strengthened the unified management for bond financing. It intensified the overall budget and accountable cost management and reinforced the process control capability. It stepped up efforts in financial supervision and audit, strengthened the construction of the internal risk control system, and incorporated risk management in daily management. In addition, it focused on strengthening technology information, which had effectively improved the level of control and reduced the operating costs. During the Reporting Period, the Group realized a revenue of RMB484,312.9 million, representing an increase of 5.89% as compared to the corresponding period last year; and a net profit of RMB8,520.6 million, representing an increase of 8.10% as compared to the corresponding period last year, which hit a record high in economic benefits and achieved remarkable improvement in the quality of economic operation.

Major operational and financial indicators

Unit: million

	2012	2011	Growth
Revenue	484,312.93	457,366.11	5.89%
Cost of sales	432,889.01	409,327.41	5.76%
Operating profit	10,688.19	9,929.57	7.64%
Operating margin	2.21%	2.17%	Increased by 0.04 percentage point
Net profit	8,520.62	7,881.96	8.10%

3. Further promotion of restructuring and attaining remarkable results in transformation and upgrading

The Group realized the value of new contracts for non-construction operations of RMB128,993.9 million, recorded an revenue of RMB88,126.5 million and realized a total profit of RMB5,748.6 million, accounting for 16.34%, 17.78% and 52.37% respectively, providing an important economic support for the Group. The Group established (invested) CRCC Finance Company Limited and China Railway Construction International Group Co., Ltd., acquired Guangdong Hangsheng Construction Group Co., Ltd. and an engineering corporation and reorganized them into China Railway Port and Waterway Bureau Co., Ltd.. Its comprehensive strength in aspects of survey and design, manufacturing operations, real estate development and logistics and materials trading continued to improve.

Report of Directors (continued)

4. Focusing on promoting technical innovation, energy conservation and emission reduction with remarkable progress

(1) *Technical innovation*

During the Reporting Period, the Group focused on promoting technical innovation. The Group built three national-level technical centers and five provincial-level technical centers, and signed contracts with the Ministry of Science and Technology on two “863” programs. It was granted two National Science and Technology Progress Awards, of which the “Beijing-Tianjin Inter-City Railway” won first prize. The Group applied for eight Zhan Tianyou Grand Prizes and was granted 136 Provincial and Ministerial-Level Science and Technology Progress Awards, 249 provincial and ministerial-level engineering methods and 703 authorized patents, creating the best record in history.

(2) *Energy conservation and emission reduction*

During the Reporting Period, 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, took energy conservation and emission reduction as an important means for transforming development mode, optimizing industry and product structure and fulfilling social responsibilities, and took the establishment of a resources-saving and environmental-friendly enterprise as the goal, effectively strengthening leadership and improving the organization and system for energy conservation and emission reduction. The Company has also reinforced its foundation, improved the statistical and monitoring system for energy conservation and emission reduction; enhanced management and improved the rules and regulations for energy conservation and emission reduction.



Report of Directors (continued)

(II) ANALYSIS OF MAIN BUSINESSES

Analysis on profit, revenue, cost and expenses is set out in “(III) Analysis of the operations in business segment and various regions.

1. Analysis of changes of relevant items in income statement and statement of cash flows

Unit: million

Item	2012	2011	Growth
Revenue	484,312.93	457,366.11	5.89%
Operating costs	432,889.01	409,327.41	5.76%
Selling and distribution expenses	1,946.45	1,745.92	11.49%
General and administrative expenses	20,705.77	19,851.40	4.30%
Finance costs	3,500.58	1,981.75	76.64%
Income tax expenses	2,375.24	2,173.93	9.26%
Net cash flow generated from operating activities	5,544.97	-12,576.31	—
Net cash flow from investment activities	-8,308.87	-10,603.01	—
Net cash flow from financing activities	10,922.52	41,648.93	-73.77%
R&D expenditures	6,586.25	6,893.62	-4.46%
Operating profit	10,688.19	9,929.57	7.64%
Operating margin	2.21%	2.17%	Increased by 0.04 percentage point
Net profit	8,520.62	7,881.96	8.10%

In 2012, the Group's revenue increased by 5.89% as compared to that of last year, the operating costs increased by 5.76% as compared to that of last year. The increase in the operating costs is less substantial as that of the revenue, while the gross profit margin increased to a certain extent. The main reason for the increase in gross profit margin is that the Group had further strengthened cost reduction and efficiency increase, the increase in the revenue in the manufacturing operations, real estate development and other areas with relatively high gross profit margins was larger than the increase in the total revenue.

Report of Directors (continued)

2. Revenue

(1) Analysis of factors causing changes in business revenue

The Group realized an revenue of RMB484,312.9 million in 2012, representing an increase of 5.89% as compared to that of last year. The increase was mainly because the growth of the revenue from segments such as logistics and materials trading operations, as well as real estate operations had become more significant. For details of all changes in the revenue of all segments, please refer to “(III) Analysis of the operations in business segment and various regions.

(2) Analysis of factors influencing the product revenue principally based on physical sales

N/A.

(3) Order analysis

Please refer to “1. Sparing no efforts in market expansion and making outstanding achievements in operations” in (I) Discussion and Analysis of the Overall Operations” of this section.

(4) Analysis of the influence of new products and services

N/A.

(5) Major customers

During the Reporting Period, the revenue from the top five customers amounted to RMB32,977.9 million, accounting for approximately 6.81% of the Group's total revenue in 2012 and representing a decrease of 8.6% as compared to that of 2011. The major customers were railway bureaus and companies under the Ministry of Railways. The controlling shareholder and actual controller of the Company and the companies under its control were not connected to the major customers.

Unit: million

Item	2012	2011
Total income from the top five customers	32,977.89	36,079.26
Percentage of total revenue	6.81%	7.89%

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 major customers.



Report of Directors (continued)

3. Costs

(1) Cost Analysis Table

Unit: million

By segment	Item relating to cost composition	Amount for the period	Percentage in the total cost for the period	Amount for the corresponding period last year	Percentage of the amount for the corresponding period last year in total costs	Percentage changes in the amount for the period as compared to that of the corresponding period last year
Construction operations	—	367,900.47	82.82%	369,101.16	87.45%	-0.33%
Survey, design and consultancy operations	—	5,057.35	1.14%	5,194.58	1.23%	-2.64%
Manufacturing operations	—	8,130.22	1.83%	7,317.73	1.73%	11.10%
Real estate development operations	—	13,082.63	2.95%	9,400.03	2.23%	39.18%
Logistics and materials trading operations and other	—	50,051.81	11.26%	31,052.28	7.36%	61.19%
Sub-total of the above	—	444,222.48	100.00%	422,065.78	100.00%	5.25%
In which:	Labour costs	104,392.28	23.50%	93,571.98	22.17%	11.56%
	Materials costs	225,576.18	50.78%	209,766.69	49.70%	7.54%
	Machinery costs	49,886.18	11.23%	54,910.76	13.01%	-9.15%
	Other costs	64,367.84	14.49%	63,816.35	15.12%	0.86%
Inter-segment elimination	—	-11,333.47	—	-12,738.37	—	—
Total	—	432,889.01	—	409,327.41	—	5.76%

Note Pursuant to “No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report” (Revision 2012) of CSRC, the Company shall disclose the proportion of major components of costs for the year to the total cost by industry or product. Given the unique nature of the Company’s business, the Company will analyze by segment.

Report of Directors (continued)

(2) Major suppliers

During the Reporting Period, the total purchasing amount of the Group from its top five suppliers on raw material and energy was RMB5,124.6 million, accounting for approximately 1.18% of the total purchasing amount of the Group for 2012 and representing an increase of 42.95% as compared to that of 2011. The suppliers were mainly large steel enterprises and logistics and trade enterprises in China. The controlling shareholder and actual controller of the Company and the companies under its control were not connected to the major suppliers.

Unit: million

Item	2012	2011
Purchasing amount to top five suppliers, in aggregate	5,124.61	3,584.94
Percentage of total purchasing amount	1.18%	0.88%

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 Group's top five suppliers.

4. Expenses

In 2012, the Group's selling expenses amounted to RMB1,946.5 million, representing an increase of 11.49% as compared to that of 2011, mainly because the transportation costs of logistics and materials trading segment increased and the Group stepped up efforts in operating and contracting.

In 2012, the Group's administrative expenses amounted to RMB20,705.8 million, representing an increase of 4.30% as compared to that of 2011, mainly due to the increasing remuneration of the management personnel and employees and the increasing depreciation expenses.

In 2012, the Group's financial expenses amounted to RMB3,500.6 million, representing an increase of 76.64% as compared to that of 2011, mainly because the Group increased loans to meet the fund demands, thus leading to higher interest expenses for the year than 2011.

In 2012, the Group's income tax expenses amounted to RMB2,375.2 million, representing an increase of 9.26% as compared to that of 2011, mainly due to the increase in total profit for the year. The details of income tax expenses are shown in the following table:

Unit: million

Item	2012	2011
Income tax expenses for the period	2,365.53	2,075.37
Deferred income tax expenses	9.71	98.56
Total income tax expenses	2,375.24	2,173.93



Report of Directors (continued)

5. R&D expenditures

(1) Table of R&D Expenditures

Unit: million

Expense-type R&D expenditures at current period	6,586.25
Capital R&D expenditures at current period	—
Total	6,586.25
Proportion of total R&D expenditures in the net assets (%)	8.98
Proportion of total R&D expenditures in the revenue (%)	1.36

(2) Representation

During the Reporting Period, the projects with R&D expenditures were mainly research and development of new products and new techniques of difficult construction projects under the construction operations, technological research of construction and manufacturing operations. Thus far, the projects progressed smoothly. The research and development of these projects helped the Group capitalize on the latest construction technology and stay ahead in technology among its peers. Such research and development have also facilitated the transformation and upgrades of the Group and opened up new markets. In addition, they helped the Group further expand its business, resulting in higher revenue and lower costs. They also helped boost the Group's core competitiveness.

The total R&D expenditures accounted for 8.98% of the net assets, representing a decrease of 1.51 percentage points as compared to that of last year. The total R&D expenditures accounted for 1.36% of the revenue, representing a decrease of 0.15 percentage point as compared to that of last year.

6. Cash flows

Analysis of changes in cash flows

Unit: million

Item	2012	2011	Growth rate
Net cash flows from/ (used in)			
operating activities	5,544.97	-12,576.31	—
Net cash flows used in investment activities	-8,308.87	-10,603.01	—
Net cash flows from financing activities	10,922.52	41,648.93	-73.77%

Report of Directors (continued)

In 2012, the Group's net cash flows from operating activities amounted to RMB5,545.0 million, representing an increase of RMB18,121.3 million as compared to that of last year. The main reason is that the better capital position in railway projects, greater efforts in the collection of accounts receivable by the Company, and the increase in advance receipts for sale of properties for the real estate segment, etc., resulted in the increased sales outstanding for 2012.

In 2012, the Group's net cash flows from investing activities amounted to RMB-8,308.9 million, representing an increase of RMB2,294.1 million as compared to that of last year, mainly due to the fixed assets and other long-term assets purchased and built in 2012 reduced as compared to the corresponding period last year.

In 2012, the Group's net cash flows from financing activities amounted to RMB10,922.5 million, representing a decrease of 73.77% as compared to that of 2011. As compared to the corresponding period last year, the scale of fundraising for the current period decreased.

7. Others

(1) *Particulars of material changes in profit composition or source*

During the Reporting Period, the Group's profit composition or source incurred no material change.

(2) *Analysis and description of implementation progress of various financing activities and major assets reorganization at previous occasions.*

I. The implementation of the Proposal in Relation to the Non-Public Offering of A Shares by the Company

The 2009 Annual General Meeting, the 2010 First Class Meeting for Holders of A Shares and the 2010 First Class Meeting for Holders of H Shares held on 18 June 2010 considered and approved the Proposal in Relation to the Non-Public Issuance and Placing of A Shares to Target Subscribers by the Company (hereinafter referred to as "Non-public Issue"), during which the Company submitted application documents for non-public Issue to CSRC. Influenced by the national macro control policies for real estate, the Company had not made any substantial progress in matters related to the Non-public Issue as at 28 December 2012. Considering that the resolution of the general meeting and other relevant documents had expired and become invalid, the 17th meeting of the second session of the Board decided to, through prudent analysis and demonstration, apply for withdrawal of the application documents for Non-public Issue, and restart when conditions are mature. Relevant announcements were published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn) on 29 December 2012.



Report of Directors (continued)

II. The implementation of the Proposal in Relation to the Issue of Ultra Short-term Financing Bonds by the Company

The 2011 Annual General Meeting held by the Company on 12 June 2012 considered and approved the Proposal in Relation to the Issue of Ultra Short-Term Financing Bonds by the Company, approving the Company to register and issue ultra short-term financing bonds with an aggregate balance of principal amount of not more than RMB30 billion. Taking into account the capital position, demand for financing and sources of capital of the Company, as well as the condition of the domestic bond market, the Company issued the first tranche of ultra short-term financing bonds of RMB1 billion for the year of 2012 with a duration of 180 days on 18 October 2012. On 5 November 2012, the Company issued the second tranche of ultra short-term financing bonds of RMB5 billion for the year of 2012 with a duration of 270 days. Relevant announcements were published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn) on 13 June 2012, 23 October 2012 and 7 November 2012. As at 31 December 2012, the Company issued ultra short-term financing bonds with a balance of principal amount of RMB6 billion.

III. The implementation of the Proposal in Relation to the Issue of Short-Term Financing Bonds by the Company

The 2010 Annual General Meeting held by the Company on 31 May 2011 considered and approved the Proposal in Relation to the Issue of Short-Term Financing Bonds by the Company, approving the Company to register and issue short-term financing bonds with an aggregate balance of principal amount of not more than RMB15 billion. On 28 December 2012, the 2012 Second Extraordinary General meeting was held, at which the Proposal in Relation to the Increase in Amounts for Registration and Issuance of Medium-term Notes and Short-term Financing Bonds of China Railway Construction Corporation Limited was considered and approved. On 4 November 2011, the Company issued the first tranche of short-term financing bonds of RMB5 billion for the year of 2011 with a duration of one year. The short-term financing bonds were due on 4 November 2012 and had been paid in full. Taking into account the capital position, demand for financing and sources of capital of the Company, as well as the condition of the domestic bond market, the Company issued the first tranche of short-term financing bonds of RMB10 billion for the year of 2012 with a duration of one year on 18 July 2012. Relevant announcements were published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn) on 1 June 2011, 9 November 2011 and 20 July 2012. As at 31 December 2012, the Company issued short-term financing bonds with a balance of principal amount of RMB10 billion.

Report of Directors (continued)

IV. The implementation of the Proposal in Relation to the Issue of Medium-Term Notes by the Company

The general meetings held on 13 January 2009 and 31 May 2011 respectively by the Company considered and approved the Proposal in Relation to the Issue of Medium-Term Notes by the Company. On 28 December 2012, the 2012 Second Extraordinary was held, at which the Proposal in Relation to the Increase in Amounts for Registration and Issue of Medium-Term Notes and Short-Term Financing Bonds of China Railway Construction Corporation Limited was considered and approved. On 27 August 2010, the Company issued the first tranche of medium-term notes of RMB5 billion for the year of 2010 with a duration of 5 years. On 14 October 2011, the Company issued the first tranche of medium-term notes of RMB7.5 billion for the year of 2011 with a duration of 7 years. Relevant announcements were published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn) on 14 January 2009, 1 June 2011, 19 October 2011 and 29 December 2012. As at 31 December 2012, the Company issued medium-term notes with a balance of principal amount of RMB12.5 billion.

V. The implementation of the Proposal in Relation to the Issue of Non-public Debt Financing Instruments by the Company

The 2011 Annual General Meeting held on 12 June 2012 by the Company considered and approved the Proposal in Relation to the Issue of Non-public Debt Financing Instruments by the Company, approving the Company to register and issue non-public debt financing instruments with an aggregate balance of principal amount of not more than RMB15 billion. Relevant announcements were published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn) on 13 June 2012. As at 31 December 2012, the Company had not registered and issued non-public debt financing instruments.

VI. The implementation of the Proposal in Relation to the Issue of Overseas Bonds by the Company

The 2011 Annual General Meeting held by the Company on 12 June 2012 considered and approved the Proposal in Relation to the Issue of Overseas Bonds by the Company, approving the Company to issue overseas bonds with an aggregate balance of principal amount overseas equivalent to more than RMB5 billion. Relevant announcements were published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn) on 13 June 2012. As at 31 December 2012, the Company had not issued foreign bonds yet.



Report of Directors (continued)

- VII. The implementation for the issue of short-term financing bonds by the Company's wholly-owned subsidiaries

As at 31 December 2012, the Company's wholly-owned subsidiaries issued short-term financing bonds with a balance of principal amount of RMB3.63 billion, and the issuing details are shown in the following table.

Unit: '00 million

Bond type	Company name	Issuing date	Maturity	Amount issued
Short-term financing bonds	China Railway 17th Bureau Group Co., Ltd.	2012-1-11	One year	4.0
Short-term financing bonds	China Railway 25th Bureau Group Co., Ltd.	2012-2-28	One year	2.0
Short-term financing bonds	China Railway 15th Bureau Group Co., Ltd.	2012-2-29	One year	2.5
Short-term financing bonds	China Railway 22nd Bureau Group Co., Ltd.	2012-3-23	One year	5.0
Short-term financing bonds	China Railway Material Group Co., Ltd.	2012-3-27	One year	3.8
Short-term financing bonds	China Railway 13th Bureau Group Co., Ltd.	2012-4-24	One year	2.5
Short-term financing bonds	China Railway 20th Bureau Group Co., Ltd.	2012-6-27	One year	5.0
Short-term financing bonds	China Railway 14th Bureau Group Co., Ltd.	2012-7-20	One year	4.0
Short-term financing bonds	China Railway 15th Bureau Group Co., Ltd.	2012-8-30	One year	2.5
Short-term financing bonds	China Railway 21st Bureau Group Co., Ltd.	2012-12-14	One year	5.0
Total	—	—	—	36.3

Report of Directors (continued)

VIII. The Implementation for the issue of non-public debt financing instruments by the Company's wholly-owned subsidiaries

As at 31 December 2012, the Company's wholly-owned subsidiaries issued non-public debt financing instruments with a balance of principal amount of RMB4.05 billion, and the issuing details are shown in the following table.

Unit: '00 million

Bond type	Company name	Issuing date	Maturity	Amount issued
Private placement notes	China Railway 23rd Bureau Group Co., Ltd.	2012-8-9	Two years	3.5
Private placement notes	China Railway 25th Bureau Group Co., Ltd.	2012-8-6	Three years	4.0
Private placement notes	China Railway 14th Bureau Group Co., Ltd.	2012-8-27	Five years	4.0
Private placement notes	China Railway 25th Bureau Group Co., Ltd.	2012-11-9	Two years	5.0
Private placement notes	China Railway 15th Bureau Group Co., Ltd.	2012-11-23	Three years	4.0
Private placement notes	China Railway 19th Bureau Group Co., Ltd.	2012-12-20	One year	20.0
Total	—	—	—	40.5

(3) Development strategy and progress for operating plan

In 2012, facing the complicated and volatile economic environment both at home and abroad, the Group referred to the corporate development strategy of “being construction-driven, diversifying into relevant businesses, integrating operations and carrying out transformation and upgrades”. In strict adherence to the corporate strategic goals set, it adopted multiple measures, positively expanded its operations, continued to improve the operating layout and optimized the operating structure. Great efforts were made in resources reorganization and restructuring. In addition, it further strengthened its basic management and further unleashed potentials within the organization, thus making steady progress in all operations and planning of corporate functions and strategies. Strategic goals were fulfilled gradually as scheduled.



Report of Directors (continued)

(4) Others

I. Capital expenditures

The Group's capital expenditures are mainly used for the purchasing and technical upgrading of equipment and facilities for construction operations, for the plant construction and equipment purchasing for manufacturing operations, as well as for the construction of BOT projects. As at 31 December 2012, the Group's capital expenditures amounted to RMB12,301.7 million, representing a decrease of RMB2,498.3 million as compared to that of 2011.

Unit: million

	2012	2011
Construction operations	9,383.57	13,183.23
Survey, design and consultancy operations	247.30	209.63
Manufacturing operations	1,052.90	792.79
Real estate development operations	109.31	38.98
Other businesses	1,508.65	575.44
Total	12,301.73	14,800.07

Other businesses are mainly the construction costs for BOT projects.

II. Working capital

Unit: million

A. Contracted construction projects

	2012	2011
Contract costs incurred to date	1,864,354.58	1,588,683.09
Total recognized profits less recognized losses, net	135,014.79	111,886.79
Less: progress billings	-1,926,475.30	-1,640,459.73
	72,894.07	60,110.15

Report of Directors (continued)

Contracted construction projects as at the end of the year:

	31 December 2012	31 December 2011
Gross amount due from contract customers	86,555.48	74,175.97
Gross amount due to contract customers	-13,661.41	-14,065.82
	72,894.07	60,110.15

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:

	2012	2011
Turnover days of accounts receivable <i>Note 1</i>	51	45
Turnover days of accounts payable <i>Note 2</i>	130	123

Note 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 revenue multiplying 365 days.

Note 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.



Report of Directors (continued)

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

Unit: million

	31 December 2012	31 December 2011
Within 1 year	68,021.31	59,145.05
1 to 2 years	2,397.97	2,640.29
2 to 3 years	1,094.86	870.59
Over 3 years	656.32	697.07
	72,170.46	63,353.00
Less: provision for bad debts	-458.82	-434.17
	71,711.64	62,918.83

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

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

Unit: million

	31 December 2012	31 December 2011
Within 1 year	153,735.55	143,150.13
1 to 2 years	3,761.82	4,864.24
2 to 3 years	545.22	848.55
Over 3 years	819.84	536.05
	158,862.43	149,398.97

III. Prepayments and other receivables

The Group's prepayments and other receivables increased from RMB51,411.5 million as at 31 December 2011 to RMB64,528.8 million as at 31 December 2012.

Report of Directors (continued)

IV. Early retirement plan

In the attempt to streamline its workforce and improve efficiency, the Group implemented an internal retirement plan, under which the Group compensated certain early-retired employees with living expenses till they formally retired. Upon retirement, they will be covered by government-sponsored retirement plans. The Group's internal retirement plan has ceased to be in effect upon the incorporation of the Company on 5 November 2007 and as such, no further new early retirement application had been accepted by the Group after 5 November 2007.

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 (韜睿惠悅企業管理諮詢(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 cost method. As of 31 December 2011 and 31 December 2012, the Group's provisions in respect of those obligations were RMB4,611.1 million and RMB3,984 million respectively.

In order to comply with applicable laws and regulations, the Group joined various retirement schemes organized by regional governments for its staff. For details relating to staff retirement schemes of the Company, please refer Note II.26 to the financial statements of this report.

V. Other payables and accruals

Other payables and accruals included prepayments, other payables, employee benefits payables, taxes payable and other non-current liabilities. As of 31 December 2011 and 31 December 2012, the Group had other payables and accruals of RMB106,090.6 million and RMB117,919.2 million respectively.

VI. Indebtedness

A. Loans

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

	<i>Unit: million</i>	
	31 December 2012	31 December 2011
Pledged loans	1,669.81	3,267.42
Mortgaged loans	115.50	103.50
Guaranteed loans	5,532.00	5,650.57
Credit loans	31,379.38	25,138.50
	38,696.69	34,159.99



Report of Directors (continued)

The other current liabilities of the Group as at 31 December 2012 and 31 December 2011 were as follows:

Unit: million

	31 December 2012	31 December 2011
Other current liabilities	21,952.07	7,504.78

The long-term loans of the Group due within one year as of 31 December 2012 and 31 December 2011 were as follows:

Unit: million

	31 December 2012	31 December 2011
Pledged loans	27.67	24.76
Mortgaged loans	2,811.55	678.00
Guaranteed loans	2,655.09	693.92
Credit loans	4,210.12	2,077.30
	9,704.43	3,473.98

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

Unit: million

	31 December 2012	31 December 2011
Pledged loans	122.10	149.77
Mortgaged loans	5,320.80	5,174.34
Guaranteed loans	2,070.70	3,861.15
Credit loans	9,416.50	9,033.55
	16,930.10	18,218.81

Report of Directors (continued)

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

Unit: million

	31 December 2012	31 December 2011
Medium-term notes	14,459.98	12,392.52

Gearing ratio analysis

On 31 December 2011 and 31 December 2012, the Group's gearing ratio was 76% and 77%, respectively. Gearing ratio is calculated by dividing net liabilities by the sum of total equity plus net liabilities. Net liabilities includes the sum of accounts payable, bills payable, other payables, long-term and short-term loans, other current liabilities, bonds payables, employee benefits payable (excluding the provision for early retirement benefits), dividends payable, interest payables, long-term payable and non-current liabilities due within a year, less cash and bank balances. Total equity comprises equity attributable to owners of the Company and minority interests.

B. Commitments

Unit: million

	31 December 2012	31 December 2011
Capital commitments		
Contracted, but not provided for	617.79	932.05
Authorized by the Board but not contracted	48.00	72.67
	665.79	1,004.72
Investment commitments		
Contracted, but not fulfilled	115.00	625.00
Authorized by the Board but not contracted	800.00	3,000.00
	915.00	3,625.00
Other commitments		
Authorized by the board, but not contracted for	4,000.00	—



Report of Directors (continued)

C. Contingent liabilities

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

D. Mortgage and pledge of group's assets

Unit: million

	31 December 2012	31 December 2011
Cash and bank balances	25.00	—
Accounts receivable	1,626.03	4,718.93
Notes receivable	474.67	394.13
Inventories	15,214.76	12,821.13
Fixed assets	61.45	79.45
Intangible assets		
– land use rights	148.68	86.15
Intangible assets		
– franchised assets	417.95	438.10

Please refer to Notes V.18 of Consolidated Financial Statements in financial report for the details of assets with ownership restrictions.

VII. Foreign exchange risks and exchange gains or losses

Since the Group's business is mainly carried out in the PRC, the incomes, 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. As at 31 December 2012, the Group did not use foreign currency contract to hedge foreign exchange risks.

VIII. 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 cash flow interest rate, foreign currency risk, credit risk and liquidity risk.

Report of Directors (continued)

(III) Analysis of the operations in business segment and various regions

The Group's main businesses include: construction operations, survey, design and consultancy, manufacturing operations, real estate development, logistics and materials trading, etc.

1. Performance of main businesses

Performance of each business segment (before elimination of inter-segment transactions)

Unit: million

Item	Revenue		Operating costs		Gross profit		Gross profit margin	
	2012	2011	2012	2011	2012	2011	2012	2011
Construction operations	407,601.03	407,540.76	367,900.47	369,101.16	39,700.56	38,439.60	9.74%	9.43%
Survey, design and consultancy operations	7,286.79	7,463.58	5,057.35	5,194.58	2,229.44	2,269.00	30.60%	30.40%
Manufacturing operations	9,984.31	8,915.23	8,130.22	7,317.73	1,854.09	1,597.50	18.57%	17.92%
Real estate operations	18,137.34	13,537.61	13,082.63	9,400.03	5,054.71	4,137.58	27.87%	30.56%
Logistics and materials trading and other	52,718.09	32,921.54	50,051.81	31,052.28	2,666.28	1,869.26	5.06%	5.68%
Inter-segment elimination	-11,414.63	-13,012.61	-11,333.47	-12,738.37	-81.16	-274.24	—	—
Total	484,312.93	457,366.11	432,889.01	409,327.41	51,423.92	48,038.70	10.62%	10.50%

(1) Construction operations

As the core and traditional business 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, autonomous regions and municipalities directly under the central government 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 South America and Europe.

During the Reporting Period, the revenue and gross profit from construction operations increased by 0.01% and 3.28% respectively as compared to the corresponding period last year.



Report of Directors (continued)

Construction operations (before elimination of inter-segment transactions)

Unit: million

Item	2012	2011	Growth rate
Revenue	407,601.03	407,540.76	0.01%
Operating costs	367,900.47	369,101.16	-0.33%
Gross profit	39,700.56	38,439.60	3.28%
Gross profit margin	9.74%	9.43%	Increased by 0.31 percentage point
Selling and distribution expenses	443.67	442.01	0.38%
General and administrative expenses	17,779.67	17,270.50	2.95%
Total profit	5,228.41	6,089.07	-14.13%

In 2012, the revenue from railway market of the Group accounted for 48.05% of the Group's income from construction operations, representing a decrease of 4.88 percentage points as compared to that of 2011.

(2) Survey, design and consultancy operations

The 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, the Group's revenue from the survey, design and consultancy operations reached RMB7,286.8 million, representing a decrease of 2.37%, while the gross profit margin increased by 0.20 percentage point as compared to that of 2011.

Report of Directors (continued)

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

Unit: million

Item	2012	2011	Growth rate
Revenue	7,286.79	7,463.58	-2.37%
Operating costs	5,057.35	5,194.58	-2.64%
Gross profit	2,229.44	2,269.00	-1.74%
Gross profit margin	30.60%	30.40%	Increased by 0.20 percentage point
Selling and distribution expenses	470.74	472.57	-0.39%
General and administrative expenses	731.73	739.46	-1.05%
Total profit	960.42	978.68	-1.87%

(3) Manufacturing operations

The Group is Asia's largest and the world's second largest road maintenance machinery and equipment manufacturer, and also the shield manufacturer that has the largest production capacity, most complete equipment and most advanced technology in the PRC. It also produces engineering equipment such as large mining dump trucks and impact rollers, as well as parts and components for the tract system such as high-speed railway turnouts.

During the Reporting Period, the Group's revenue from the manufacturing operations amounted to RMB9,984.3 million, representing an increase of 11.99%, and the gross profits increased by 16.06% as compared to that of 2011.

Manufacturing operations (before elimination of inter-segment transactions)

Unit: million

Item	2012	2011	Growth rate
Revenue	9,984.31	8,915.23	11.99%
Operating costs	8,130.22	7,317.73	11.10%
Gross profit	1,854.09	1,597.50	16.06%
Gross profit margin	18.57%	17.92%	Increased by 0.65 percentage point
Selling and distribution expenses	200.41	173.68	15.39%
General and administrative expenses	887.50	698.78	27.01%
Total profit	727.20	576.80	26.07%



Report of Directors (continued)

(4) Real estate development operations

The real estate business is a principal business of the Company as approved by SASAC. During the Reporting Period, according to the working policy of “reducing inventory, regulating construction in process and keeping prudent in acquiring land” and in case of the continuously tight national macro control policies for real estate, the Group’s real estate segment closely combined the market situation, accelerated the selling-out speed of inventory items, and kept prudent and steady in expanding land reserves, thus continuously increasing business performance, enhancing the brand influence remarkably and realizing steady growth in its profit contribution to the Company. In 2012, the real estate segment realized a sales amount of RMB21,164.7 million, representing an increase of 44.47% as compared to the corresponding period last year; and a sales area of 2,259,000 m², representing an increase of 26.91% as compared to the corresponding period last year. According to the data issued by China Real Estate Appraisal, the Group’s real estate sales amount for 2012 ranked 23rd in the country. For the year ended 31 December 2012, the Group realized a revenue of RMB18,137.3 million, representing an increase of 33.98% as compared to the corresponding period last year; a total profit of RMB2,867.7 million, representing an increase of 29.69% as compared to the corresponding period last year. Before elimination of inter-segment transactions, the gross profit margin of the real estate development operations was 27.87%, representing a decrease of 2.69 percentage points as compared to that of 2011.

In 2012, the Company’s real estate segment had 51 projects being sold in 29 cities, and 35 projects with single-building sales amount exceeding RMB100 million, of which the single-building sales amount of the Beijing CRCC Wutong Yuan Project, the CRCC Qingxiu City Project and the CRCC International City Project surmounted RMB2,000 million, i.e. RMB3,921.1 million, RMB2,234.3 million and RMB2,087.5 million respectively.

As at the end of 2012, the Group launched its real estate development business in 37 cities including Beijing, Shanghai, Tianjin, Guangzhou, Hangzhou, Chongqing, Xi’an, Changsha, Guiyang, Nanning, Chengdu, Hefei, Changchun, Jinan, Xiamen, Wuhan and Ningbo, with total land area for construction of 8,720,000 m² and a planned gross floor area of 27,470,000 m².

In 2012, the Company adhered to being prudent in acquiring new projects. During the Reporting Period, it obtained 16 real estate development projects in 13 cities including Beijing, Shanghai, Chongqing, Wuhan, Changsha, Lanzhou, Xi’an, Wuzhou, Hangzhou, Jinan and Xuzhou, with additional land area for construction of 1,310,000 m², and a planned gross floor area of 3,760,000 m².

Report of Directors (continued)

Real estate development operations (before elimination of inter-segment transactions)

Unit: million

Item	2012	2011	Growth rate
Revenue	18,137.34	13,537.61	33.98%
Operating costs	13,082.63	9,400.03	39.18%
Gross profit	5,054.71	4,137.58	22.17%
Gross profit margin	27.87%	30.56%	Decreased by 2.69 percentage point
Selling and distribution expenses	363.60	322.20	12.85%
General and administrative expenses	333.33	226.91	46.90%
Total profit	2,867.65	2,211.21	29.69%

(5) Logistics and materials trading and other businesses

As the largest logistics service provider for railway engineering in China, the Group has 31 regional business outlets, 1,330,000 m² logistics space, and more than 40,000 linear meter of railway siding and 32,550 m³ refined oil storage capacity. The Group provides integrated circulation services through well-improved and efficient information-oriented, regional and marketized logistics service system; and vigorously conducts centralized materials purchasing by utilizing its various business segments. China Railway Material Group Co., Ltd., the Group's subsidiary, ranked fifth for two consecutive years of 2011 and 2012 among the "Top 50 Chinese Logistics Enterprises".

In 2012, the Group's revenue from logistics and other businesses reached RMB52,718.1 million, representing an increase of 60.13% as compared to that of 2011. The substantial increase in revenue is mainly attributable to the significant increase in new orders brought by the intensified efforts made by the Group in business development. Before elimination of inter-segment transactions, the gross profit margin of the logistics and other businesses for 2012 was 5.06%, representing a decrease of 0.62 percentage point as compared to that of 2011, mainly attributable to the increase in considerable quantities of large orders of which the gross margin was relatively low.



Report of Directors (continued)

Logistics and materials trading and other businesses (before elimination of inter-segment transactions)

Unit: million

Item	2012	2011	Growth rate
Revenue	52,718.09	32,921.54	60.13%
Of which: logistic and materials trading	50,367.88	31,186.18	61.51%
Operating costs	50,051.81	31,052.28	61.19%
Of which: logistics and materials trading	48,513.37	29,873.04	62.40%
Gross profit	2,666.28	1,869.26	42.64%
Of which: logistics and materials trading	1,854.51	1,313.14	41.23%
Gross profit margin	5.06%	5.68%	Decreased by 0.62 percentage point
Of which: logistic and materials trading	3.68%	4.21%	Decreased by 0.53 percentage point
Selling and distribution expenses	468.03	335.46	39.52%
Of which: logistic and materials trading	423.37	301.55	40.40%
General and administrative expenses	973.54	915.75	6.31%
Of which: logistic and materials trading	803.76	646.50	24.32%
Total profit	1,193.34	474.37	151.56%
Of which: logistic and materials trading	656.65	281.36	133.38%

2. Principal operations by region

Revenue by region

Unit: million

Region	2012	2011	Growth rate
Mainland China	466,885.33	440,166.80	6.07%
Overseas	17,427.60	17,199.31	1.33%
Total	484,312.93	457,366.11	5.89%

As at the end of 2012, the Group had overseas operating business distributed in 59 countries all over the world as well as in Hong Kong, Macao and other regions, and had 379 projects under construction in total. The overseas operations recorded stable growth.

Report of Directors (continued)

(IV) Analysis of Assets and Liabilities

1. Assets-Liabilities Analysis Table

As at the end of the Reporting Period, the Group's principal assets and liabilities and the corresponding changes were as follows:

Unit: million

	31 December 2012		31 December 2011		Growth rate
	Amount	Percentage	Amount	Percentage	
Total assets	480,661.30	100.00%	422,982.84	100.00%	13.64%
Major asset items					
Cash and bank balances	92,274.14	19.20%	83,057.64	19.64%	11.10%
Accounts receivable and long-term receivables	79,405.54	16.52%	71,422.89	16.89%	11.18%
Advances to suppliers	33,560.70	6.98%	26,075.65	6.16%	28.71%
Other receivables	30,968.06	6.44%	25,335.88	5.99%	22.23%
Inventories	171,336.94	35.65%	150,181.50	35.51%	14.09%
Fixed assets	37,935.94	7.89%	38,507.45	9.10%	-1.48%
Intangible assets	8,203.84	1.71%	6,791.25	1.61%	20.80%
Total liabilities	407,332.00	84.74%	357,264.07	84.46%	14.01%
Major liability items					
Short-term loans	38,696.69	8.05%	34,159.99	8.08%	13.28%
Other current liabilities	21,952.07	4.57%	7,504.78	1.77%	192.51%
Long-term loans					
due within a year	9,704.43	2.02%	3,473.98	0.82%	179.35%
Current portion of Bonds payable					
due with in a year	—	—	9,988.06	2.36%	—
Accounts payable and long-term payables	162,159.09	33.74%	152,852.80	36.14%	6.09%
Advanced from customers	62,097.76	12.92%	53,414.31	12.63%	16.26%
Other payables	34,855.00	7.25%	32,532.58	7.69%	7.14%
Long-term loans	16,930.10	3.52%	18,218.81	4.31%	-7.07%
Bonds payable	14,459.98	3.01%	12,392.52	2.93%	16.68%
Employee benefits payable ^{Note}	13,161.21	2.74%	13,330.30	3.15%	-1.27%

Note: The “payroll payable” is the sum of the employees’ remuneration payable in the current liabilities and the other non-current liabilities in the long-term liabilities.

As at 31 December 2012, the Group’s balance of cash and bank balances amounted to RMB92,274.1 million, accounting for 19.20% of the total assets and representing an increase of 11.10% as compared to the corresponding period last year, mainly attributable to the increase in loans and the issue of short-term financing bonds and ultra short-term financing bonds by the Group for maintaining daily operations.

As at 31 December 2012, the Group’s advance to suppliers balance amounted for RMB33,560.7 million, representing an increase of 28.71% as compared to the corresponding period last year, mainly because the Group increased the prepayments to suppliers of labor forces and materials.



Report of Directors (continued)

As at 31 December 2012, the Group's balance of other receivables amounted to RMB30,968.1 million, representing an increase of 22.23% as compared to the corresponding period last year, mainly attributable to the fact that the deposits for equipment and goods required to lease for the year, the deposits for other operating activities and the performance bonds during the contract period increased.

As at 31 December 2012, the Group's inventory balance amounted to RMB171,336.9 million, representing an increase of 14.09% as compared to the corresponding period last year, mainly attributable to an increase in real estate development products and an increase in the amount due from customers for contract work by the end of the year as the Group developed its real estate development operations.

As at 31 December 2012, the Group's interest-bearing liabilities (short-term loans, other current liabilities, long-term loans, the sum of long-term loans and payable bonds due within one year) amounted to RMB101,743.3 million, representing an increase of 18.67% as compared to the corresponding period last year. The increase in loan size was mainly attributable to the increase in demand for funding given the expanded operation of the Group.

As at 31 December 2012, the Group's advanced from customers increased by 16.26% as compared to the corresponding period last year, mainly attributable to owners' increase in capital being allocated to certain construction projects of the Group.

2. Changes in the measurement attributes of the assets at fair value and the prime assets

The Company regularizes and manages the accounting work related to the measurement at fair value strictly pursuant to the provisions of the Accounting Standards for Business Enterprises, and determines the fair value by an appropriate, reasonable method according to prudent principle.

Items related to measurement at fair value

Unit: million

Item	Opening amount	Losses from changes in fair value in the current period	Accumulated changes in fair value charged to equity	Closing amount
1. Financial assets at fair value through profit or loss	46.92	3.24	—	115.03
2. Available-for-sale financial assets	242.10	—	22.87	264.97
Total	289.02	3.24	22.87	380.00

Report of Directors (continued)

The Group's financial assets at fair value through profit or loss purchased during the Reporting Period included China Non-ferrous Mining stocks held by the Group (fair value of RMB66.6 million at the end of the period). The change in fair value was RMB1.8 million. During the Reporting Period, the measurement attributes of the Group's prime assets was subject to no material change.

3. Financial assets at the end of the Reporting Period

The Company classifies the financial assets mainly according to the characteristics of its own businesses, the risk management requirements and the purpose of holding such financial assets. As at 31 December 2012, the Company's financial assets were as follows:

Unit: million

Item	Financial assets at fair value through profit or loss	Held-to- maturity investment	Loans and accounts receivable	Available-for- sale financial assets	Total
Held-to-maturity investment	—	1.27	—	—	1.27
Available-for-sale financial assets	—	—	—	264.97	264.97
Long-term equity investment under cost method	—	—	—	2,530.74	2,530.74
Bills receivable	—	—	2,300.57	—	2,300.57
Accounts receivable	—	—	71,711.64	—	71,711.64
Interest receivable	—	—	81.25	—	81.25
Dividends receivable	—	—	12.51	—	12.51
Other receivables	—	—	30,968.06	—	30,968.06
Long-term receivables	—	—	7,693.90	—	7,693.90
Non-current assets due within one year	—	—	13,427.89	—	13,427.89
Financial assets held for trading	115.03	—	—	—	115.03
Cash and bank balances	—	—	92,274.14	—	92,274.14
	115.03	1.27	218,469.96	2,795.71	221,381.97



Report of Directors (continued)

As at 31 December 2012, the Company's financial liabilities were as follows:

Unit: million

Other financial liabilities	Amount
Short-term loans	38,696.69
Due to customers	1,738.94
Bills payable	22,013.20
Accounts payable	158,862.43
Interests payable	236.60
Dividends payable	108.39
Other payables	34,855.00
Non-current liabilities due within one year	10,432.26
Other current liabilities	21,952.07
Long-term loans	16,930.10
Bonds payable	14,459.98
Long-term payables	3,296.65
Total	323,582.31

(V) Analysis of core competitiveness

1. Outstanding and unique corporate culture

Having inherited the fine tradition and style of the railway corps, the Group entails high degree of normalization and executive force, has the courage to accept challenge and constantly brings forth new ideas and carries forward the spirit of "being fearless of danger and difficulties, being bold to scale new heights, staying ahead in the industry and building a good reputation both at home and abroad" to create good brand advantages in the industry.

2. Experienced management team

The Group's management team has extensive industry management experience in respect of enterprise operation, financial management, capital operation and the development of corporate culture, and is able to control complicated and volatile situation.

3. Skilled workforce with solid professional knowledge

The Group has strong professional teams consisting of a number of Chinese Academy of Engineering academicians, national survey and design masters, experts enjoying special allowance of the State Council and engineering specialists.

Report of Directors (continued)

4. Abundant engineering construction resources

The Group has numerous engineering and technical equipment, professional, complete and high-level engineering construction qualifications and professional institutions of various types, as well as a complete industrial chain, enabling it to provide complete one-stop engineering construction services for customers. The Group's technology and equipment capability for the year had further strengthened. As at the end of 2012, the Group's shield equipment increased to 153 sets, and special equipment for the construction of concrete box girder for high-speed railways and passenger lines increased to 372 sets. The additional authorized patents for the year amounted to 703, representing an increase of 58% as compared to that of last year. The Group had 1,740 patents accumulatively and the number of patents increased rapidly with remarkable improvement also in quality.

5. Strong market development capability

The Group has established a complete business network, and vigorously promoted regional operation, advocated the regional operation and management mode featuring "market-orientation, unified management rational operation". Currently, the Group has established nearly 200 regional operating institutions that cover various provinces, autonomous regions and municipalities directly under the central government in China, which has become an important force for maintaining the growth of Group's operating scale. At organization level, it provided an important security for the sustainable development of its operations.

(VI) Analysis of Investment

1. Overall Analysis of Investment in External Equities

As at 31 December, 2012 the carrying balance of the Group's long term equity investment was RMB5.6477 billion, up RMB1.1776 billion compared to RMB4.4701 billion at the beginning of the year, representing the growth rate of 26.34%. In particular, the impairment provision for long term equity investment was RMB0.0231 billion, down RMB0.0028 billion compared to the beginning of the year.



Report of Directors (continued)

(1) Investment in securities

Unit: RMB 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 (%)	Profit/loss during the Reporting Period
1	Stock	HK01258	ChiNF Mining	64.86	36,363,000	66.63	57.93	1.77
2	Fund	184692	Yulong Fund	20.57	20,090,700	17.84	15.51	2.21
3	Fund	500009	Anshun Fund	11.88	15,300,000	13.97	12.15	1.07
4	Stock	601618	MCC	59.27	10,600,000	12.98	11.28	-2.15
5	Fund	500011	Jinxin Fund	3.35	3,600,000	3.21	2.79	0.34
6	Stock	600028	Sinopec	0.53	135,000	0.40	0.34	—
Total				160.46	—	115.03	100.00	3.24

(2) Shareholdings in other listed companies

Unit: RMB million

Stock code	Abbreviated stock name	Amount of initial investment	Percentage of interests in the investee	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
601328	Bank of Communications	49.89	0.07%	214.80	—	20.00	Available-for-sale financial assets	Original issue stock
002159	Sante Cableway	3.00	0.99%	14.97	—	-2.58	Available-for-sale financial assets	Original issue stock
000759	Wuhan Zhonghai	1.06	0.14%	6.31	—	-1.79	Available-for-sale financial assets	Original issue stock
600885	Linuo Solar	1.44	0.71%	10.96	—	3.00	Available-for-sale financial assets	Original issue stock
600809	Shanxi Fenjiu	0.71	0.05%	16.66	—	4.04	Available-for-sale financial assets	Original issue stock
600322	Tianjin Reality Development	0.16	0.03%	0.37	—	0.05	Available-for-sale financial assets	Original issue stock
601169	Bank of Beijing	0.002	—	0.90	—	0.15	Available-for-sale financial assets	Original issue stock
Total	—	56.26	—	264.97	—	22.87	—	—

Report of Directors (continued)

(3) Shareholdings in non-listed financial enterprises

Unit: RMB million

Name of investees	Cost of investment	Number of shares held (share)	Percentage of interests in the investee	Investment during the period	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
Guotai Junan Securities Co., Ltd.	7.66	7,660,000	0.16%	—	7.66	—	—	Long-term equity investment	initiator
Essence Securities Co. Ltd.	268.45	66,952,467	2.09%	—	268.45	7.80	—	Long-term equity investment	initiator
Total	276.11				276.11	7.80	—	—	—

(4) Sale and purchase of shares of other listed companies

Unit: RMB million

Name of Stock	Number of shares at the beginning of the period (share)	Number of shares purchased during the Reporting Period (share)	Proceeds used	Number of shares sold during the Reporting Period (share)	Number of shares at the end of the period (share)	Investment Returns
China Nonferrous Mining	—	36,363,000	64.86	—	36,363,000	1.77



Report of Directors (continued)

(5) Investment in other equities

Unit: RMB Million

Company name	Principal business	Book value at the end of the period	Net assets of the company in the current period	Investment income in the current period	Shareholding percentage (%)
Jointly controlled entities					
Chun Wo-Henryvicy-CRCC-Queensland Rail Joint Venture	Construction	0.03	0.15	—	20.00
Chun Wo-Henryvicy-CRCC Joint Venture	Construction	0.03	0.13	—	25.00
CRCC-Tongguan Investment Co., Ltd.	Mining industry investment	1,200.00	2,327.73	—	50.00
PetroChina-CRCC Petroleum Marketing Co., Ltd.	Petroleum marketing	61.98	123.92	33.75	50.00
China-Africa Lekkil Investment Co., Ltd.	Investment management	841.05	1,120.08	-5.29	74.47
China Railway Communications International Engineering and Technology Co., Ltd.	Construction and design	67.18	132.61	-0.33	51.33
Others		19.75		-3.97	
Associates					
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	Technical consultancy	2.53	5.36	0.24	49.00
Shekou Xinghua Enterprise Co., Ltd.	Real estate development	40.88	124.25	2.20	32.90
Chongqing Yurong Highway Co., Ltd.	Construction	587.85	979.75	—	40.00
Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.	Construction	100.00	499.89	—	20.00
Nanchang Xinlong Real Estate Co., Ltd.	Property management, leasing and real estate development	89.48	279.28	-0.54	37.54
Chongqing Monorail Transportation Engineering Co., Ltd.	Construction	55.38	135.87	10.10	37.50
Others		39.74		-3.30	
Total		3,105.88	5,729.02	32.86	

2. Entrusted Financial Management and Derivatives Investment of Non-Financial Companies

During the Reporting Period, the Group had neither entrusted financial management nor entrust loan.

Report of Directors (continued)

3. Use of Proceeds

The proceeds raised from A share offering and H share offering of the Company were used respectively prior to 31 December 2011 and 31 December 2010. During the Reporting Period, the Company had neither raised proceeds nor used proceeds raised from the previous period.

4. Analysis of Major Subsidiaries and Companies Invested by the Company

(1) Major Subsidiaries

During the Reporting Period, the major subsidiaries of the Group are as follows:

Unit: RMB Million

Name of the Company	Registered capital	Major financial indicators for 2012			Principal operations	Industry
		Total Assets	Net Assets	Net Profits		
China Civil Engineering Construction Corporation	1,210.00	17,714.87	2,837.11	233.87	Construction	Construction
China Railway 11th Bureau Group Co., Ltd.	1,031.85	27,078.42	3,044.78	555.66	Construction	Construction
China Railway 12th Bureau Group Co., Ltd.	1,060.68	35,796.91	3,976.29	638.32	Construction	Construction
China Railway 13th Bureau Group Co., Ltd.	1,044.81	18,163.20	2,133.98	371.62	Construction	Construction
China Railway 14th Bureau Group Co., Ltd.	1,110.00	24,579.93	2,694.73	343.59	Construction	Construction
China Railway 15th Bureau Group Co., Ltd.	1,117.21	19,661.54	1,943.73	267.47	Construction	Construction
China Railway 16th Bureau Group Co., Ltd.	1,068.30	20,751.53	2,080.67	284.96	Construction	Construction
China Railway 17th Bureau Group Co., Ltd.	1,105.47	26,013.61	2,843.05	409.69	Construction	Construction
China Railway 18th Bureau Group Co., Ltd.	1,130.00	21,997.29	1,973.08	400.76	Construction	Construction
China Railway 19th Bureau Group Co., Ltd.	1,095.47	20,742.93	2,283.43	363.07	Construction	Construction
China Railway 20th Bureau Group Co., Ltd.	1,110.00	20,514.01	2,229.53	328.00	Construction	Construction
China Railway 21st Bureau Group Co., Ltd.	950.00	17,321.72	1,921.03	210.64	Construction	Construction
China Railway 22nd Bureau Group Co., Ltd.	926.00	15,857.64	1,954.06	300.96	Construction	Construction
China Railway 23rd Bureau Group Co., Ltd.	965.00	15,457.35	1,661.51	6.77	Construction	Construction



Report of Directors (continued)

Name of the Company	Registered capital	Major financial indicators for 2012			Principal operations	Industry
		Total Assets	Net Assets	Net Profits		
China Railway 24th Bureau Group Co., Ltd.	953.24	13,160.29	1,691.21	152.98	Construction	Construction
China Railway 25th Bureau Group Co., Ltd.	910.72	10,772.96	1,308.51	141.08	Construction	Construction
China Railway Construction Group Ltd.	1,300.00	28,512.73	3,335.27	614.34	Construction	Construction
China Railway Electrification Bureau Group Co., Ltd.	710.00	12,718.76	2,111.78	426.21	Construction	Construction
China Railway Construction and Waterway Bureau Co., Ltd.	1,200.00	3,762.43	1,379.05	68.60	Port and channel engineering	Construction
China Railway Real Estate Group Co., Ltd.	7,000.00	53,068.60	10,611.21	1,732.16	Real estate development and operations	Real Estate
China Railway First Survey and Design Institute Group Co., Ltd.	200.00	5,072.34	996.07	190.32	Consultancy and supervision on survey and design	Professional Technical Services
China Railway Fourth Survey and Design Institute Group Co., Ltd.	150.00	9,672.31	1,868.95	412.54	Consultancy and supervision on survey and design	Professional Technical Services
China Railway Fifth Survey and Design Institute Group Co., Ltd.	155.00	853.27	460.68	51.07	Consultancy and supervision on survey and design	Professional Technical Services
China Railway Shanghai Design Institute Group Co., Ltd.	130.00	607.11	421.70	58.72	Consultancy and supervision on survey and design	Professional Technical Services
China Railway Goods and Materials Co., Ltd.	1,000.00	23,394.73	2,715.07	557.33	Purchase and sales of goods and materials	Logistics
Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	587.98	4,499.28	1,870.94	237.71	Manufacturing	Special Equipment Manufacture
China Railway Construction Heavy Industry Co., Ltd.	750.00	4,718.73	1,808.28	297.65	Manufacturing	Special Equipment Manufacture
China Rail Construction International Group Co., Ltd.	3,000.00	7,341.13	2,945.41	-49.34	Engineering Contracting	Construction

Report of Directors (continued)

Name of the Company	Registered capital	Major financial indicators for 2012			Principal operations	Industry
		Total Assets	Net Assets	Net Profits		
Beijing Tiecheng Construction Supervision Co., Ltd.	20.00	263.10	67.49	12.90	Consultancy and supervision on survey and design	Professional Technical Services
China Railway Construction Investment Co., Ltd.	10,000.00	19,871.49	11,042.11	324.85	Project investment	Investment
CRCC Finance Company Limited	1,300.00	19,334.34	1,439.19	139.19	Financial Agency	Finance
CRCC China-Africa Construction Limited	1,000.00	1,847.95	1,043.32	26.09	Construction	Construction
Chenghe Insurance Brokers Co., Ltd.	50.00	102.24	79.61	13.63	Insurance brokerage	Insurance
China Railway Construction (Beijing) Business Management Co., Ltd.	18.83	147.66	37.27	3.83	Property management	Other Service Industry

During the Reporting Period, the major subsidiaries in which the Group took a comparatively bigger proportion of the consolidated operating results included China Railway 12th Bureau Group Co., Ltd., China Railway Real Estate Group Co., Ltd. and China Railway Goods and Materials Co., Ltd.

In 2012, the net profit of China Railway 12th Bureau Group Co., Ltd. was RMB0.6383 billion, representing a year-on-year increase of 41.29% and 7.49% of the net profit RMB8.5206 billion of the Group. By virtue of enhancing centralized management and control, lowering cost, increasing effectiveness, fortifying foundation, and imposing lean management, its economic benefits have continued to increase. Its operating revenue was RMB40.7169 billion in 2012, with the operating profit of RMB0.7019 billion.

In 2012, the net profit of China Railway Goods and Materials Co., Ltd. was RMB0.5573 billion, representing a year-on-year increase of 177.80% and 6.54% of the net profit RMB8.5206 billion of the Group. In 2012, its operating revenue was RMB40.5548 billion, with the operating profit of RMB0.6553 billion. The main reason for the significant growth in both revenue and profit was that it further strengthened its business development with significant increase in its scale of operation during the Reporting Period.



Report of Directors (continued)

In 2012, the net profit of China Railway Real Estate Group Co., Ltd. was RMB1.7322 billion, representing a year-on-year increase of 22.19% and 20.33% of the net profit RMB8.5206 billion of the Group. In 2012, its operating revenue was RMB14.2725 billion with the operating profit of RMB2.3985 billion. The main reason for the significant growth in both revenue and profit was that it expedited the expansion of the scale of development and the sales of the inventory, coupled with faster development.

Particulars of acquisition and disposal of subsidiaries by the Group during the Reporting Period:

I. Establishment (investment) of New Subsidiaries of the Group during the Reporting Period:

A. CRCC Finance Company Limited

On 13 May 2011, the 44th meeting of the first anniversary Board of Directors of the Company considered and adopted the resolution of the investment financial company. The Company had participated in the restructuring, reforming and capital increase of China Greatwall Finance Company (the "Finance Company"), a wholly-owned subsidiary of CRCCG, and subscribed for RMB 1,222 million of the new registered capital by cash, representing 94% of the registered capital of the Finance Company after subscription. The Board was of the view that the investment in the 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. On 20 May 2011, the relevant announcement was published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Stock Exchange of Hong Kong Ltd (www.hkex.com.hk). As at 31 December 2011, the Company has paid for the capital increase of the financial company, Finance Company however had not proceeded with the formalities for the industrial and commercial registration yet. The sum of investment was tentatively disclosed as other receivables. On 28 March 2012, Finance Company upon completion of the formalities for the industrial and commercial registration was amalgamated into the Group and was renamed "CRCC Finance Company Limited. In 2012, China Railway Construction Finance Company Limited achieved a net profit of RMB 139.2 million, representing 1.63% of the net profit of the Group (ie. RMB8.5206 billion).

Report of Directors (continued)

B. China Railway Construction International Group. Co., Ltd.

To unswervingly implement the strategies of “Go Global” and “Go International” set forth by the Group’s development and plans and further enhance the Group’s competitiveness in the international market. On 20 March 2012, the 10th meeting of the second anniversary Board of Directors of the Company considered and adopted the resolution of establishing China Railway Construction International Group. Co., Ltd. On 21 March 2012, the relevant announcement was published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, the website of Shanghai Stock Exchange(www.sse.com.cn) and the website of the Stock Exchange of Hong Kong Ltd.(www.hkex.com.hk). In 2012, China Railway Construction International Group Co. recorded a net profit of RMB -49.3 million and posed no significant impact on the Group’s overall production operation and performance.

- II. Merger of the Guangdong Province Hangsheng Construction Group Co., Ltd. together with an engineering company, and reconstructed into China Railway Construction and Waterway bureau Co., Ltd. For details, please refer to the section of Assets Transaction and Merger of Business in Chapter 6 Significant Events of this report.
- III. Save from the establishment and investment of new subsidiaries and the merger and acquisition of Guangdong Province Hangsheng Construction Group Co., Ltd. by China Railway Construction and Waterway Bureau Co., Ltd. no material change has occurred in the consolidated financial statements compared to the previous year.

(2) Companies Invested by the Company

For the companies invested by the Company, please see “(5) Investment in Other External Equities” under “Overall Analysis of Investment in External Equities” in this section of the report. The changes in the assets, operating results and other financial indexes of these companies invested by the Company have no material influence to the assets, operating results and other financial indexes of the Group for the current year and in future.

5. Projects of Non-raised Capital

(1) BOT Project for Construction of Chengyu Expressway Double-line (Chongqing Section)

The total project investment was RMB8,539.78 million. The capital was RMB1,959.50 million. The Company held 40% of the equity. In 2012, the capital contribution by the Company was RMB195.95 million. The accumulated capital contribution by the Company was RMB587.85 million.



Report of Directors (continued)

(2) *The BOT Project for Construction of Jinan - Leling Highway*

The total project investment was RMB7,541.89 million. The capital was RMB1,767.50 million. The Company held 65% of the equity. In 2012, the capital contribution by the Company was RMB594.10 million, with the accumulated capital contribution of RMB1,148.90 million.

(3) *BT Project of Slender West Lake Tunnel Works in Yangzhou*

The total project investment was RMB1,690.69 million. In 2012, the capital of RMB363 million was contributed, with the accumulated contribution of RMB383 million.

(4) *The BT Project of Taicang Harbour in Jiangsu*

The total project investment was RMB1,770 million. In 2012, the capital of RMB91.19 million was contributed, with the accumulated capital contribution of RMB1,431.19 million. In 2012, the revenue from repurchase was RMB182.56 million, with the accumulated repurchase amount of RMB1,334.86 million received.

(5) *The BT Project of Hong Gu Tan New District in Nanchang*

The total project investment was RMB1,200 million. In 2012, the capital of RMB202.96 million was contributed, with the accumulated capital contribution of RMB543.35 million. The accumulated repurchase amount of RMB503 million was received.

(6) *The Zhenggong Road BT project in Tianfu New District, Chengdu*

The total project investment was RMB4,727 million. In 2012, the capital of RMB1,000 million was contributed, with the accumulated contribution of RMB1,000 million.

(7) *The BT project of Nanjing Meizizhou River-Crossing Passageway*

The total project investment was RMB2,175.20 million. In 2012, the capital of RMB815 million was contributed, with the accumulated contribution of RMB815 million.

(8) *The BT Project of Phase II Westward Extension Project (Wuzhong Section) of Nanbuan Expressway in Suzhou*

The project commenced construction in August 2012. The total project investment was RMB1,120.59 million. In 2012, the capital of RMB168 million was contributed, with the accumulated contribution of RMB168 million.

(9) *The BT Project of Phase I Jinning Line of Rail Transport Engineering in Kunming*

The project commenced construction in December 2012. The total project investment was RMB1,900 million. In 2012, the capital of RMB25.50 million was contributed, with the accumulated contribution of RMB25.50 million.

Report of Directors (continued)

- (10) *The BT Project of Urban Trunk Road Phase I Engineering from Ma Chang to Huaxi Road in Guiyang*

The project commenced construction in November 2012. The total project investment was RMB1,265.86 million. In 2012, the capital of RMB80 million was contributed, with the accumulated contribution of RMB80 million.

- (11) *The BT Project of Liobin -Shugang Expressway in Panjin, Liaoning Province (遼寧省盤錦濱疏港高速公路BT項目)*

The project commenced construction in November 2012. The total project investment was RMB1,874.63 million. In 2012, the capital of RMB527.55 million was contributed, with the accumulated contribution of RMB527.55 million.

- (12) *The BT Project of Dengta-Liaozhong Expressway in Liaoning Province*

The project commenced construction in November 2012. The total project investment was RMB3,337.60 million. In 2012, the capital of RMB178.30 million was contributed, with the accumulated contribution of RMB178.30 million.

- (13) *The BT Project for Civil Construction of Xi'an Fengwei New Area*

The total project investment was RMB781.01 million. In 2012, the capital of RMB260 million was contributed, with the accumulated capital contribution of RMB310 million.

- (14) *The BT Project of the Bridges of Lower Reach of Changjiang in Yudong, Chongqing (Phase II)*

The total project investment was RMB457.85 million. The project completed construction on 14 July 2011. As at 31 December 2012, the repurchase amount of RMB328.88 million was received.

- (15) *North Second Ring Road (BT) Project in Guiyang City*

The project was officially open to traffic in September 2011. No capital was contributed during the Reporting Period. The accumulated capital contribution for the project was RMB2,538 million. As at 31 December 2012, the repurchase amount of RMB320 million was received.

- (16) *The Rebuilding and Expansion (BT) Project for the Kunming Main City Second-Ring Highway System*

The project was open to traffic in end-2009. No capital was contributed during the Reporting Period. The accumulated capital contribution for the project was RMB3,256.56 million. As at 31 December 2012, the repurchase amount of RMB1,909.03 million was received.



Report of Directors (continued)

- (17) *The BT Projects for Construction of Luquan to Banjiao Section of Luda Highway in Kunming, and the Jiuxiang - Yiliang Highway*

Luda Highway was open to traffic in December 2011. Jiuxiang - Yiliang Highway was open to traffic on 20 September 2011. At present, the acceptance procedure is under way. The accumulated capital contribution for the project was RMB2,670 million. As at 31 December 2012, the repurchase amount of RMB728.90 million was received.

- (18) *The BT Project of East Expansion of Shuanglong Road and Pugou Road in Jinjiang*

The project construction was completed. The accumulated capital contribution for the project was RMB212.45 million. As at 31 December 2012, the repurchase amount of RMB120.28 million was received.

- (19) *The Cofferdam Project of the Petrochemical Industrial Park in Dongbaidao District, Zhanjiang City*

The total project investment was RMB4,130.60 million. No capital was contributed during the Reporting Period. The accumulated contribution was RM450 million.

- (20) *The Project of East Outer Ring Middle Road in Kunming*

The total project investment was RMB1,364.17 million. No capital was contributed during the Reporting Period. The accumulated contribution was RM70 million.

- (21) *The BT Project for Relocation Housing in Wanli District, Nanchang City.*

The project investment was RMB570 million. In 2012, the capital contribution was RMB88.20 million, with the accumulated investment of RMB88.20 million.

- (22) *The Project of Tongliao Logistics Park*

The Phase I engineering consideration of the project was approximately RMB240 million. In 2012, the capital contribution was RMB34.88 million, with the accumulated capital contribution of RMB34.88 million.

- (23) *The BT Project of Relocation Housing for the Establishment of New Rural Villages and Renovation of the Old Urban Area in Yueqing City*

The total project investment was RMB1,350 million. In 2012, the capital contribution was RMB106.25 million, with the accumulated capital contribution of RMB106.25 million.

- (24) *Dedicated Railway Line of Changshou Chemical Industrial Zone in Chongqing*

The total project investment was RMB683.66 million. In 2012, the capital contribution was RMB236 million, with the accumulated capital contribution of RMB236 million.

Report of Directors (continued)

(25) The BT Project for the Bridge between Jingba Expressway and Hawu Highway in Harbin New District

The total project investment was RMB167 million. In 2012, the capital contribution was RMB50 million, with the accumulated capital contribution of RMB50 million.

(26) Sino-Africa Lekki Investment Company Limited-Lekki Free Trade Zone Project

During the Reporting Period, the Company and ChinaCivil Engineering Construction Co., Ltd. (中國土木工程公司) did not contribute capital to Sino-Africa Lekki. The accumulated capital contribution was RMB130 million.

(27) Mirador Copper Mine Project in Ecuador

During the Reporting Period, no capital was contributed. The accumulated capital contribution was RMB1,200 million.

During the Reporting Period, the Public Rental Housing Project in Liangjiang New District, Chongqing was changed from the BT project to the ordinary engineering contracting project. The other projects with material investment of the Group did not have new investment. The projects were conducted as scheduled.

(VII) Entities with Special Purpose under the Control of the Company

Not any entities with special purpose were under the control of the Group.

II. DIRECTORS' DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

(I) Competitive Landscape and Development Trends

Domestically, the Government has set the goal of doubling its GDP in ten years and completing the building of a moderately prosperous society in all respects. To attain the goal, average GDP growth during the period must reach at least 7.2% and the economy should continue to maintain a steady and relatively fast development momentum. The Central Government implements strong policy to expand domestic demand, strives to accelerate urbanization and introduces all means to achieve growth. The next decade is still an important period of strategic opportunities for the economic development of China.

Internationally, the situation is more complicated. Unstable and uncertain factors increase, but the underlying adjustment of the global economy and the vigorous demand of the international construction market also create a better ground for us to bring our own competitive advantage into full play, participate in the global resources allocation, accelerate the pace of "Go Global" and seize the commanding heights for future development which will bring new opportunities.

From the point of view of the market environment of the industry our Group belongs, affected by the macroeconomic policies of "expanding domestic demand" and "new urbanization", the demands for railway, highway, housing construction, urban rail and other infrastructure construction will remain high. Construction market demand will steadily increase, hence expanding the market capacity of the trades of logistics and engineering equipment manufacturing.



Report of Directors (continued)

Construction industry. Accompanied by profound changes in the economic situation and market trends, new characteristics have emerged in the construction market. First of all, the direction of government investment is gradually changing. To facilitate structural adjustment, the Central Government intends to invest mainly in areas including affordable housing projects; agriculture, water conservancy, urban pipeline network and other infrastructure construction; social undertakings and other livelihoods projects; energy conservation and emission reduction; and ecological construction. National key continued projects in progress will be prioritized to gain credit support so as to meet their funding needs. Secondly, investment subject is becoming more diversified. Investment access into the infrastructure market will be further relaxed. Railway, energy and other fields will introduce private capital. Investment subject transforms from government investment to social investment and corporate investment. The monopoly of certain industries will be gradually breaking up. Thirdly, the contracting model of the construction market is also changing. More projects are contracted by mechanisms like BT and EPC, and provide new opportunities for the development of capital operation and operation management businesses.

Manufacturing industry. Accompanied by the rapid development of China's transportation construction, the industrial manufacturing industry maintains excellent momentum of development. 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.

Real estate industry. Within a period of time from now, the Central Government will not relax the regulations on real estate. The policies of purchase limits and credit limits will remain in the short term. In the mid-long term, given the general scarcity of land resources, the steady and relatively fast growth of China's economy, the accelerating urbanization and industrialization process, and the continuous increase of market demand, there will be a prosperous demand in the real estate market, therefore creating a favorable development environment for the real estate industry. The Group 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 mainly by regional real estate companies under certain Group member companies that meets specific qualifications.

Logistics and materials trading industry. Due to the continuous and rapid development of railway, highway 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)

In the recent first meeting of the 12th National People's Congress of the People's Republic of China, "The Plan on Institutional Reform and Transformation of Government Functions of State Council Organs" ("the Plan") was discussed and approved. The administrative aspect and the commercial aspect of railway management are separated. Part of the functions of the former Railway Ministry is incorporated into the Ministry of Transport by forming a new State Railway Administration. Meanwhile, the China Railway Corporation is formed to take up the commercial functions of former Railway Ministry. The Railway Ministry no longer exists. In view of the impact of the Plan and related railway reform (hereinafter collectively referred to as the "Railway Reform") on the Group, the Company has conducted careful analysis and researches, and believes the Railway Reform will bring positive influence to the Group. First of all, the impact on railway construction scale is positive. China's railway transport capacity shortage will remain in a relatively long period of time. Therefore, railway construction also needs to remain in relatively large scale in the relatively long run. The Plan has stated clearly that one of the purposes of the reform is "to promote the sustainable development of railway construction and effective operation" and "to accelerate the construction of an integrated transportation system". The Plan also stated that, "considering the development of the railway is still at an important stage", "the government will continue to support the construction and development of the railway". Secondly, the impact on the sources of capital for railway construction is positive. The general direction of the Railway Reform is marketization. The Plan proposed to accelerate railway investment and financing system reform and tariff reform, to establish standard public welfare route, and to establish a sound transport subsidy system. Meanwhile, the reform on railway enterprises will further intensify to establish a modern enterprise system. The above reform will help to eliminate the factors that affect private capital investment on railway and will be beneficial for private capital to invest in railway. At the same time, it will also help to improve the cash flows of railway enterprises, in favor of resolving the problem of sources of capital for railway construction, so that the sources of capital for railway construction will begin to go into virtuous cycle. Thirdly, the impact on our Group's market position in railway construction is positive. The Group gained its current market position by its own technology, experience and performance. After marketization, the railway construction market will be more standardized, and the Group can further display its competitive advantage. Fourthly, the impact on the level of profitability of railway engineering is positive. After the reform, the railway market will be more standardized and more transparent and thus the Group will have more control on the level of profitability of railway engineering.

Overall, the Group has ample opportunities to further develop and the market position of the Group will further elevate.

(II) The Company's Development Strategies

The development strategies of the Company are: construction-oriented, relevant diversification, integrated operation and advance through transformation, so as to develop into a high-value creative multinational construction industry group with world-leading economic power, world-leading technological power and world-leading competitive power.

Construction-oriented - Construction engineering is the pillar industry and foothold of the Group. It is also the premise and foundation of industrial restructuring and business expansion. The main strategic focus in the future will continue to adhere to general construction contracting as the core business, and the major mission of development is to "enlarge the scale, strengthen the efficiency and build the brand", so as to develop the traditional construction industry into a modern construction industry.



Report of Directors (continued)

Relevant diversification - To fully utilize the competitive advantage of the Group's main business and the corporate brand reputation, make use of the construction engineering industry as the connection and industrial restructuring as the means, so as to build a diversified industrial development system with reasonable layout, distinct functions, business clustering, strong characteristics, cooperative division of labor, development diversification and low-carbon environmental friendliness in accordance to the cycle characteristics of industrial development.

Integrated operation - Through the operating model with vertical and horizontal business expansion of the industrial chain, integration of engineering design and construction, integration of capital operation and related industrial operation, and integration of international and domestic operation, to strengthen business collaboration mechanism and means of control, expand the brand influence of CRCCG, facilitate system integration and complementary advantages, and improve overall operational efficiency.

Advance through transformation - Adhering to transform in development, and develop ideas in transformation, comprehensively promote the eight major transformations and strengthen the ten capabilities. The eight major transformations: The first is to transform from relying mainly on railway construction to multi-discipline construction within and beyond railway. The second is to transform from relying on construction engineering to lead growth to relying on industrial diversification to lead development together. The third is to transform from the target of boosting scale to the target of development based on structural quality efficiency. The fourth is to transform from domestic market-oriented to a balance development in both the domestic and the international markets. The fifth is to transform from the labor-intensive business model to the integration of management, technology and capital. The sixth is to transform from production factor-driven to technological advancement, employee quality enhancement and innovation-driven. The seventh is to transform from extensification and experience-based development to leaning, connotation-based and intensification development. The eighth is to transform from homogenization, integration, decentralization development to specialization, differentiation and industrial concentration agglomeration development. Committed to enhance the ten capabilities: The first is to enhance the capability of strategic decision-making. The second is to enhance the capability of profit-making. The third is to enhance the capability of market expansion. The fourth is to enhance the capability of capital operation. The fifth is to enhance the capability of scientific and technological innovation. The sixth is to enhance the capability of project management. The seventh is to enhance the capability of coordinated development. The eighth is to enhance the capability of internal control and risk prevention, control and management. The ninth is to enhance the capability of merger and acquisition. The tenth is to enhance the capability of the headquarter to control, coordinate, supervise and serve.

(III) Operation Plan

In the 2013 annual budget of the Group, the value of new contract is RMB 650 billion, revenue from operations amounted to RMB465 billion, costs and taxes amounted to RMB454.2 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.

Please refer to the sections of "The Company's Development Strategies" and "Potential Risks" of this chapter.

Report of Directors (continued)

(IV) Capital Requirement the Company Needed to Maintain Current Business and Complete Investment Projects in Progress

In order to achieve the business goals for 2013 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, issues of bonds and other ways.

(V) Potential Risks faced by the Company

After analyzing and evaluating the domestic and international economic dynamics, the characteristics, business distribution, management approach and future development strategies of the industries where the Company is operating, it is concluded that the major risks faced by the Company include the risks of market, the risks of cash flows, the risks of overseas operations, the risks of construction project management and the risks of investment.

1. Risks of Market

Construction operation is the major business of the Company. It relies heavily on infrastructure market such as railway and is vulnerable to impacts brought by the macroeconomic policies of the government and the overall industry environment. Under the current circumstance, the Company is facing an increasingly competitive market environment. With relatively long battle front, many of the current projects of the Company may face dramatic changes in raw materials and labor costs, leading to an increase in production cost, or policy-related price adjustment, leading to market price changes of products or services, and hence result in loss of profit of the Company.

In terms of market development, the Company will continue to improve the market development management coordination mechanism, improve operational efficiency and contract quality, consolidate and enhance the core market of railway, highway, housing construction, urban rail, vigorously develop emerging markets, continue to deepen strategic cooperation, create advanced operating platform of mutual benefit and win-win cooperation, and timely transform business strategy and deepen industrial restructuring according to the market environment. In terms of responding to the possible increase in production costs, the Company will take the initiative to reduce costs from the source by fully utilizing different means of information collection including the web and e-commerce, timely analyzing the market situation, comprehensively implementing centralized procurement of material supplies and equipment and positively facilitating strategic cooperation with major suppliers, in order to obtain stable supply and preferential prices.

2. Risks of Cash Flows

Property owners defying credit or contract dispute may result in delay or loss of the payment of receivables/advances to suppliers and affected the cash turnover of the Company. Adjustment of the financing market by the government or bank can adversely affect the Company's plan of financing. Increasing financing costs will increase operating costs and lower corporate income. Insufficient financing will affect the Company's normal operation and development plans.



Report of Directors (continued)

According to the internal and external circumstantial factors and the trends of changes, the Company will conduct comprehensive and long-term planning of cash flows, so as to ensure cash flows will meet the challenges brought by circumstantial changes. On this basis, the Company has established a comprehensive budget system on cash flows to ensure the normal operation of the Company's operating activities. And by understanding the key elements that may affect cash flows, the Company has also made reasonable plans to manage the Company's accounts receivable/payable. Meanwhile, risk analysis and early warning system of cash flows that fit the industry characteristics of the industries which the Company is in are established. The Company also maintains good relations with investors and creditors and actively develops reliable clientele resources. Therefore, it is ensured that the Company's cash flows does not deviate from the corporate general direction and overall goals and constantly improving the effectiveness of cash flow management.

3. Risks of Overseas Operations

The Company's overseas operations are mainly located at developing countries or economically under-developed areas and are greatly affected by the politics, economy, policies and laws of the countries they operate in. Due to various factors of changes, the Company's overseas projects may not be able to complete on schedule, leading to increasing costs and underachievement of expected revenue and adversely affect the economic benefits and sustainable development of the Company.

Facing either predictable or unpredictable risks, the Company will involve extensively in international cooperation, effectively strengthen the Company's leadership, management, coordination and resource integration capabilities on overseas operations, actively facilitate international cooperation of different levels and in different ways by adhering to the "win-win" concept, so as to achieve the complementary advantages on all aspects of policy, technology, capital and production. It will also take full advantage of insurance and other risk transferring tools, and improve the capability of domestic operation, the capability of contract management and the capability of scientific and technological research and innovation, so as to facilitate the steady development of the overseas operations business.

4. Risks of Construction Project Management

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.

Report of Directors (continued)

The Company will continue to promote regulating, smoothening and standardizing the workflow of decision-making on projects, refine the preparation work of project implementation, and comprehensively strengthen the management and inspection on projects. Especially on the quality of safety management, the Company insists safety should be given the highest priority. The correlation of safety and progress must be handled properly. In accordance with safety management laws, the Company has enhanced the organization and standard system, implement work according to laws and in proper order, achieving production by laws and management by laws. Prevention is emphasized, responsible is assigned, so as to lay the foundation of safe production and safeguard the foremost defense in safety management.

5. Risks of Investment

As the global economy is still dragging with slow recovery, China's economic development environment has become tougher. All kinds of economic activities and their complicated inter-relations have brought grave uncertainty to the Company's investment decisions. The characteristics of investment projects include complicated operation, large amount of capital involved and long payback period. There are potential risks that the Company may be dragged by the debt burden of investors, break of credit, non-standardized investment recovery model, and the adjustment and control of relevant industry policies which all increases the difficulties for the Company to manage its investment.

The Company will adhere to the approach of "maintaining appropriate scale and being proactively moderate" to carry out capital operations business, control the intensity and pace of investment, and place it within the control of the economic strength of the Company, so as to achieve the balance and consistency between the scale of capital operations and the enterprise's overall strengths and investment and financing capabilities. Cash flows remains in balance and capital operation projects beyond the manageable capability of the Company are prohibited. In the meantime, positive measures are taken to strengthen the operation and monitoring of current capital operation projects in order to ensure the realization of investment income.

III. EXPLANATION FROM THE BOARD ON THE "MODIFIED AUDIT REPORT" FROM ACCOUNTING FIRM

(I) Explanation from the Board and Supervisory Committee on the "Modified Audit Report" from Accounting Firm

Not applicable.

(II) Analysis and Explanation from the Board on the Reasons and Impact of the Change of Accounting Policies, Accounting Estimates or Calculation Methods

Not applicable.

(III) Analysis and Explanation from the Board on the Reasons and Impact of the Clarification on Material Preliminary Errors.

Not applicable.



Report of Directors (continued)

IV. REVIEW ON THE FINANCIAL STATEMENTS BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has reviewed the financial statements of the Company for the year ended 31 December 2012.

V. PROFIT DISTRIBUTION PLAN AND RESERVE-TO-EQUITY TRANSFER PLAN

(I) *The Formulation, Implementation or Adjustment of the Cash Dividend Policy*

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

It was resolved at the 11th meeting of the second session of the Board convened by the Company on 28-29 March 2012 that a cash dividend for the 2011 of RMB0.10 (tax inclusive) per 1 share based on the total share capital of 12,337,541,500 shares as at 31 December 2011 was declared, totaling RMB1,233,754,150.00. The profit distribution plan had been considered and passed at the 2011 general meeting convened on 12 June 2012. As at 10 August 2012, the distribution of the above cash dividend was completed.

2. Formulation and Adjustment of Cash Dividend Policy

During the Reporting Period, the Company highly valued reasonable investment return to its shareholders whilst maintaining its sustainable development. Pursuant to the Notice regarding Further Implementation of Cash Dividends Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) issued by the CSRC and the relevant requirements of the Notice Regarding Further Optimization of Cash Dividends Distribution of Listed Companies (《關於進一步完善上市公司現金分紅有關事項的通知》) issued by the Beijing Securities Regulatory Bureau, the Company has proposed certain amendments to the policies relating to cash dividends in the Articles of Association and clarified the criteria and ratio of dividend. It also promulgated the Shareholders' Return Plan of the Company in the Coming Three Years (2012-2014) (《公司未來三年(2012-2014)股東回報規劃》). Independent Directors have issued independent opinion of agreement to the aforesaid two proposals. The Company's profit distribution policy was in compliance with the provisions of the Articles of Association and review procedures. The lawful interests of small to medium sized investors are fully protected, and adjustments and changes of the profit distribution policy were made in lawful and transparent conditions and procedures. The Company convened the 14th meeting of the second session of the Board and the 2012 second extraordinary general meeting on 29-30 August and 28 December respectively. The announcements of the resolutions of the aforesaid meetings were published on 31 August and 29 December, respectively, on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, the websites of the Shanghai Stock Exchange (www.sse.com.cn), Hong Kong Stock Exchange (www.hkex.com.hk) and the Company (www.crcc.cn). Details of the amendments on the profit distribution policy in the Articles of Association is as follows:

Report of Directors (continued)

(1) *Amendments to Article 254*

The article originally read as:

Article 254 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:

- (1) cash; and/or
- (2) shares.

While ensuring sufficient funds for its normal production, operations and development, the Company shall distribute cash dividends in an appropriate proportion.

Now amended as:

Article 254 The basic principles of the profit distribution policies of the Company are as follows:

- (1) The Company shall take full account of the return to investors and distribute dividend to shareholders on a yearly basis in a fixed proportion out of the distributable profit realized for the year as contained in that year's consolidated financial statements;
- (2) The profit distribution policies of the Company shall maintain continuity and stability while giving consideration to the interests of the Company in the long term, the interests of all shareholders as a whole, and the sustainable development of the Company;
- (3) The Company shall distribute its profit by way of cash dividend as priority.

(2) *The following three articles are added immediately after Article 254:*

Article 255 The profit distribution policies of the Company are specified as follows:

- (1) Form of profit distribution: the Company may distribute dividends in cash, in shares or in a combination of both cash and shares. Under favorable circumstances, the Company may distribute interim dividends.
- (2) Conditions and proportions of cash dividends of the Company: in the absence of certain special circumstances, if the Company's profit for the year and its total undistributed profit are positive, the Company shall distribute dividends in cash and such profit to be distributed in cash on a yearly basis must not be less than 15% of the distributable profit realized for the year as contained in that year's consolidated financial statements.



Report of Directors (continued)

Such special circumstances refer to the following:

1. where the audit firm issues a modified audit report on the financial report of the Company for that financial year;
 2. where the Company has major investment plan or significant cash expenditure, excluding projects funded by raised proceeds. Such major investment plan or significant cash expenditure refers to the external investment and asset acquisition by the Company with accumulated expenditure within the following twelve months amounting to or exceeding 30% of the latest audited net assets.
- (3) Conditions for distributing dividends in shares by the Company:

Where the Company is in a sound operating condition, and the Board of Directors considers that the stock price of the Company does not reflect its scale of share capital and distributing dividend in shares will be in the interests of all shareholders of the Company as a whole, the Company may propose the distribution of dividend in shares upon fulfillment of the above conditions concerning cash dividends.

Article 256 The Company shall adopt the following procedures for considering its profit distribution plan:

1. The profit distribution plan of the Company shall be drawn up by the management before being submitted to the Board of Directors and the supervisory committee of the Company for consideration. The Board of Directors shall thoroughly discuss the rationality of the profit distribution plan and form a specific resolution, which will then be submitted to the Shareholders' General Meeting for consideration. In the event of any failure to distribute dividend in cash in compliance with the requirements under the Articles of Association by the Company, or any special circumstances under which dividend shall not be distributed, the Company shall provide the access to online voting for shareholders when such profit distribution plan is considered at the Shareholders' General Meeting.
2. Where the Company does not distribute cash dividends under the special circumstances as provided for in the foregoing Article 255, the Board of Directors shall make explanations for the specific reasons for not distributing cash dividends, the exact purpose for the retained profit and the estimated investment return, submit such matters to the Shareholders' General Meeting for consideration after the independent directors have given their opinions thereon, and disclose the same in the designated media of the Company.

Report of Directors (continued)

Article 257 Alteration of the Company's profit distribution policies:

In case of force majeure such as wars and natural disasters, or changes to the Company's external operation environment resulting in material impact on its production and operation, or the operation of the Company has undergone relatively significant changes, the Company may make adjustments to its profit distribution policies.

The Board of Directors shall conduct specific discussion over adjustment to the Company's profit distribution policies, provide detailed reasoning for such adjustment, and form a written report to be considered by the independent directors and then submit to the Shareholders' General Meeting for approval by way of a special resolution. In considering the alterations to its profit distribution policies, the Company shall provide the access to online voting for shareholders.

(II) Profit Distribution Plan of the Company for 2012

1. Profit Distribution Plan for 2012

According to the audited financial report of the Company for 2012, the undistributed profit of the parent as at the beginning of 2012 was RMB3,118,051,224.91. After taking into consideration of the net profit of RMB3,616,228,761.56 recorded for the parent of the year and deducting the cash dividend of RMB1,233,754,150.00 for 2011, the distributable profit for the parent at the end of the year was RMB5,500,525,836.47. Pursuant to relevant provisions of the Company Law and the Articles of Association, upon the appropriation of 10% of the net profit recorded as the statutory reserve for the parent for 2012 of RMB361,622,876.16, the profit of the parent for the year distributable to the shareholders is RMB5,138,902,960.31. Based on the total share capital of 12,337,541,500 shares as at 31 December 2012, a total of cash dividend of RMB1,357,129,565.00 will be distributed on the basis of cash dividend of RMB0.11 (tax inclusive) per 1 share. After the distribution, the undistributed profit of the parent will be RMB3,781,773,395.31, which will be carried forward to the next year.

If the aforesaid profit distribution plan for 2012 is approved by the shareholders in the annual general meeting, the Company will separately announce the arrangement on the payment of dividend, such as the dates for the payment of dividend and the dates of closure of register of members.

The ratio of the total cash dividend proposed to be distributed in the plan to the net profit attributable to the shareholders of the listed company in the consolidated statement for 2012 is 16.01%.



Report of Directors (continued)

2. The Company did not have any proposed reserves-to-equity transfer plan for 2012.

3. Detailed Information

(1) *Reasons for the ratio of total cash dividend proposed to be distributed to the net profit attributable to the shareholders of the listed company for the year below 30%:*

Given the Company is in the development stage of “adjusting structure and promoting transformation”, the scale of its construction continued to expand with increasing demand on working capital, and its investment in areas such as industrial manufacturing and real estate development has been increasing every year. With an aim to enhance the quality and speed of the Company’s development for delivering long-term and on-going return to investors, and in consideration of the capital structure, solvency and development plans, the Company formulated the 2012 cash dividend plan. The plan meets the requirements of the Articles of Association and the Shareholders’ Return Plan of the Company in the Coming Three Years (2012-2014) of “such profit to be distributed in cash on a yearly basis must not be less than 15% of the distributable profit realized in the consolidated statement for 2012 for the year as contained in that year’s consolidated financial statements” and is consistent with a policy of on-going and stable profit distribution policy. Upon further improvement of its capital position, the Company will increase its profit and return to investors with a better distribution plan.

(2) *Consideration and Voting in the Board Meetings:*

The 20th meeting of the second session of the Board was held on 27 to 28 March 2012 with all the 9 directors attended. The Proposal on the Distribution of the 2012 Annual Profit of the Company (《關於公司2012年年度利潤分配的議案》) was considered in the meeting, and approved by the voting by open ballot. The profit distribution plan shall be subject to approval in the 2012 annual general meeting of the Company.

Report of Directors (continued)

(3) *Independent Opinion on the Reasonableness of the Plan by Independent Directors:*

Pursuant to the relevant requirements of the Securities Law, Notice regarding Further Implementation of Cash Dividends Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》), the Guidance for Cash Dividend Distribution of SSE-listed Companies by Shanghai Stock Exchange (《上海證券交易所上市公司現金分紅指引》), Articles of Association and the Shareholders' Return Plan for the Three Years of 2012-2014 of the Company (《公司未來三年(2012-2014年)股東回報規劃》), independent Directors of the Company Mr. Li Kecheng, Mr. Zhao Guangjie, Mr. Wu Taishi and Mr. Ngai Wai Fung conducted conscientious and detailed review on the Proposal on the Profit Distribution of the Company 2012 (《關於公司2012年年度利潤分配的議案》) and issued the following independent opinion: the Board of the Company proposed a distribution plan of distributing a cash dividend of RMB0.11 (tax inclusive) per 1 share based on the total share capital of 12,337,541,500 shares as at 31 December 2012 according to the real situation of the Company. The ratio of the total cash dividend proposed to be distributed to the net profit attributable to the shareholders of the listed company for the year is 16.01% in the plan, which is lower than the 30% as set out in the Guidance for Cash Dividend Distribution of SSE-listed Companies by Shanghai Stock Exchange (《上海證券交易所上市公司現金分紅指引》). However, the distribution plan meets the requirements of cash dividend in the Articles of Association and the level of cash dividend is reasonable and beneficial to the implementation of the projects of the Company. It can also facilitate reasonable return of investors and the sustainable development of the Company, is in line with the long-term demand of the Company for development and in the long-term interest of medium and small shareholders as a whole and not being contradictory to them. The Proposal on the Distribution of the 2012 Annual Profit of the Company (《關於公司2012年年度利潤分配的議案》) considered in the 20th meeting of the second session of the Board was approved, and will be submitted to the general meeting of the Company for approval.

(III) *The Profit and Undistributed Profit of the Parent during the Reporting Period were positive but Cash Dividend Plan has not been Proposed. The Company should Disclose the Reasons in Details and the Purposes and Plans of Usage for the Undistributed Profit*

Not applicable.



Report of Directors (continued)

(IV) PROFIT DISTRIBUTION OR RESERVES-TO-EQUITY TRANSFER PLANS OF THE COMPANY FOR THE PREVIOUS THREE YEARS, INCLUDING THE REPORTING PERIOD:

Year of dividend distribution	Number of bonus shares for every 10 shares (share)	Value of per 10 shares (tax inclusive) (yuan)	Number of shares for every 10 shares (share)	Amount of cash dividend (tax inclusive) (million yuan)	Net profit attributable to shareholders of the Company in the consolidated statement during the year of dividend distribution (million yuan)	Percentage in net profit attributable to shareholders of the Company in the consolidated statement (%)
2012	—	1.10	—	1,357.13	8,478.89	16.01
2011	—	1.00	—	1,233.75	7,854.29	15.71
2010	—	1.00	—	1,233.75	4,246.22	29.06

VI. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Activities in Social Responsibilities

2012 Social Responsibility Report of CRCC (《中國鐵建股份有限公司2012年社會責任報告》) is published on the websites of the Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company, websites: www.sse.com.cn, www.hkex.com.hk and www.crcc.cn.

(II) Environmental Protection Status of the Listed Company and its Subsidiaries that is Stipulated by the National Environmental Protection Departments as Heavy Pollution Industries

Not applicable.

VII. OTHER DISCLOSURE

(I) Taxation on Dividend

In accordance with the relevant regulations on taxation in the PRC, 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.

Report of Directors (continued)

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) (《關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[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.

(II) Share Capital

Details of the share capital of the Company are set out in Note V.36 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.

(III) 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 and Notes V.37 to 39 to the financial statements in the audited financial statements.

(IV) Property, Plant and Equipment

Details of the changes in the property, plant and equipment are set out in the Note V.12 to the consolidated financial statements.

(V) Distributable Reserves

The distributable reserve of the Company as at 31 December 2012 was approximately RMB5,138.9 million.

(VI) Designated Deposits and Overdue Time Deposits

As at 31 December 2012, the Group had no designated deposits placed with any financial institutions in China, nor any time deposits which could not be recovered upon maturity.



Report of Directors (continued)

(VII) 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.

(VIII) 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.

(IX) Donation

During the Reporting Period, the charitable donations and other donations of the Group aggregated to RMB5,431,800.

(X) 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.

Significant Events

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS GENERALLY QUESTIONED BY THE MEDIA

(I) *Litigation, arbitration or matters generally questioned by the media disclosed in the temporary announcements with no subsequent progress*

1. The Group was not involved in any material litigation and arbitration during the Reporting Period.
2. For the media reports, the Company published the following clarification announcements

Summary of the issue	For inquiries
There was certain media coverage regarding the Mirador Copper Mine Project which is owned by ECSA (i.e. in block letters S.A, a company controlled by the Company and Tongling Nonferrous Metals Group Holdings Co., Ltd.), that the environmental certificate had not been issued, which is not consistent with the fact and the Company has published the announcement to clarify.	The clarification announcement was disclosed on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) and the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 25 April 2012
There was media coverage regarding the acquisition of stake in Internazionale Milano, which is not consistent with the fact and the Company has published the announcement to clarify.	The clarification announcement was disclosed on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) and the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 3 August 2012

3. The Company was not involved in any other matters contested by the media.

(II) *Litigation and arbitration undisclosed in the temporary announcements or those with subsequent progress*

N/A.

(III) *Matters generally questioned by the media undisclosed in the announcements or those with subsequent progress*

N/A.

II. OCCUPATION OF FUNDS AND REPAYMENT OF DEBTS AND LIABILITIES DURING THE REPORTING PERIOD

N/A.



Significant Events (continued)

III. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company was not involved in any matter relating to insolvency or restructuring during the year.

IV. TRANSACTION OF ASSETS AND MERGER OF BUSINESS

(I) Acquisition and disposal of asset and merger of business by the Company which have been disclosed in the temporary announcements and have no change in the subsequent implementation process

N/A.

(II) Matters undisclosed in temporary announcements or those with subsequent progress

1. Acquisition of assets

N/A.

2. Disposal of Assets

N/A.

3. Replacement of assets

N/A.

4. Merger of Business

On 9 February 2012, the 8th meeting of the second session of the Board of the Company considered and approved the resolution in relation to acquiring the equity interests in Guangdong Province Hangsheng Construction Group Co., Ltd. ("Hangsheng Company") at a purchase consideration of RMB300,000,000. Since the amount involved in the abovementioned acquisition of assets did not reach the standard of a separate disclosure; the Company did not publish a temporary announcement but disclosed the issue in "Subsequent Events" in the 2011 annual report instead.

As considered and approved by the 9th meeting of the second session of the Board of the Company on 24 February 2012, the Group merged all the assets and liabilities of Hangsheng Company, which was acquired by the Company, into China Railway Construction and Waterway Bureau Co., Ltd. In February 2012, the Company paid the consideration of RMB300 million in accordance with the equity transfer agreement, and appointed its representatives as directors, management and financial personnel in March. Hangsheng Company completed the registration procedures for changes in equity upon shareholders' approval on 13 April 2012 and completed the deregistration procedures on 20 June 2012. As at the date hereof, the Company completed the merger of Hangsheng Company and determined 13 April 2012 as the acquisition date.

Significant Events (continued)

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

Unit: RMB'000

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



Significant Events (continued)

The financial performance and the net cash flows for the end of this Reporting Period from the acquisition date of Hangsheng Company are as follows:

Unit: RMB'000

	From 13 April 2012 to 31 December 2012
Revenue	1,483,359
Net Profit	10,433
Net cash flows from operating activities	149,030
Net cash flows used in investing activities	-8,924
Net cash flows from financing activities	16,486

For the abovementioned merger, please refer to the Announcement on Resolutions of the Ninth Meeting of the Second Session of the Board dated 25 February 2012.

V. 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.

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

During the Reporting Period, the connected transactions/related party transactions did not impose significant impacts on the production and operation of the Company.

(I) Non-exempt Continuing Connected Transactions

1. The continuing connected transactions contemplated under the Services Mutual Provision Framework Agreement and the Construction and Related Services Framework Agreement by the Company and CRCCG

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 Tiefu 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..

Significant Events (continued)

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 Group 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.

Since the abovementioned Services Mutual Provision Framework Agreement and the Construction and Related Services Framework Agreement (and the respective supplemental agreements) expired on 31 October 2010, and 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, in order to supervise such continuing connected transactions, the Company and CRCCG renewed these framework agreements on 28 December 2009 with the same clauses on the same provisions and conditions with an effective period from 1 January 2010 to 31 December 2012 (The former Services Mutual Provision Framework Agreement and the Construction and Related Services Framework Agreement (and the respective supplemental agreements terminated) terminated on the date of the effective date.) 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”.

On 28 December 2012, the 17th meeting of the second session of the Board of Company resolved to revise the 2012 annual cap for the provision of construction and related services (revenue) by the Company to CRCCG for its retained BOT projects under the Construction and Related Services Framework Agreement from RMB200 million to RMB700 million. Directors (including independent non-executive Directors) consider that the abovementioned revision of the annual cap is fair and reasonable and is in the interests of shareholders of the Company as a whole. For details please refer to the announcement dated 29 December 2012 in relation to revision of the 2012 annual cap for such continuing connected transaction.

In addition, The Company estimates that the amount of transactions for provision of construction and related services by the subsidiaries of the Company to CRCCG in respect of the Retained BOT Projects is relatively insignificant in the coming three years, and the subsidiaries of the Company have entered into specific contracts with the relevant BOT project companies in respect of such projects. Therefore, the Company did not renew the Construction and Related Services Framework Agreement with CRCCG upon its expiry on 31 December 2012.



Significant Events (continued)

For the year ended 31 December 2012, 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:

Unit: RMB'million

Nature of transaction	Annual caps for 2012	Aggregate transaction amounts of the Group for 2012
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	200	122.44
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	700	361.30
Expenditure		
3 Expenditure incurred for the services provided by CRCCG (or its associates) under the Services Mutual Provision Framework Agreement	600	232.06

Independent non-executive Directors of the Company have reviewed such 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 parties; 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 2012 annual caps set out in the relevant announcements dated 29 December 2009 and the announcement dated 29 December 2012 regarding the revision of the 2012 annual cap for continuing connected transactions under the construction and related services framework agreement published by the Company.

Besides, certain connected party transactions in Note VI.5 to the financial statements in this report also constituted continuing connected transactions as defined under Chapter 14A of the Listing Rules. Such connected party transactions have already complied with the disclosure requirements of Chapter 14A of the Listing Rules.

2. The Services Provision Framework Agreement and a Supplementary Agreement of Property Leasing Framework Agreement entered into by the Company and CRCCG

(1) Services Provision Framework Agreement

Given that both the Services Mutual Provision Framework Agreement entered into between the Company and CRCCG on 28 December 2009 and the annual caps of the related continuing connected transactions set thereunder expired on 31 December 2012, and in a bid to regulate the continuing connected transactions for purchase of related services by the Group from CRCCG and/or its associates, the Company and CRCCG entered into the Services Provision Framework Agreement on 28 December 2012 for a term from 1 January 2013 to 31 December 2015, and set the annual caps of the continuing connected transactions thereunder for the three years ending 31 December 2015.



Significant Events (continued)

The Company expects that the construction and related services of the Research Building provided by the Group to CRCCG under the Services Mutual Provision Framework Agreement will be fully completed in 2013, the transaction amount of which for 2013 is estimated to be relatively insignificant, and the relevant subsidiary of the Company has entered into a specific contract with CRCCG in respect of the construction and related services of the Research Building. Therefore, the Company did not renew the Services Mutual Provision Framework Agreement with CRCCG upon its expiry on 31 December 2012, but instead entered into the Services Provision Framework Agreement with CRCCG. The principal term of such agreement is that CRCCG and its related parties/connected persons/associates shall provide relevant ancillary services to the Company and its subsidiaries pursuant to the terms of Services Provision Framework Agreement.

(2) *Property Leasing Framework Agreement and Its Supplementary Agreement*

The Company entered into the Property Leasing Framework Agreement with CRCCG on 5 November 2007, for a term of 10 years commencing from 5 November 2007. The principal term of the Property Leasing Framework Agreement is that CRCCG and/or its related parties/associates have agreed to lease certain of their lawfully owned properties (hereinafter as "Leased Properties") to the Company and/or its subsidiaries on the terms and conditions set out in the Property Leasing Framework Agreement, and the Company and/or its subsidiaries have agreed to pay consideration for the lease of the Leased Properties as provided for under the Property Leasing Framework.

In order to regulate the continuing connected transactions for the lease of properties by the Group from CRCCG and/or its related parties/associates, the Company and CRCCG entered into a supplementary agreement to the Property Leasing Framework Agreement on 28 December 2012, to amend Article 2.2 of the Property Leasing Framework Agreement as follows: Leased Properties include the properties that had been leased to the Company and/or its subsidiaries by CRCCG and/or its related parties/associates at the time of the incorporation of the Company and certain properties built thereafter. In addition, CRCCG and/or its related parties/associates confirm that at the time of delivery, the Leased Properties are under good conditions satisfying the requirements of the Company and/or its subsidiaries. Save for the above amendments, other terms of the Property Leasing Framework Agreement entered into on 5 November 2007 remain the same and shall continue to be legally binding.

Besides, the Company entered into the Land Use Rights Leasing Framework Agreement with CRCCG on 5 November 2007, for a term of 20 years commencing from 5 November 2007. The principal term of Land Use Rights Leasing Framework Agreement is that CRCCG and/or its related parties/associates have agreed to lease certain of their lawfully owned land use rights to the Company and/or its subsidiaries on the terms and conditions set out in the Land Use Rights Leasing Framework Agreement, and the Company and/or its subsidiaries agreed to pay the consideration as provided for in the Land Use Rights Leasing Framework Agreement.

Significant Events (continued)

The Company set the annual caps of the abovementioned Property Leasing Framework Agreement (as supplemented by a supplementary agreement dated 28 December 2012) and the transaction of leasing property and land use rights by the Company from CRCCG and /or its associates under the Land Use Rights Leasing Framework Agreement for the three years ending 31 December 2015.

(3) *The Proposed Annual Caps of Continuing Connected Transactions for the Three Years Ending 31 December 2015*

Set out below are proposed annual caps of the continuing connected transactions under the Services Provision Framework Agreement, the Property Leasing Framework Agreement (as supplemented by a supplementary agreement dated 28 December 2012) and the Land Use Rights Leasing Framework Agreement for the three years ending 31 December 2015:

	<i>Unit: RMB million</i>		
	2013	2014	2015
Expenditure payable by the Group in respect of the services provided by CRCCG (or its associates) under the Services Provision Framework Agreement	600	600	600
Expenditure payable by the Group for leasing properties and land use rights from CRCCG (or its associates) under the Property Leasing Framework Agreement (as supplemented by a supplementary agreement dated 28 December 2012) and the Land Use Rights Leasing Framework Agreement	300	300	300

The above proposed annual caps of the continuing connected transactions are determined based on the estimated amount of transactions involved with reference to the historical transaction volumes. For details of the abovementioned continuing connected transactions, please refer to the announcement of Continuing Connected Transactions dated 29 December 2012 as published by the Company.



Significant Events (continued)

(II) The related party transactions to ordinary operations

1. Events disclosed in the temporary announcement and with no progress or change in subsequent implementation

According to the requirements of “No. 2 Guidelines for the Content and Format of Information Disclosure by Companies with Public Issue of Securities-Content and Format of Annual Report (as revised in 2012)” by the China Securities Regulatory Commission (CSRC), the Listing Rules of the Shanghai Stock Exchange and the Guidelines for the Implementation of Connected Transactions of Listed Companies in Shanghai Stock Exchange, the connected parties involved in connected transactions of the Company mainly include CRCCG, the controlling shareholder and subsidiaries controlled by it.

On 28 December 2009, the Company and CRCCG renewed the “Framework Agreement on the Contracting of Construction and Related Services” and “Framework Agreement on the Mutual Supply of Services”, with the estimate and disclosure on the annual maximum transaction amount for each year from 2010 to 2012. On December 28, 2012, at the 17th meeting of the second session of the Board of the Company, a resolution was considered and adopted that, as for income from the provision of construction and related services to CRCCG on the relevant BOT projects, the Company would amend the 2012 annual maximum amount of such revenue from RMB 200 million into RMB 700 million. The related announcements were published on December 29, 2009 and December 29, 2012 respectively in “China Securities Journal”, “Shanghai Securities News”, “Securities Daily”, “Securities Times” as well as the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of Hong Kong Stock Exchange (www.hkex.com.hk).

Significant Events (continued)

Major related party transactions to ordinary operations of the Group during the year 2012 are as follows:

Unit: RMB million

Related party	Related party transactions type	Related party transactions content	Pricing principle	Related party transactions price	Related party transactions amount	Proportion in the same category of transactions	Settlement method	Market price	Reason for the difference between transaction price and market price
CRCCG	Income from construction and related services	Engineering construction revenue	Agreement pricing	—	122.44	0.03%	Cash	—	—
CRCCG	Income from construction and related services	Engineering construction revenue	Agreement pricing	—	361.30	0.07%	Cash	—	—
11 units including Shaanxi Railway Engineering Investigation Co., Ltd.	Expenditure for labor service	Survey and design consultation	Agreement pricing	—	232.06	0.05%	Cash	—	—

- Events disclosed in the temporary announcement and with progress or change in subsequent implementation

Not applicable.

- Events undisclosed in the temporary announcement

The Company was not involved in any connected transactions undisclosed in the temporary announcement, with no circumstances under which the Company presented any regular report instead of the temporary announcement.



Significant Events (continued)

(III) Compliance with the non-compete agreement

CRCCG stated that in the year 2012, it had no violations of the undertakings in the “Non-Compete Agreement” signed on November 5, 2007 with the Company.

(IV) Related party transactions from asset acquisition and sales

During the Reporting Period, the Group had not any related party transactions from asset acquisition and sales.

(V) Significant related party transactions on the joint external investment

During the Reporting Period, the Group did not have any significant related party transaction on the joint external investment.

(VI) Claims and liabilities between related parties

According to the requirements of “No. 2 Guidelines for the Content and Format of Information Disclosure by Companies with Public Offering of Securities-Content and Format of Annual Report (as revised in 2012)” by the China Securities Regulatory Commission (CSRC), the Listing Rules of the Shanghai Stock Exchange and the Guidelines for the Implementation of Connected Transactions of Listed Companies in Shanghai Stock Exchange, the connected parties involved in connected transactions of the Company mainly include CRCCG, the controlling shareholder and subsidiaries controlled by it.

1. Events disclosed in the temporary announcement and have no progress or change in the subsequent implementation process.

N/A.

Significant Events (continued)

2. Events disclosed in the interim announcement and have progress or change in the subsequent implementation.

Unit: RMB million

Related party	Related party relationship	Provision of funds to related party by the listed company			Provision of funds to the listed company by related party		
		Beginning balance	Amount incurred	Ending balance	Beginning balance	Amount incurred	Ending balance
CRCCG ^{Note 1}	Controlling shareholder	1,500.00	-500.00	1,000.00	202.28	74.67	276.95
CRCCG ^{Note 2}	Controlling shareholder	14.49	355.35	369.84	—	—	—
CRCCG ^{Note 2}	Controlling shareholder	110.72	-79.14	31.58	—	—	—
CRCCG ^{Note 3}	Controlling shareholder	—	—	—	—	1,590.70	1,590.70
Jinli Asset Management Center ^{Note 3}	Wholly-owned subsidiary of the parent company	—	—	—	—	82.17	82.17
Jinli Asset Management Center	Wholly-owned subsidiary of the parent company	—	—	—	2.17	1.36	3.53 ^{Note 5}
Xian Tianchang Real Estate Co., Ltd.	Wholly-owned subsidiary of the parent company	0.58	—	0.58	—	26.55	26.55 ^{Note 6}
China Great Wall Financial Company ^{Note 4}	Under the common control of the follow subsidiary	1,222.00	-1,222.00	—	—	—	—
Beijing Tongda Jingcheng Highway Co., Ltd. ^{Note 2}	Holding subsidiary of the parent company	3.41	-3.38	0.03	—	1.06	1.06
Chongqing Tie Fa Suiyu Highway Co., Ltd. ^{Note 2}	Holding subsidiary of the parent company	4.24	0.56	4.80	200.00	-194.65	5.35
Total		2,855.44	-1,448.61	1,406.83	404.45	1,581.86	1,986.31



Significant Events (continued)

During the Reporting Period, the amount of funds to CRCCG and its subsidiaries by the Company (in RMB million)	575.35
Cause to claims and liabilities between related parties	Claims and liabilities resulted from the Company's operations with the related parties.
Settlement of claims and liabilities between related parties	Settlement by normal progress.
Commitments related to claims and liabilities between related parties	None.
Impact of such claims and liabilities on the Company's operating result and financial position	No significant impact.

Note 1: The amount was resulted from the transfer of the light railway project, in Mecca, Saudi Arabia, between the Company and its controlling shareholder. On January 21, 2011, the Company and CRCCG signed the Agreement on the Arrangement of Matters Related to the Saudi Mecca Light Railway Project, while on the same day the corresponding announcement was published respectively in "China Securities Journal", "Shanghai Securities News", "Securities Daily", "Securities Times", the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of Hong Kong Stock Exchange (www.hkex.com.hk). Under the agreement, from October 31, 2010 the Company would transfer all rights and obligations of the Mecca light railway project to the controlling shareholder while the controlling shareholder should pay a consideration of RMB2.077 billion to the Company. As of December 31, 2012, the controlling shareholder still needed to pay RMB 500 million within one year, with the residual payment of RMB 500 million to be due in 2014.

Note 2: The amount derives from the non-exempt continuing connected transactions between the Company and the controlling shareholder together with its subsidiaries, as detailed in this section "(I) Non-exempt continuing connected transactions".

Note 3: The amount represents the deposits of the controlling shareholder and its subsidiaries, which are deposited in CRCC Finance Company Limited as a subsidiary of the Group.

Note 4: On May 13, 2011, on the forty-fourth meeting of the first session of the Board of the Company, the resolution on investment in a financial company was considered and adopted, with the related announcement published on May 20, 2011 respectively in "China Securities Journal", "Shanghai Securities News", "Securities Daily", "Securities Times", the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of Hong Kong Stock Exchange (www.hkex.com.hk). The Company participated, together with the controlling shareholder i.e. CRCC, in the restructuring and capital increase of China Great Wall Financial Corporation (hereinafter referred to as the "Financial Company"), and with the monetary fund subscribed RMB 1,222 million share capital that accounted for 94% of the registered capital of the Financial Company after such capital increase. As of 31 December 2011, the Company already paid the corresponding amount of capital increase to the Financial Company while the Financial Company not yet completed the business registration procedures, and therefore, the investment of the Company was temporarily disclosed in the other receivables. On March 28, 2012, with the aforesaid registration procedures finished, the Financial Company was included in the consolidation of the Group, and renamed "CRCC Finance Company Limited. Therefore, the abovementioned investment was subsequently transferred to the long-term equity investment, and processed as a reduction in receivables in the current period.

Significant Events (continued)

Note 5: Jinli Asset Management Center provided capital with a closing balance of RMB3.53 million which was an unpaid rental fee related to the lease of properties to the listed company by China Railway Construction Heavy Industry Co., Ltd., a subsidiary under the Group, as detailed in the section “2. The Services Provision Framework Agreement and a Supplementary Agreement of Property Leasing Framework Agreement entered into by the Company and CRCCG” of “(I) Non-exempt connected transactions”.

Note 6: Xi'an Tianchuang Real Estate Company Limited provided capital with a closing balance of RMB26.55 million which was an unpaid rental fee related to the lease of properties to the listed company by China Railway 21st Bureau Group Co., Ltd., a subsidiary under the Group, as detailed in the section “2. The Services Provision Framework Agreement and a Supplementary Agreement of Property Leasing Framework Agreement entered into by the Company and CRCCG” of “(I) Non-exempt connected transactions”.

- Issues not disclosed in temporary announcements

Not applicable.

(VII) Other significant related party transactions

In the Reporting Period, the Group had no other significant related party transactions.

VII. MAJOR CONTRACTS AND PERFORMANCE

(I) Trusteeship, contracting and leasing matters

During the Reporting Period, the Company had no issues of trusteeship, contracting and leasing necessary to disclose.

(II) Guarantees

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

Unit: RMB million

External guarantees by the Company (exclusive of such guarantees to its subsidiaries)						
Name of the party guaranteed	Date of occurrence (Date of signing agreement)	Guarantee amount (RMB)	Guarantee type	Guarantee period	Performance completed or not	Guarantee by related party (yes or no)
Sichuan Naxu Railway CO., LTD. (四川纳叙铁路有限公司)	2006. 12. 28	67. 20	General guarantee	2006. 12. 28-2026. 12. 28	No	No
Sichuan Naxu Railway CO., Ltd. (四川纳叙铁路有限公司)	2008. 4. 16	50. 40	General guarantee	2008. 4. 16-2028. 4. 16	No	No
CRCC Tongguan Investment Co., Ltd.	2010. 5. 25	68. 28	General guarantee	2010. 5. 25-2015. 5. 25	No	Yes
CRCC Tongguan Investment Co., Ltd.	2010. 5. 25	998. 92	General guarantee	2010. 5. 25-2015. 5. 25	No	Yes



Significant Events (continued)

Total amount of guarantees for the Reporting Period (in RMB million)	—
Ending balance of guarantees for the Reporting Period (in RMB million)	1,184.80
Guarantees to subsidiaries by the Company	
Total amount of guarantees to subsidiaries for the reporting period (in RMB million)	441.75
Ending balance of guarantees to subsidiaries for the Reporting Period (in RMB million)	3,453.07
Total guarantees by the Company (inclusive of such guarantees to its subsidiaries)	
Total guarantees (in RMB million)	4,637.87
The proportion of total guarantees in net assets of the Company	6.32%
Of which:	
The amount of guarantees to the Company's shareholders, actual controllers and their related parties (in RMB million)	—
Debt guarantees directly or indirectly to guaranteed objects with the asset-liability ratio higher than 70% (in RMB million)	2,451.75
Of total guarantees, the portion in excess of 50% net assets of the Company (in RMB million)	—
Total of the above three categories of guarantees (in RMB million)	2,451.75

2. The Company's Decision-Making Procedures of Guarantees

(1) Decision-Making Procedures of Guarantees Granted to Wholly-owned Subsidiaries

Pursuant to the consideration by the eleventh meeting of the second session of the Board held on 28 and 29 March 2012, and approval by the 2011 Annual General Meeting held on 12 June 2012, the cap for internal guarantees of the Company in 2012 was determined as RMB 40 billion. During the reporting period, guarantee granted to wholly-owned subsidiaries by the Company was in strictly compliance with the guarantees cap. As at the end of the reporting period, the total amount of outstanding guarantee was of RMB 3,453.1 million and did not exceed the approved amount of guarantee.

Significant Events (continued)

(2) *Decision-Making Procedures of External Guarantees*

During the Reporting Period, the Company had not granted new external guarantees. As at the end of 2012, the total amount of outstanding external guarantees by the Company was of RMB1,184.8 million, including the following two guarantees:

- A. In 2006, China Railway Construction Corporation had provided RMB400 million of loans and RMB67.2 million of guarantee, representing 16.8% of capital contribution, to Sichuan Naxu Railway Co., Ltd. Due to the reform of the Company in December 2007, it entered into a tripartite agreement with China Railway Construction Corporation Limited and the Luzhou branch of China Construction Bank, and to revise the subject of the contract to China Railway Construction Corporation Limited. The resolutions of providing guarantee to the Naxu company for loans had been considered and approved in the tenth meeting of the first session of the Board. In proportion to the capital contribution of 16.8%, RMB50.4 million of guarantee were agreed to be provided to Sichuan Naxu Railway Co., Ltd., the joint-stock company for RMB300 million of loans, hence amounting to a total of RMB117.6 million of guarantee to the Naxu company.
- B. The resolutions of providing capital and bank loan guarantee to CRCC-Tongguan Investment Co., Ltd. had been considered and approved in the thirty-first meeting of the first session of the Board of the Company. In proportion to the capital contribution of 50%, the Board agreed to provide guarantees for the loan agreement entered by CRCC-Tongguan Investment Co., Ltd. with China Development Bank, Agricultural Bank of China and Bank of China, representing guarantee amount equivalent to RMB1,067.2 million.



Significant Events (continued)

(III) Other major contracts

1. Domestic business contract

Unit: RMB 100 million

Contract time	Abstract	Contract amount	The Company's contracting entity	Time limit of performance
2012/4/27	Shanxi Hua Rui Jiewang Coal Limited, earthwork stripping contracting	80	China Railway 12th Bureau Group Co., Ltd.	Temporarily estimated as ten years
2012/4/27	Beijing Cultural Silicon Valley, construction general contracting	74. 7	China Railway Construction Group Co., Ltd.	To be determined
2012/5/10	Sihui Dalongwan project	40	China Railway 25th Bureau Group Co., Ltd.	Expected to be complete in December 2016
2012/10/30	First-phase civil construction of Qingdao Metro Line 2 (YCK31+094. 06-YCK49+506. 000)	36. 97	China Railway Construction Corporation	1095 days
2012/12/25	Lan-Xin Railway 2nd double-track project, Xining station reconstruction and Borland off special Lanzhou hub for Bao-Lan passenger special railway (for introduction of the above new 2nd double tracks), of the station engineering, the "four-power" system integration and related engineering, LXSD2 section	51. 7	China Railway Electrification Bureau Group Co., Ltd., the China Railway 21 Bureau, Telecommunication and Electrochemical Engineering Co., Ltd.	1460 days
2012/12/24	The newly-built Zhengzhou-Xuzhou passenger special railway, ZXZQ-03 section	35. 6	China Railway 17th Bureau Group Co., Ltd.	1460 days

2. Overseas business contract

Unit: 100 million Currency: USD

Contract time	Abstract	Contract amount	The Company's contracting entity	Performance Time limit	Remarks
2012/1/30	Djibouti- to-Ethiopia border railway project	5. 79	China Civil Engineering Group Co., Ltd.	60 months	The announced contract amount was USD 505 million, and later increased by USD 74 million.
2012/8/27	Nigerian Railway Modernization Project (Lagos-Ibadan section)	14. 87	China Civil Engineering Group Co., Ltd.	36 months	Announced already
2012/9/8	Nigerian Four-terminal Project	6	China Civil Engineering Group Co., Ltd.	18 months	The announced five-terminal project had the contract amount of USD 683 million, and subsequently after the contract adjustment the project had four terminal, with the contract amount adjusted to USD 600 million.

Significant Events (continued)

VIII. THE PERFORMANCE OF COMMITMENTS

(I) Commitments during or until the Reporting Period by listed company, shareholders holding 5% or more equity, the controlling shareholder and actual controller

1. In the prospectus, the Company disclosed it totally held 836 lots of land, of which: 349 were under the formalities for obtaining the land use right with the state appraisal price while 53 in the process of land transfer procedures.

As of the date of this report, among the 349 lots of land under the formalities for obtaining the land use right with the state appraisal price upon the Company's IPO, 348 lots already had the land use permits. And at that time, 53 lots under the transfer procedures already completed all assignment formalities, with the land use permit obtained. There is still one lot is currently under such formalities, with the expectation of completion in recent time. The Company will further urge the head office as soon as possible to complete the procedures for land use permit of the final land lot aforesaid. The continuous handling of such permit for the remaining land lot is in favor of the Company's interests.

2. The Company disclosed in the prospectus that it held a total of 822 properties without obtaining the ownership certificates.

As of the date of this report, among the 822 houses without obtaining ownership certificates upon the Company's IPO, 220 already finished the formalities for ownership certificates; of the remaining 602 houses, 480 need no application for ownership certificate because they are productive auxiliary housings, 121 are not qualified to apply for any ownership certificate due to excessively long history since their establishment, and the final one house is currently going through the formalities, with the expectation of completion in recent time. Though the aforementioned housings have not yet obtained ownership certificates, yet they are invested by the Company as self-built properties, with the related accounting certificates and construction base. While there are no controversies or disputes over their ownerships, the Company is entitled such rights as to occupy, use, and make income and factual disposition. The Company will further urge the head office as soon as possible to complete the procedures for ownership certificate of the final house aforesaid. The continuous handling of ownership certificate for the remaining one housing is in favor of the Company's interests.

(II) As for the Company's assets or projects, there are earnings forecasts, and such items are within the forecast timespan in the Reporting Period, the Company shall make the explanation on whether such asset or project have achieved the original profit forecast and the corresponding reasons

Not applicable.



Significant Events (continued)

IX. APPOINTMENT AND REMOVAL OF AUDITORS

(I) *The appointment of auditor*

During the Reporting Period, the Company has not changed its auditor, while Ernst & Young Hua Ming hired by the Company as the auditor for the current year underwent the restructuring and renamed Ernst & Young Hua Ming LLP in August 2012. Such change in name by the accounting firm aforesaid did not constitute the replacement of auditor, and the Company's 2012 annual report audit was still assigned to Ernst & Young Hua Ming for implementation.

From 2007 to 2010, the Company for four consecutive years had retained Ernst & Young Hua Ming as its domestic auditor. On May 31, 2011, the Company's 2010 Annual Shareholders' General Meeting considered and approved the appointment of Ernst & Young Hua Ming as its external auditor for 2011 while ceasing the re-appoint of Ernst & Young. As of the end of the Reporting Period, the Company has appointed Ernst & Young Hua Ming LLP with the term of six consecutive years for audit services.

On June 12, 2012, the Company's 2011 Annual Shareholders' General Meeting considered and passed the Proposal on Appointing the 2012 Annual External Auditor and Payment of 2011 Annual Audit Fee, approving to continuously hire Ernst & Young Hua Ming LLP as the external auditor. After the review and consideration by the 20th meeting of the second session of Board from March 27 to 28, 2013, the Company is to pay Ernst & Young Hua Ming LLP the audit fees for the 2012 annual financial statements as well as related audit services, interim financial statement review and so forth, as RMB 30.396 million, and such proposal is still in need of submission to the 2012 Annual General Meeting for approval.

(II) *Appoint of internal control auditor*

On June 12, 2012, the Company's 2011 Annual Shareholders' General Meeting considered and passed the Proposal on Appointing the 2012 Annual Internal Control Auditor, approving to hire Ernst & Young Hua Ming instead of Crowe Horwath (incorporated with the special general partnership) as the internal control auditor herein. After the review and consideration by the 20th meeting of the second session of Board from March 27 to 28, 2013, the Company is to pay Ernst & Young Hua Ming LLP the audit fee for the 2012 annual internal control and other related service costs as RMB 2.4 million, and such proposal is still in need of submission to the 2012 Annual General Meeting for approval.

X. PUNISHMENTS AND RECTIFICATIONS INVOLVED BY LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING 5% OR MORE EQUITY, ACTUAL CONTROLLER OR BUYER

During the Reporting Period, the Company, its directors, supervisors, senior management, shareholders with more than 5% equity, actual controller or the buyer had not been in such circumstances as under the investigation by competent authorities, coercive measures by judicial or discipline inspection departments, to be handed over to judicial or prosecuted with criminal responsibility, administrative penalties, securities market exclusion, identification as the inappropriate candidates by CSRC, or punishments by other administrative departments or public censure by relevant stock exchange.

Significant Events (continued)

XI. EXPLANATION OF OTHER SIGNIFICANT EVENTS

(I) *Implementation of Scheme on Non-public issue of A shares*

On June 18, 2010, the Company held respectively the 2009 annual general meeting, 1st general meeting for A-Share class for 2010 and 1st general meeting for H-Share class for 2010, respectively, at which the resolution of a non-public issue of A shares to a certain specific parties (hereinafter referred to as “Non-Public Issue”) was considered and approved. The Company submitted the application materials to China Securities Regulatory Commission for such non-public issue. As of December 28, 2012, due to the impact of state macro-control policies on realty, the Company made no substantive progress on the above offering. In consideration of the expiration of relevant resolutions at the aforesaid shareholders’ meetings, the Company after the prudent analysis and assessment at 17th meeting of the second session of the Board of the Company decided to apply for the withdrawal of the application documents for such non-public issue, with the hope of re-start under future’s conditions more favorable. And on December 29, 2012, the related announcement was published respectively in “China Securities Journal”, “Shanghai Securities News”, “Securities Daily”, “Securities Times” as well as the website of Shanghai Stock Exchange (www.sse.com.cn), the website of Hong Kong Stock Exchange (www.hkex.com.hk) and the Company’s website (www.crcc.cn).

(II) *Other significant events, their impact and solution analysis*

During the Reporting Period, there happened no significant matters that affect the Company’s normal operation.

XII. SUBSEQUENT EVENTS

1. The Company entered into BT Project Contract with Changchun Subway on 18 March 2013, pursuant to which the Company will inject capital in an aggregate amount of RMB4 billion to Changchun Subway, in three tranches. The Company’s share of capital contribution in Changchun Subway shall not exceed 20% upon and after each tranche of capital contribution. Changchun SASAC or department entrusted by it will repurchase all capital contributed by the Company at the original value of RMB4 billion according to the schedule as agreed in the contract. For details, please refer to the announcement as published on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the Hong Kong Stock Exchange (www.hkex.com.hk) and our corporate website (www.crcc.cn).
2. As of the approval date of the financial statements, except for above event, the Group had no other significant subsequent events that need disclosure after the balance sheet date.



Changes in Shares and Particulars of Shareholders

I CHANGES IN SHARE CAPITAL

Table of Share Changes

Unit: share

	Before Change		After increase / decrease (+/-)					After change	
	Quantity	Percentage	Issue of new shares	Bonus issue	Conversion from reserves	Others	Subtotal	Quantity	Percentage
		(%)							(%)
I. Shares subject to trading moratorium									
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	245,000,000	1.98	—	—	—	—	—	245,000,000	1.98
3. Other domestic shares	—	—	—	—	—	—	—	—	—
Of which: domestic non-state-owned									
legal person shares	—	—	—	—	—	—	—	—	—
Domestic natural person shares	—	—	—	—	—	—	—	—	—
4. Foreign shares									
Of which:									
Overseas legal person shares	—	—	—	—	—	—	—	—	—
Overseas natural person shares	—	—	—	—	—	—	—	—	—
II. Circulating shares not subject to trading moratorium									
1. RMB ordinary shares	10,016,245,500	81.19	—	—	—	—	—	10,016,245,500	81.19
2. Foreign shares listed domestically	—	—	—	—	—	—	—	—	—
3. Foreign shares listed overseas	2,076,296,000	16.83	—	—	—	—	—	2,076,296,000	16.83
4. Others	—	—	—	—	—	—	—	—	—
III. Total shares	12,337,541,500	100	—	—	—	—	—	12,337,541,500	100

Changes in Shares and Particulars of Shareholders (continued)

(II) Changes in Shares Subject to Trading Moratorium

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium in the year	Number of Shares increased subject to trading moratorium in the year	Number of shares subject to trading moratorium at the end of the year	Reason for trading moratorium	Release date of trading moratorium
National Council for Social Security Fund (全國社會保障 基金理事會)	245,000	—	—	245,000,000	Lock-up peri-od extended by another three years following the expiry of the original statutory and voluntary lock-up peri-ods undertak-en by the state-owned shareholder (CRCCG)	10 March 2014
Total	245,000,000	—	—	245,000,000	/	/

II ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during last three years at end of the reporting period

The Company had no issue of securities during last three years at end of the reporting period.

(II) Changes in total shares, shareholding structure and assets and liabilities structure of the Company

During the reporting period, there were no changes in the total number of shares, shareholding structure and assets and liabilities structure of the Company by reason of the issue of bonus shares, conversion of share capital, rights issue, issue of additional new shares, non-public placement, option exercise, share incentive scheme, enterprise merger, convertible corpo-rate bonds to equity, deinvestment, listing of internal employee shares and issue of bonds.

(III) Existing internal employee shares

The Company had no internal employee shares as at the end of the reporting period.



Changes in Shares and Particulars of Shareholders (continued)

III. PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) Structure of Share Capital and Public Float

1. Structure of share capital

As at 31 December 2012, 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 <i>Note 1</i>	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 <i>Note 2</i>	2,076,296,000	16.83
Total		12,337,541,500	100.00

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

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

2. Public float

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.

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.

Changes in Shares and Particulars of Shareholders (continued)

(II) The Number of Shareholders and Particulars of Shareholdings

1. Total number of shareholders

As at the end the reporting period, the total number of shareholders of the Company was 255,918, of which 231,724 were holders of A shares and 24,194 were holders of H shares. As at 22 March 2013, the total number of shareholders of the Company was 260,219, of which 236,457 were holders of A shares and 23,762 were holders of H shares.

Total number of shareholders at the end of the reporting period (households)	255,918

Total number of shareholders at the end of the fifth trading day prior to the date of the issuance of this annual report (households)	260,219

2. Particulars of shareholdings of the top ten shareholders

Unit: share

Name of shareholder	Particulars of top 10 shareholders					Nature of shareholder
	Increase/decrease during the reporting period	Number of shares held at the end of reporting period	Shareholding percentage (%)	Number of shares subject to trading moratorium	Number of shares pledged or frozen	
CRCCG	0	7,566,245,500	61.33	—	—	State-owned
HKSCC NOMINEES LIMITED	1,333,500	2,054,516,381	16.65	—	Unknown	Overseas legal person
Account No.3 of National Council for Social Security Fund (全國社會保障基金理事會轉持三戶)	0	245,000,000	1.98	245,000,000	Unknown	State-owned legal person
MERRILL LYNCH INTERNATIONAL	71,247,185	71,407,185	0.58	—	Unknown	Other
Bosera Value Growth Securities Investment Fund	68,386,375	68,386,375	0.55	—	Unknown	Other
UBS AG	61,033,832	64,594,664	0.52	—	Unknown	Other
National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)	0	60,999,870	0.49	—	Unknown	Other
Gao Hua-HSBC-GOLDMAN, SACHS & CO	59,513,952	59,598,661	0.48	—	Unknown	Other
Credit Suisse (Hong Kong) Limited (瑞士信貸(香港)有限公司)	44,335,148	44,335,148	0.36	—	Unknown	Other
國際金融渣打-GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD	24,986,734	34,046,617	0.28	—	Unknown	Other



Changes in Shares and Particulars of Shareholders (continued)

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

Name of shareholder	Number of shares held not subject to trading moratorium	Class of shares
CRCCG	7,566,245,500	A
HKSCC NOMINEES LIMITED	2,054,516,381	H
MERRILL LYNCH INTERNATIONAL	71,407,185	A
Bosera Value Growth Securities Investment Fund	68,386,375	A
UBS AG	64,594,664	A
National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)	60,999,870	A
Gao Hua-HSBC-GOLDMAN, SACHS & CO	59,598,661	A
Credit Suisse (Hong Kong) Limited (瑞士信貸(香港)有限公司)	44,335,148	A
IFC-Standard Chartered-GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD	34,046,617	A
Bank of China - Harvest CSI 300 Exchange Traded Index Securities Investment Fund (嘉實滬深300交易型 開放式指數證券投資基金)	24,398,200	A

Explanations of the connected relation-ship or concerted action among the above shareholders

The Company has no information on whether there is any connected relation-ship among the above shareholders or whether such shareholders are parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.

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

Unit: share

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

Explanations of the connected relationship or concerted action among the above shareholders

Nil

Changes in Shares and Particulars of Shareholders (continued)

(III) Top 10 Shareholders from Strategic Investors or General Legal Persons Participating in the Placing of the 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.

(IV) Particulars of Interests and Short Positions of Substantial Shareholders Disclosed in Accordance with the SFO of Hong Kong

So far as the Directors of the Company are aware, as at 31 December 2012, 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 of Hong Kong were as follows:

Name of substantial shareholder	Class of shares	Capacity	Number of shares held ^{Note 1}	Percentage of issued share capital of the relevant class of shares	Percentage of 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%
JPMorgan Chase & Co. ^{Note 2}	H shares	Beneficial owner/ Investment manager/	144,986,801 (L)	6.98%	1.18%
		Custodian - corporation/	15,146,211 (S)	0.73%	0.12%
		Approved lending agent	91,922,962 (P)	4.43%	0.75%
Deutsche Bank Aktiengesellschaft ^{Note 3}	H shares	Beneficial owner/Investment manager/	136,046,748 (L)	6.55%	1.10%
		Person having a security	121,232,757 (S)	5.84%	0.98%
		interest in shares/	6,343,500 (P)	0.31%	0.05%
		Custodian - corporation/			
		Approved lending agent			
Charles Plowden ^{Note 4}	H shares	Interest of corporation controlled by the substantial shareholder	105,064,500 (L)	5.06%	0.85%

- Notes: 1. L - long position, S - short position, P- lending pool
2. As at 31 December 2012, JPMorgan Chase & Co. held long positions in 144,986,801 H shares and short position in 15,146,211 H shares of the Company through certain corporations under their control.
3. As at 31 December 2012, Deutsche Bank Aktiengesellschaft held long positions in 136,046,748 H shares and short position in 121,232,757 H shares of the Company through certain corporations under its control.
4. Charles Plowden held long position in 105,064,500 H shares of the Company through certain corporations under its control.



Changes in Shares and Particulars of Shareholders (continued)

IV PROFILE OF THE CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

1. Legal person

Legal name of the Controlling Shareholder	China Railway Construction Corporation
Legal representative	MENG Fengchao
Incorporation date	28 August 1990
Organisation code	10001066-0
Registered capital	RMB5,969.89 million
Principal businesses	Supervision and administration of state-owned assets, management, operating and disposal of unlisted assets of CRCCG, construction, operating and management of franchised investment projects and publish of China Railway Construction News.
Operating results ^{Note}	In 2011, CRCCG achieved operating revenue of RMB461,883.3 million, with the profit of RMB8,707.7 million.
Financial position ^{Note}	As at 31 December 2011, total assets, total liabilities and net assets of CRCCG were RMB434,052.8 million, RMB368,440.1 million, and RMB65,612.7 million, respectively.
Cash flow ^{Note} and future development strategy	In 2011, net cash flow from operating activities of CRCCG was RMB-15,168.8 million, net cash flow from investment activities was RMB-10,527.2 million, and net cash flow from financing activities was RMB44,715.0 million. Future development strategies: fulfil the duties of Supervision and administration of state-owned assets, give full play to substantial shareholders, take various measures such as strengthen supervision and management, asset injection, increase of shareholding and selecting and recruiting senior management for the purpose of CRCC operating in accordance with the law and regulations, performing the social responsibilities, working hard to realize presupposed targets, protecting minority shareholders' interests and ensuring the preserving and increasing of value of state-owned assets.
Particulars of other domestic and overseas listed companies held and invested by CRCCG during the reporting period	Nil

Note: The data for operating results, financial position and cash flow of CRCCG was the audited data for 2011 since the data for 2012 was not audited.

Changes in Shares and Particulars of Shareholders (continued)

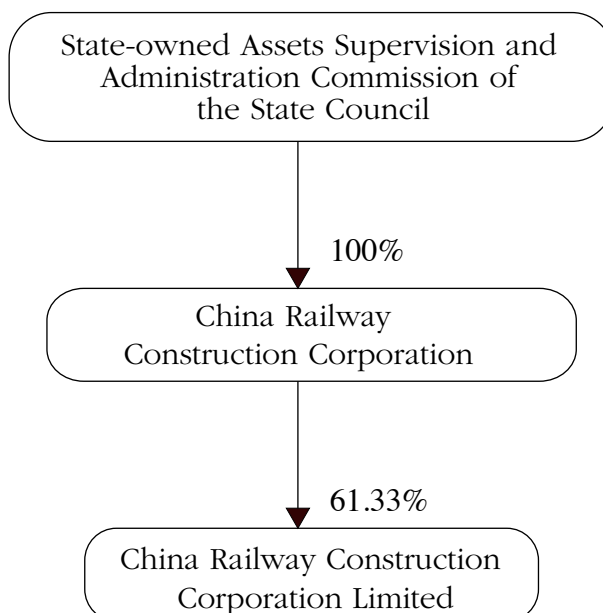
2. Corporate actual controller

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

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



V. 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.

VI. REPURCHASE, SALES AND REDEMPTION OF SECURITIES OF THE COMPANY

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



Directors, Supervisors, Senior Management and Staff

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) The changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period

Unit: share

Name	Position	Gender	Age	Date of appointment	Date of expiry	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)	Total remuneration payable received from the shareholder entities during the Reporting Period
								Note	
								(RMB'0'000)	(RMB'0'000)
MENG Fengchao	Executive Director and Chairman	Male	54	31 May 2011	4 November 2013	—	—	90.4530	—
ZHAO Guangfa	Executive Director and President	Male	60	31 May 2011	4 November 2013 (Executive director) 31 May 2014 (President)	—	—	90.4530	—
PENG Shugui	Executive Director and Vice Chairman	Male	58	31 May 2011	4 November 2013	—	—	77.4130	—
HU Zhenyi	Executive Director, Vice President and Chief Economist	Male	58	31 May 2011	4 November 2013 (Executive director) 31 May 2014 (Vice President and Chief Economist)	—	—	77.4130	—
ZHU Mingxian	Non-executive Director	Male	69	31 May 2011	4 November 2013	—	—	15.6004	—
LI Kecheng	Independent Non-executive Director	Male	69	31 May 2011	4 November 2013	—	—	15.6004	—
ZHAO Guangjie	Independent Non-executive Director	Male	67	31 May 2011	4 November 2013	—	—	16.1996	—
WU Taishi	Independent Non-executive Director	Male	65	31 May 2011	4 November 2013	—	—	18.4996	—
NGAI Wai Fung	Independent Non-executive Director	Male	51	31 May 2011	4 November 2013	—	—	14.5004	—
QI Xiaofei	Chairman of the Supervisory Committee	Male	55	31 May 2011	4 November 2013	—	—	59.4230	—
HUANG Shaojun	Supervisor	Male	56	31 May 2011	4 November 2013	—	—	48.0810	—
ZHANG Liangcai	Employee Supervisor	Male	54	31 May 2011	4 November 2013	—	—	43.6530	—
XIA Guobin	Vice President	Male	54	31 May 2011	31 May 2014	—	—	77.4130	—
FAN De	Vice President	Male	59	31 May 2011	31 May 2014	—	—	77.4130	—
ZHUANG Shangbiao	Vice President, CFO and Chief Legal Adviser	Male	50	31 May 2011	31 May 2014	—	—	80.1990	—
ZHANG Zongyan	Vice President	Male	49	31 May 2011	31 May 2014	—	—	80.3910	—
LIU Ruchen	Vice President	Male	49	31 May 2011	31 May 2014	—	—	77.2210	—
YU Xingxi	Secretary to the Board	Male	54	31 May 2011	31 May 2014	—	—	68.7130	—
ZHOU Zhiliang	Vice President	Male	48	31 May 2011	24 February 2012	—	—	57.6407	—
Total	/	/	/	/	/	—	—	1,086.2801	—

Directors, Supervisors and Senior Management (continued)

Note:

1. The remuneration payable includes the basic remuneration, performance remuneration, housing funds and the enterprise supplementary pension insurance.
2. The performance remuneration in the total remuneration for Mr. QI Xiaofei was the performance remuneration in the last year settled according to his actual tenure of office during the Reporting Period (May 2011 to December 2011).
3. Mr. ZHOU Zhiliang has ceased to serve as the Vice President of the Company since 24 February 2012 due to job re-allocation. His performance remuneration in the total remuneration received during the Reporting Period was the performance remuneration for the last year.

(II) The equity incentives granted to the Directors, Supervisors and senior management during the Reporting Period

N/A.

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

1. Directors

Mr. MENG Fengchao, aged 54, 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) (a company listed on The Main Board of the Hong Kong Stock Exchange, stock code: 1800). 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. 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.



Directors, Supervisors and Senior Management (continued)

Mr. ZHAO Guangfa, aged 60, 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 Guangfa is a National Committee Member of the Twelfth Chinese People's Political Consultative Conference and a member of China Calligraphers Association. 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. From April 2009 to March 2013, Mr. Zhao was appointed as a director and the secretary to the communist party committee of CRCCG. 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.

Mr. PENG Shugui, aged 58, 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.

Directors, Supervisors and Senior Management (continued)

Mr. HU Zhenyi, aged 58, 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 profound 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, the member of the first session of expert committee for China Association of Metros 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.

Mr. ZHU Mingxian, aged 69, 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.



Directors, Supervisors and Senior Management (continued)

Mr. LI Kecheng, aged 69, 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.

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.

Directors, Supervisors and Senior Management (continued)

Mr. WU Taishi, aged 65, 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. and an external director of China Energy Conservation and Environmental Protection Group. 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 51, 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, an Adjunct Professor of Department of Law in Hong Kong Shue Yan University 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. Dr. Ngai recently was appointed by Chief Executive of Hong Kong Special Administrative Region of the People's Republic of China as non-official member of Working Group on Professional Services of Economic Development Commission and obtained professional qualifications from Hongkong Institute of Certified Public Accountants and committee member of Examinations Board. 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 55, 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. From July 1997 to April 1998, 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. He's a senior political engineer.

Directors, Supervisors and Senior Management (continued)

Mr. HUANG Shaojun, aged 56, 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 54, 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 professor-level 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 54, 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 59, 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. ZHUANG Shangbiao, aged 50, 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.

Mr. ZHANG Zongyan, aged 49, 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 was appointed as a director and the secretary to the communist party committee of CRCCG on March 2013. Mr. ZHANG graduated from Guanghua School of Management of Peking University with a degree of Master of Business Administration and is a senior engineer.

Directors, Supervisors and Senior Management (continued)

Mr. LIU Ruchen, aged 49, 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 54, a Chinese with no right of abode 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 Co., Ltd. (a wholly-owned subsidiary of the Company) from April 2009 to August 2010, and a director of CRCC-Tongguan Investment Co., Ltd. (a joint venture of the Company) from December 2009 to April 2012, and a director of CRCC-Tongguan Investment (Canada) Co., Ltd. (a wholly-owned subsidiary of CRCC-Tongguan Co., Ltd.) and Corriente Resources Inc. (a wholly-owned subsidiary of CRCC-Tongguan Co., Ltd.) from May 2010 to April 2012, and currently is also a director of China Railway Shandong Jinghu Highway Co., Ltd. (a non wholly-owned subsidiary of the Company). 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, a Chinese Certified Tax Agent and a corporate legal advisor.



Directors, Supervisors and Senior Management (continued)

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

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)

3. *Particulars of remuneration payable*

Please refer to The changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period in I(i) of this section for the details of current and resigned Directors, Supervisors, and senior management during this reporting period received total remuneration payable and actual remuneration received (remuneration payable equals to actual remuneration received) at the end of this Reporting Period.

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

During the Reporting Period, 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.

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 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.7(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.

VIII. THE CORE TECHNICAL TEAM OR KEY TECHNICAL PERSONNEL OF THE COMPANY

The Group possesses a strong professional team. As at 31 December 2012, there were more than 130,000 professional technical personnel, representing an increase of 1,302 or 0.97% as compared with last year. The Group has one member of Chinese Academy of Engineering, 6 National Survey and Design Masters and 220 experts who are recipients of special subsidies granted by the State Council. There was no significant change in the core technical team or key technical personnel.



Directors, Supervisors and Senior Management (continued)

IX. EMPLOYEES OF THE PARENT AND THE MAJOR SUBSIDIARIES

(I) EMPLOYEES

Number of existing employees of the parent	334
Number of existing employees of major subsidiaries	244,189
Total number of existing employees	244,523
Number of retired employees whose expenses need to be borne by the Company	0

Professional background

category	number of employees	percentage of the total
Project contracting	221,940	90.76%
survey, design and consultancy	11,423	4.67%
Industrial manufacturing	4,494	1.84%
Others	6,666	2.73%
Total	244,523	100%

Speciality Composition

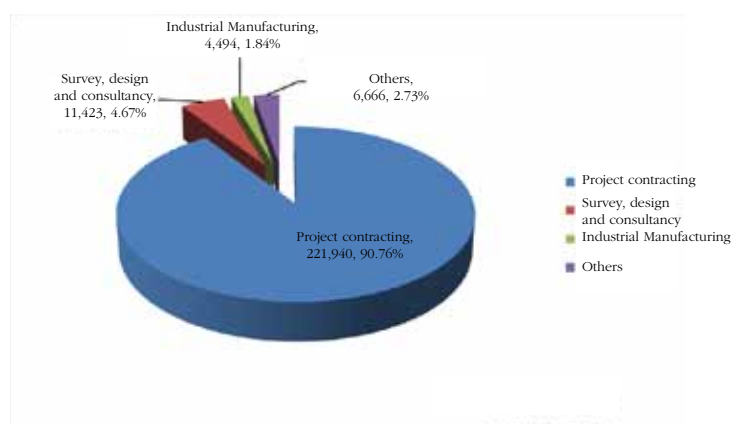
category	number of employees	percentage of the total
Administration personnel	44,992	18.40%
Professional technical personnel	95,872	39.21%
Skilled personnel	103,659	42.39%
Total	244,523	100%

Directors, Supervisors and Senior Management (continued)

Educational background

category	number of employees	percentage of the total
Postgraduate or above	4,351	1.78%
Undergraduate	86,251	35.27%
Junior college	58,623	23.97%
Technical secondary school	28,116	11.50%
High school or below	67,182	27.47%
Total	244,523	100%

Chart of professional compositions





Directors, Supervisors and Senior Management (continued)

Chart of speciality compositions

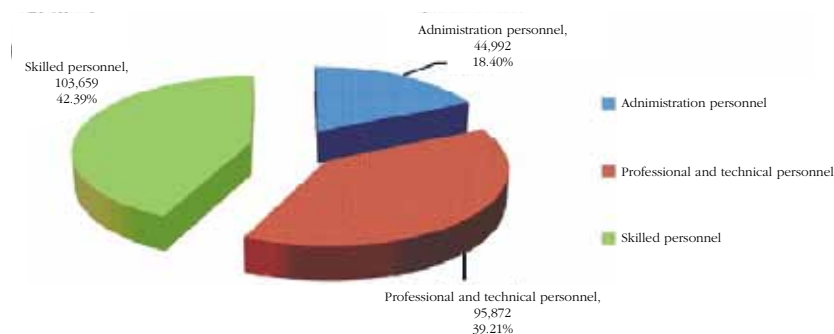
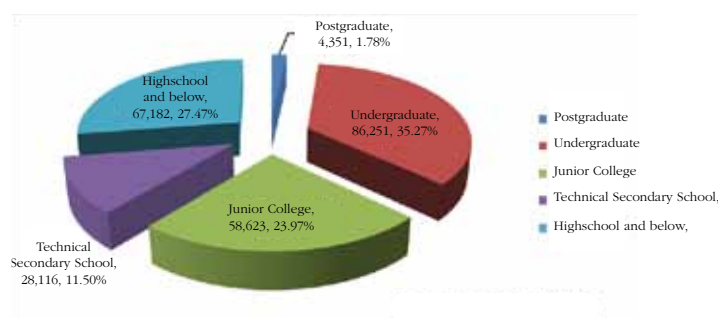


Chart of educational level



(II) **Remuneration Policy**

The Group linked the remuneration with the performance, which means the total salary is linked with the economic benefits and the employees' remuneration is linked with their own performance. According to the principle of determining the remuneration based on the performance, budget management was applied and the two facilitated each other.

The remuneration of the employees includes wages, performance bonus and allowance. The employees of the Company are also entitled to pension, medical, unemployment, work injury, maternity insurance and housing funds as well as other fringe 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 employees contribute 8% while the employers contribute 10% to 22% for the basic pension insurance. Employees contribute 0.2% to 1% and the employers 1% to 2% for the unemployment insurance. Employees do not need to contribute to the workplace injury insurance while employers contribute 0.3% to 2%. The contribution rates for medical insurance, maternity insurance and housing funds are subject to local regulations.

Directors, Supervisors and Senior Management (continued)

(III) Training Plan

As for the employees' training in 2013, the first job is to pay greater attention on the trainings for international business, foreign language, professional skills, operation and management, and the project management, which cater to the needs of the Company's global development. The second is to cultivate the expertise with registered qualification such as the PRC Class 1 Registered Architect, structure engineer and constructor, so as to meet the demand of special-grade qualification of the enterprise as well as the requirement of bidding. The third is besides the construction of engineering team and grassroots unit, to put more efforts in training the team leader and head of the unit, so as to improve project management. The fourth is to improve the training and the certificate-for-job system for the workers of crucial and special positions at first-line, striving for a certificate rate of 100%.

(IV) The labor outsourcing

During the Reporting Period, the annual average contract employees of the Group were approximately 1,920,000, equivalent to 5.76 billion working hours. The payment for the outsourced labor amounted to approximately RMB86.4 billion,



Corporate Governance Structure and Corporate Governance Report

I. CORPORATE GOVERNANCE AND RELEVANT BRIEF OF INSIDER REGISTRATION AND MANAGEMENT SYSTEM

(I) *Corporate Governance*

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 by the Hong Kong Stock Exchange (hereinafter as “the Code”).

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

- (1) Improved the corporate governance structure. During the Reporting Period, for meeting the latest requirements of the regulatory bodies and actual need of corporate governance, the Company modified the compositions of the Nomination Committee and the Audit and Risk Management Committee. After the modification, the Nomination Committee is composed of five Directors, with three Independent non-Executive Directors; the Audit and Risk Management Committee is composed of five Directors, all of them are external Directors.
- (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 of Procedure of the Board of Directors of China Railway Construction Corporation Limited, the Working Rules of the Nomination Committee of China Railway Construction Corporation Limited, the Working Rules of the Audit and Risk Management Committee of China Railway Construction Corporation Limited, the Working Rules of the Remuneration and Evaluation Committee of China Railway Construction Corporation Limited, the Working Rules of the Strategy and Investment Committee of China Railway Construction Corporation Limited, the Working Rules for the Secretary to the Board of China Railway Construction Corporation Limited, the Measures for Internal Control and Evaluation (Interim) of China Railway Construction Corporation Limited, the Management Rules for Information Disclosure Matters for Debt Financing of China Railway Construction Corporation Limited and other relevant documents.
- (3) Established a continuous, stable and transparent dividend mechanism. Pursuant to the provisions of the Company Law, the Securities Law, Decision regarding amendments to certain requirements on cash dividend distribution of listed companies (CSRC Announcement[2008]no.57), Notice regarding further implementation of the relevant matters of cash dividend distribution of listed companies (CSRC Announcement[2012] no.37), the Listing Rules of Shanghai Stock Exchange, with the actual conditions of the Company, the Company amended the cash dividend policy of the Articles of Association, and formulated the Three-year (2012-2014) Planning of the Shareholders' Return of China Railway Construction Corporation Limited (關於公司未來三年2012-2014股東回報規劃).

Corporate Governance Structure and Corporate Governance Report (continued)

- (4) **Enhanced Information Disclosure Management.** In strict compliance with provisions of the listing rules where the shares of the Company are listed, the Company carried out information disclosure in a truly, accurate, complete, timely, and fair manner, upgraded the information disclosure level and continued to improve investor relations, so that all shareholders and investors can obtain the Company's information timely and fairly the Company's transparency has kept improving. The work of information disclosure of the Company received positive comments from relevant institutions and investors, and in 2012 the Company won a number of relevant awards.

Pursuant to the Notice regarding Specific Inspection of Fulfillment of Shareholders of Listed Companies, Related Parties and Listed Companies' Commitments by Beijing Securities Regulatory Bureau of CSRC were published on October 31, 2012 in "China Securities Journal", "Shanghai Securities News", "Securities Daily", "Securities Times" as well as the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of Hong Kong Stock Exchange (www.hkex.com.hk).

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

(II) Insider registration and management system

1. **Establishment and Improvement of the Registration System of administration of Insider.** During the Reporting Period, according to the relevant requirements of CSRC and other regulatory authorities, the Company strictly followed the regulations of "the Management System for Insiders of China Railway Construction Corporation Limited" to diligently execute and implement the requirements of information disclosure management. On the basis of timeliness, truthfulness, accuracy, and integrity of information disclosure, the Company strengthened the confidentiality management of inside information, improved the insider registration and archival-filing, and restricted behavior of insider, thus protecting the legitimate rights and interests of the shareholders, creditors and other interested persons.
2. **Establishment and Improvement of the Administration System of the Board for Outside Information Users.** The establishment of Insider Management System of China Railway Construction Corporation Limited by the Board was in accordance with the requirements of the supervisory bodies at home and abroad and on the basis of the original Management System for Insiders and External Information Users of China Railway Construction Corporation Limited, and was comprehensively carried out.

II. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE BY THE COMPANY

In accordance with the requirements of the Code on Corporate Governance in Appendix 14 to the Hong Kong Listing Rules, the Company established a corporate governance system. The Articles of Association, the terms of reference of the Nomination Committee, the Strategy and Investment Committee, the Remuneration and Evaluation Committee, the Audit and Risk Management Committee, the scope of authority of 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 (effective from 1 April 2012 to 31 December 2012) and its previous version "the Code on Corporate Governance Practices" (effective from 1 January 2012 to 31 March 2012) and adopted the recommended best practices if applicable.

The General Meetings, the Board meetings and the Supervisory Committee meetings operated effectively in strict accordance with the Articles of Association and requirements of their respective rules of procedure. For details of the contents required to be disclosed in accordance with the Corporate Governance Report in Appendix 14 to the Hong Kong Listing Rules, please refer to relevant sections of this chapter and relevant sections of "8. Directors, Supervisors and Senior Management and Staff" and "5. Report of Directors" of this report.



Corporate Governance Structure and Corporate Governance Report (continued)

III. BRIEF INTRODUCTION OF 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. The Company has held three General Meetings during the Reporting Period: the Annual General Meeting and two Extraordinary General Meetings.

1. *Brief of 2011 Annual General Meeting*

The Company held its 2011 Annual General Meeting at the CRCC Bureau Building, No. 40 Fuxing Road, Haidian District, Beijing, the People's Republic of China on 12 June 2012. The meeting was convened by the Board of Directors. Mr. MENG Fengchao, the Chairman of the Company, presided over the meeting and a total of 15 shareholders and proxies of shareholders attended this meeting. 16 proposals: the Proposal in Relation to the Report of the Board for 2011, the Proposal in Relation to the Report of the Supervisory Committee for 2011, the Proposal in Relation to the 2011 Financial Statements of the Company, the Proposal in Relation to the Profit Distribution Plan of the Company for 2011, the Proposal in Relation to the 2011 Annual Report of the Company and Its Summary, the Proposal in Relation to Determination of the Cap for Internal Guarantees, the Proposal in Relation to the Appointment of External Auditor for 2012 and Payment of 2011 Service Fees, the Proposal in Relation to the Appointment Auditing Institution for Internal Control in 2012, the Proposal in Relation to the Remuneration Packages of Directors for 2011, the Proposal in Relation to the Amendments to the Rules of Procedure of the Board of Directors, the Proposal in Relation to the Purchase of Key Persons Responsibility Insurance (董監事高管責任保險), 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, the Proposal in Relation to the Issue of Ultra Short-term Financing Bonds by the Company, the Proposal in Relation to the Issue of non-Public Debt Financing Instruments, the Proposal in Relation to the Issue of Overseas Bonds, were considered and approved at the meeting.

2. *Brief of 2012 First Extraordinary General Meeting*

The Company held its 2012 First Extraordinary General Meeting at the CRCC Bureau Building, No. 40 Fuxing Road, Haidian District, Beijing, the People's Republic of China on 13 January 2012. The meeting was convened by the Board of Directors. Mr. MENG Fengchao, the Chairman of the Company, presided over the meeting and a total of 10 shareholders and proxies of shareholders attended this meeting. The Proposal in Relation to the Appointment Auditing Institution for Internal Control in 2011 was considered and approved.

Corporate Governance Structure and Corporate Governance Report (continued)

3. *Brief of 2012 Second Extraordinary General Meeting*

The Company held its 2012 Second Extraordinary General Meeting at the CRCC Bureau Building, No. 40 Fuxing Road, Haidian District, Beijing, the People's Republic of China on 28 December 2012. The meeting was convened by the Board of Directors. Mr. MENG Fengchao, the Chairman of the Company, presided over the meeting and a total of 14 shareholders and proxies of shareholders attended this meeting. The Proposal in Relation to the Amendment to the Articles of Association of China Railway Construction Corporation Limited in Relation to the Cash Dividend Policy, the Proposal in Relation to the three-year (2012-2014) Plan of the Shareholders' Return (關於公司未來三年2012-2014股東回報規劃的議案), and the Proposal in Relation to Increasing Registered Cap for the Issue of Medium-term Notes and Short-term Financing Bonds by China Railway Construction Corporation Limited (關於增加中國鐵建股份有限公司中期票據和短期融資資產註冊發行額度的議案) were considered and approved.

For resolutions passed at the above meetings, please refer to the relevant announcements of the Company dated 14 January 2012, 13 June 2012, and 29 December 2012 published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, and the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk), and the website of the Company (www.crcc.cn).

IV. SHAREHOLDER RIGHTS

(I) *Shareholder(s) to Call Extraordinary General Meetings*

According to the provisions of the Articles of Association, a shareholder alone or shareholders together holding at least 10 percent of the Company's shares shall have the right to make a request to the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall, in accordance with laws and the provisions of the Articles of Association, give a written response on whether or not it agrees to convene such a meeting within 10 days after receipt of the request. If the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice convening such meeting within 5 days after it has so resolved. The consent of the relevant shareholder(s) shall be secured if any change is to be made in the notice to the original request. If the Board of Directors does not agree to convene such meeting, or fails to give a response within 10 days after receipt of the request, the shareholder alone or shareholders together holding at least 10 percent of the shares shall have the right to propose to the Supervisory Committee in writing that its convene the extraordinary general meeting. If the Supervisory Committee agrees to call the extraordinary general meeting, it shall issue a notice convening such meeting within 5 days after receipt of the request. The consent of the relevant shareholder(s) shall be secured if any change is to be made in the notice to the original request. If the Supervisory Committee fails to issue a notice convening the general meeting by the prescribed deadline, it shall be deemed to have failed to convene and preside over such meeting, and a shareholder who alone has held or shareholders who together have held at least 10 percent of the shares of the Company for at least 90 days in succession may himself/themselves convene and preside over such meeting.

Contact details of the Company:

Company address	East Court, No. 40 Fuxing Road, Haidian District, Beijing, China
Investor relations hotline	010-52688600
Fax	010-52688302
Email	ir@crcc.cn



Corporate Governance Structure and Corporate Governance Report (continued)

(II) Procedures for Shareholders to Make Requests to the Board and the Company to Provide Sufficient Contact Information for the Proper Handling of the Requests

According to the provisions of the Articles of Association, if a shareholder asks to review or request for relevant information in accordance with the Articles of Association, he or she shall submit to the Company written documents evidencing the class and number of shares he or she holds. The Company shall provide the requested information to the shareholder after authenticating his or her identity and receiving the related fees.

The Company has announced in details the Company's address, investor relations hotline number, fax number and email address on the Company website and the regular reports. Specialists are appointed to answer the calls and handle the mails from investors, and to report timely to the Company's management. For the detailed contact information of the Company, please refer to "(1) Shareholder(s) to call an extraordinary general meeting" in this chapter.

(III) Procedures for Shareholders to Submit Motions to General Meetings and the Company to Provide Sufficient Contact Information

In accordance to the rules of procedure for general meetings, a shareholder alone or shareholders together holding at least 3 percent of the shares of the Company may submit new motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such new motion within two days after receipt of the motion, and submit such new motion the general meeting for consideration. The contents of such an new motion shall fall within the scope of the functions and powers of the general meeting, and contain a clear topic and a specific resolution.

The notice of the general meeting shall include the following contact information: the date, place and duration of the meeting; the time and place for serving the instruments of appointment for voting at the meeting; the date of record for the shareholders who are entitled to attend the meeting; the name and contact information of the contact person for the meeting. For the detailed contact information of the Company, please refer to "(1) Shareholder(s) to call an extraordinary general meeting" in this chapter.

V. BOARD OF DIRECTORS

(I) Overview of the Board

The Board of Directors is a permanent body of the Company for making business decisions, and shall be accountable to the general meeting. The Board consists of nine Directors, with one Chairman and one Vice Chairman, and at least one third of them are non-executive Directors.

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 members, of which, Mr. MENG Fengchao, Mr. PENG Shugui, Mr. ZHAO Guangfa and Mr. HU Zhenyi are executive Directors, Mr. ZHU Mingxian is a 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.

Corporate Governance Structure and Corporate Governance Report (continued)

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.

During the Reporting Period, the Board has held 10 meetings.

(II) The Board and Management

The titles of Chairman and President of the Company are held by different persons. The board and management carry out their respective duties in strict accordance with the division of work as specified in the Articles of Association, the Rules of Procedure of the Board of Directors, the Detailed Rules for the Work of the President and other relevant laws and regulations.

1. The Board

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 draft plans for major acquisitions of the Company and repurchase of the Company's own shares, and to formulate the plans for merger, division, dissolution and changes in corporate forms of the Company; 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 authorization 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; to decide on the setting of the Company's internal management organizations, formulate the Company's basic management system, manage the Company's information disclosure matters etc.; and any other powers granted by the general meeting or the Articles of Association.

Under the Board of Directors there shall be such special committees as a Nomination Committee, a Strategy and Investment Committee, a Remuneration and Evaluation Committee, and an Audit and Risk Management Committee. Each of the special committees has their rules of procedure and shall be accountable to the Board of Directors. Under the unified leadership of the Board of Directors, the special committees shall provide recommendations, opinions and advice for the decisions to be made by the Board of Directors. The special committees may engage intermediary organizations to provide independent professional advice, and the relevant expenses therefor shall be borne by the Company.



Corporate Governance Structure and Corporate Governance Report (continued)

During the Reporting Period, in order to further enhance the scientific decision-making of the Board, and to ensure the Board performed effectively in accordance with regulations, the Board actively expanded communication channels, carried out specialized investigations and research activities, as well as strengthened communication with management and focused timely on important issues.

During the Reporting Period, all members of the Board diligently fulfilled their duties and carried out their work in accordance with the Articles of Association, the Rules of Procedure of the Board of Directors and working rules for each special committee.

2. Management

The daily operation of the Company is carried out with a President accountability system. The Company shall have a President, several Vice Presidents, a Chief Accountant, a Chief Engineer and a Chief Economist, all of whom shall be appointed or dismissed by the Board of Directors. The Vice Presidents, the Chief Accountant, the Chief Engineer and the Chief Economist are responsible to assist the work of the President and serve together with the President as senior management members of the Company.

The President shall be accountable to the Board of Directors and exercise the following functions and powers: to be in charge of the production, operation and management of the Company and to organize the implementation of the resolutions of the Board of Directors; to arrange for the implementation of the Company's annual business plans and investment plans; as authorized by the Board, to decide on the Company's annual investment, financing plans and its annual guarantee plans for subordinate units; to propose the Company's financial budgets and final accountants, and the Company's donation and sponsorship plans; to propose the profit distribution plans and plans for making up losses of the Company; to propose the Company's annual financing plans and its annual guarantee plans for subordinate units; to propose plans for the issuance of corporate bonds; to propose the Company's allocation plans of employees' income; to propose the corporate culture development plans; to propose the basic management systems of the Company; to formulate the basic rules and regulations of the Company; to request the Board of Directors to engage or dismiss the Company's Vice Presidents, Chief Accountant, Chief Engineer and Chief Economist; to propose, upon engaging the Vice Presidents, the Chief Accountant, Chief Engineer and Chief Economist, the plans relating to their remuneration, rewards and punishments; to engage or dismiss management personnel other than those to be engaged or dismissed by the Board of Directors; and other functions and powers granted by the Board of Directors.

At the request of the Board, the President timely reported on the execution and performance of material contracts of the Company, on the application of funds and on profits and losses, and ensured the truthfulness, objectivity and completeness of such reports.

The President fulfilled his duties in strict accordance with his assigned duties and the Board's authorization, and the report system requiring him to report to the Board. The president, while exercising his powers, may not change the relevant board resolution or exceed the scope of his duties and powers.

Corporate Governance Structure and Corporate Governance Report (continued)

VI. PERFORMANCE OF DUTIES OF DIRECTORS

(I) Directors' Attendance at the Board Meetings and General Meetings

Name of Director	Attendance at the Board meetings					Attendance at the general meetings				
	Whether or not Independent Director	Required attendance for the year	Attendance in person	Attendance by communication	Attendance by proxy	Whether or not for/or attend in person for two consecutive times			Number of	
						Absence	Attendance	Attendance	attendance	Attendance
MENG Fengchao	No	10	10	1	0	0	No	100%	3	100%
PENG Shugui	No	10	10	1	0	0	No	100%	2	67%
ZHAO Guangfa	No	10	9	1	1	0	No	90%	0	Note 2
HU Zhenyi	No	10	9	1	1	0	No	90%	1	33% ^{Note 3}
ZHU Mingxian	No	10	10	1	0	0	No	100%	2	67%
LI Kecheng	Yes	10	10	1	0	0	No	100%	2	67%
ZHAO Guangjie	Yes	10	8	1	2	0	Yes ^{Note 1}	80%	2	67%
WU Taishi	Yes	10	10	1	0	0	No	100%	3	100%
NGAI Wai Fung	Yes	10	9	1	1	0	No	90%	2	67%

Note 1. During the Reporting Period, Mr. ZHAO Guangjie, an independent Director, was not available to attend the tenth meeting of the second session of the Board held on 20 March 2012 and the eleventh meeting of the second session of the Board held on 28 and 29 March 2012 due to other business commitments. With prior due review of meeting materials and the formation of clear opinions, Mr. ZHAO Guangjie appointed Mr. WU Taishi, an independent Director, to vote at the meetings on his behalf.

Note 2. Since the written notice of general meetings shall be issued 45 days prior to the meeting, Mr. ZHAO Guangfa, an executive Director, was not available to attend the 2012 First Extraordinary General Meeting held on 13 January 2012, the 2011 Annual General Meeting held on 12 June 2012, and the 2012 Second Extraordinary General Meeting held on 28 December 2012 due to urgent business matters.

Note 3. Since the written notice of general meetings shall be issued 45 days prior to the meeting, Mr. HU Zhenyi, an executive Director, was not available to attend the 2012 First Extraordinary General Meeting held on 13 January 2012 and the 2011 Annual General Meeting held on 12 June 2012 due to urgent business matters.

Number of Board meeting throughout the year	10
Among all: number of meeting held on site	9
number of meeting held by communication	1
number of meeting held on site with communication	0



Corporate Governance Structure and Corporate Governance Report (continued)

(II) Training of Directors

Mr. MENG Fengchao had attended the SASAC central enterprises board of directors 2011 working report special session held on 4 September 2012; and the 2012 fourth session of directors and supervisors training for listed companies in the jurisdiction of Beijing held on 20 and 21 September 2012.

Mr. PENG Shugui had attended the Peking University leadership cadres training seminar held on May 7 2012; the SASAC central enterprises board of directors 2011 working report special session held on 4 September 2012; and the 2012 fourth session of directors and supervisors training for listed companies in the jurisdiction of Beijing held on 20 and 21 September 2012.

Mr. ZHAO Guangfa had attended the 2012 fourth session of directors and supervisors training for listed companies in the jurisdiction of Beijing held on 20 and 21 September 2012.

Mr. HU Zhenyi had attended the SASAC directors communication seminar held on 18 April 2012; the 3rd International Infrastructure Investment and Construction Forum held on 24 and 25 April 2012; the 5th Multinational Corporations Leaders Roundtable held on 22 and 23 June 2012; the Forum on China-Africa Cooperation meeting held on 12 July 2012; the central enterprises comprehensive risk management enhancement special training workshop held on 28 Aug 2012; and the 2012 fourth session of directors and supervisors training for listed companies in the jurisdiction of Beijing held on 20 and 21 September 2012.

Mr. ZHU Mingxian had attended the SASAC directors communication seminar held on 18 April 2012; the SASAC-Tsinghua University directors training seminar held on 20 and 21 June 2012; the SASAC central enterprises board of directors 2011 working report special session held on 4 September 2012; and the fifth session of directors and supervisors training for listed companies in the jurisdiction of Beijing held on 1 November 2012.

Mr. LI Kecheng had attended the SASAC directors communication seminar held on 18 April 2012; the SASAC-Tsinghua University directors training seminar held on 20 and 21 June 2012; the SASAC central enterprises board of directors 2011 working report special session held on 4 September 2012; and the second session of the SASAC-Tsinghua University directors training seminar held on 11 and 12 September 2012.

Mr. ZHAO Guangjie had attended the SASAC-Tsinghua University directors training seminar held on 20 and 21 June 2012; the follow-up training seminar for independent directors of listed companies held on 27 to 30 July 2012; the SASAC central enterprises board of directors 2011 working report special session held on 4 September 2012; and the SASAC board of directors pilot central enterprises senior management remuneration management training seminar held on 26 September 2012.

Mr. WU Taishi has attended the follow-up training seminar for independent directors of listed companies held on 27 to 30 July 2012; and the SASAC central enterprises board of directors 2011 working report special session held on 4 September 2012.

Corporate Governance Structure and Corporate Governance Report (continued)

Mr. NGAI Wai Fung had attended the China Corporate and Regulatory Update (CCRU) 2012 held on 11 January 2012; the RBSP meeting in Hong Kong held on 12 January 2012; the SASAC directors communication seminar held on 18 April 2012; the 25th AP ECPD seminar on Internal Control and Risk Management held by the Hong Kong Institute of Chartered Secretaries on 17 May 2012; the ACRU2012(Session 3) held on 23 May 2012; the SASAC-Tsinghua University directors training seminar held on 20 and 21 June 2012; the 26th AP ECPD seminar on M & A and Financing held by the Hong Kong Institute of Chartered Secretaries on 18 and 19 July 2012; the SASAC central enterprises board of directors 2011 working report special session held on 4 September 2012; the second session of the SASAC-Tsinghua University directors training seminar held on 11 and 12 September 2012; the China overseas listed companies corporate governance seminar held on 19 to 20 September 2012; the listed companies regulation and supervision advanced seminar and 27th AP ECPD seminar on Corporate Governance and Sustainable Development held on 18 and 19 October 2012; and The 27th AP ECPD seminar on Financial Auditing and Annual Reporting held on 27 November 2012.

(III) *The Board to Execute the Duties of Corporate Governance*

In compliance with the regulatory requirements of the place where the shares of the Company are listed, the Board strictly complied with Article 6 of the Rules of Procedure of the Board of Directors to execute corporate governance, including but not limited to:

Develop and review the Company's policies and practices on corporate governance. During the Reporting Period, the Board had amended the Articles of Association of China Railway Construction Corporation Limited, the Rules of Procedure of the Board of Directors of China Railway Construction Corporation Limited, the Working Rules for the Nomination Committee of China Railway Construction Corporation Limited, the Working Rules for the Strategy and Investment Committee of China Railway Construction Corporation Limited, the Working Rules for the Remuneration and Evaluation Committee of China Railway Construction Corporation Limited, the Working Rules for the Audit and Risk Management Committee of China Railway Construction Corporation Limited, the Working Rules for the Secretary to the Board of China Railway Construction Corporation Limited and other corporate governance rules; formulated the Measures for Internal Control and Evaluation Management (Interim) of China Railway Construction Corporation Limited, the Shareholders' Return Plan for the Coming Three Years (2012-2014) of China Railway Construction Corporation Limited, and the Management Measures for Information Disclosure on Debt Financing Instruments of China Railway Construction Corporation Limited, and submitted relevant matters to the general meeting for consideration and approval.

Review and monitor the training and continuous professional development of directors and senior management. The Board actively arranged Directors and senior management personnel to participate in training related to their duties, and communicated with Directors and senior management personnel on the updates and changes of regulatory laws and regulations in a timely manner, so that the Directors and senior management personnel could sustainably develop their professional competence and improve their performance of duties.

Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. The Board had paid close attention to the compliance of the Company's operations and established and refined the general legal consultation system. With the establishment of the legal and compliance department and hiring law firms the Company was able to comply with the requirements of laws and regulations.



Corporate Governance Structure and Corporate Governance Report (continued)

Review the Company's compliance with the relevant corporate governance requirements of the listing rules of the stock exchanges at the place where the shares of the Company are listed and the disclosure in the Corporate Governance Report. The Board required the Company to strictly comply with the relevant corporate governance requirements of the listing rules of the stock exchanges at the place where the Company is listed, and disclose information related to corporate governance in a timely manner.

(IV) *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.

(V). *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 according to the regulations of China Securities Regulatory Commission ("CSRC"), Shanghai Stock Exchange ("SSE") and the requirements of the Hong Kong Listing Rules. The Company has received the annual confirmation issued by all independent non-executive 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 and earnestly performed their duties. They have sincerely provided professional advice for the Company's steady operation and sustainable development, and carried out monitoring and coordination to safeguard the interests of the Company and the shareholders.

VII. CHAIRMAN AND PRESIDENT

Mr. MENG Fengchao served as the Chairman of the Company. The Chairman shall carry out work according to the division of responsibilities specified by the corporate governance systems such as the Articles of Association, the Rules of Procedure of the Board of Directors. 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.

Mr. Zhao Guangfa served as the President of the Company. The President is responsible for the daily operation of the Company, mainly including 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 takes full responsibility to the Board for the operating conditions of the Company and reports his work to the Board on a regular basis.

Corporate Governance Structure and Corporate Governance Report (continued)

VIII. IMPORTANT OPINIONS AND SUGGESTIONS PROPOSED BY SPECIAL COMMITTEES OF THE BOARD UPON PERFORMANCE OF DUTIES DURING THE REPORTING PERIOD

1. *Nomination Committee*

During the Reporting Period and before 20 March 2012, the Nomination Committee of the Company consisted of the executive Directors, namely, Mr. MENG Fengchao and Mr. PENG Shugui, the non-executive Director, Mr. ZHU Mingxian, and the independent non-executive Directors, namely, Mr. LI Kecheng and Mr. ZHAO Guangjie, with Mr. MENG Fengchao serving as the Chairman. After 20 March 2012, considered and approved at the 10th meeting of the second session of the Board of the Company, the Board adjusted the members of the Nomination Committee as follows: the Nomination Committee of the Company consisted of Mr. MENG Fengchao, Mr. PENG Shugui, Mr. LI Kecheng and Mr. ZHAO Guangjie as well as the independent non-executive Director Mr. WU Taishi, with Mr. MENG Fengchao serving as the Chairman. 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 duties in accordance with the requirements of the Articles of Association, the Working Rules for the Nomination Committee and other relevant laws and regulations. The Nomination Committee held no meeting during the period, but reviewed the structure, number of members and composition (including skills, knowledge and experience) of the Board by passing round relevant documents for perusal.

2. *Strategy and Investment Committee*

During the Reporting Period, the Strategy and Investment Committee of the Company consisted of Mr. ZHAO Guangfa, Mr. HU Zhenyi, Mr. ZHU Mingxian, Mr. LI Kecheng and Mr. WU Taishi, 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 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	Main contents	Attendance
The 6th meeting of the second session	23 February 2012	1. The proposal in relation to the Business Investment Plan for 2012 was considered; 2. The proposal in relation to the acquisition of Guangdong Province Hangsheng Construction Group Co., Ltd. and merging it into China Railway Construction and Waterway Bureau Co., Ltd. for reorganization was considered.	Committee members ZHAO Guangfa, HU Zhenyi, ZHU Mingxian, LI Kecheng and WU Taishi attended the meeting and the independent non-executive Director NGAI Wai Fung set in at the meeting.
The 7th meeting of the second session	27 March 2012	1. The proposal in relation to the participation in the investment and construction of Shenzhen Metro (Phase III) BT Project was considered; 2. The proposal in relation to the participation in the investment and construction of the BT Project for Kunming Rail Transit Works was considered;	Committee members ZHAO Guangfa, HU Zhenyi, ZHU Mingxian, LI Kecheng attended the meeting and the committee member WU Taishi was not able to attend due to other business commitments.
The 8th meeting of the second session	25 April 2012	1. The proposal in relation to the participation in the investment and construction of the BT Project for the Meizhou River Channel in Nanjing by China Railway Construction Investment Co., Ltd. was considered; 2. The proposal in relation to the joint participation in the investment and construction of the BT Project for Main Highway in Chengdu Tianfu New Area by China Railway 24th Bureau Group Co., Ltd. and China Railway Material Group Co., Ltd. was considered; 3. The proposal in relation to the equity participation in the Simandou Iron Ore Project in Guinea by CRCC China-Africa Construction Limited was considered;	Committee members ZHAO Guangfa, ZHU Mingxian, LI Kecheng and WU Taishi attended the meeting and the committee member HU Zhenyi was not able to attend due to other business commitments;
The 9th meeting of the second session	6 August 2012	1. The proposal in relation to the investment in the BOT (Build-Operate-Transfer) Project for Guizhou Songtao-Tongren Expressway by China Railway Construction Investment Co., Ltd. was considered; 2. The proposal in relation to the investment in the BOT Project for Guagnxi Ziyuan-Xing'an Expressway by China Railway Construction Investment Co., Ltd., China Railway Fourth Survey and Design Institute Group Co., Ltd. and China Railway 18th Bureau Group Co., Ltd. was considered; 3. The proposal in relation to the investment in the construction of the Phase I Project for Changchun Metro Line 1 through BT (Build-Transfer) with capital fund by China Railway Construction Investment Co., Ltd. was considered; 4. The proposal in relation to the investment in the Project for Level-1 land consolidation and development in the Central Urban Area in Western Zhuhai by China Railway Construction Investment Co., Ltd. was considered; 5. The proposal in relation to the investment in the Project for Level-1 land development in Cuijia Datan, Lanzhou by China Railway Construction Investment Co., Ltd. was considered; 6. The proposal in relation to the investment, development and construction of Mirador Copper Mine Project in Ecuador was considered;	All committee members, namely, ZHAO Guangfa, HU Zhenyi, ZHU Mingxian, LI Kecheng and WU Taishi, attended the meeting.

Corporate Governance Structure and Corporate Governance Report (continued)

Name of meeting	Date	Main contents	Attendance
The 10th meeting of the second session	28 August 2012	1. The proposal in relation to the participation in the investment and construction of the BT Project for Rail Transit in Shijiazhuang by China Railway 17th Bureau Group Co., Ltd. and other units was considered; 2. The proposal in relation to the participation in the investment and construction of the BT Project for the South Extension Section in Hongxing Road of the Infrastructure Construction Project in the Business District of the Financial Headquarters in Chengdu by China Railway 18th Bureau Group Co., Ltd. was considered; 3. The proposal in relation to the participation in the investment and construction of the BT Project for the Liaobin Shugang Expressway from Liaoning Dengta to Liaozhong and Panjin by China Railway 19th Bureau Group Co., Ltd. was considered; 4. The proposal in relation to the participation in the investment and construction of the Wuzhong Section BT Project for West Extension of the South Ring Expressway in Suzhou by China Railway 20th Bureau Group Co., Ltd. was considered; 5. The proposal in relation to the participation in the investment and construction of the BT Project for Cuntan Yangtze River Bridge in Chongqing by China Railway Construction Investment Co., Ltd. and China Railway Construction and Waterway Bureau Co., Ltd. was considered; 6. The proposal in relation to the investment in the development and construction of Mirador Copper Mine Project in Ecuador was considered;	All committee members, namely, ZHAO Guangfa, HU Zhenyi, ZHU Mingxian, LI Kecheng and WU Taishi, attended the meeting.
The 11th meeting of the second session	29 October 2012	1. The proposal in relation to the Participation in the investment and construction of the BT Project for Supporting Transit Works in Blue Silicon Valley in Qingdao by China Railway Construction Investment Co., Ltd. was considered; 2. The proposal in relation to the investment in the construction of the BT Project for the Jinan-Yutai Section at Shandong-Jiangsu Boundary of Jinan-Xuzhou Expressway by China Railway Construction Investment Co., Ltd. was considered; 3. The proposal in relation to the investment in the construction of the BT Project for the Xiajin-Liaocheng Section of Dezhou-Shangqiu Expressway by China Railway Construction Investment Co., Ltd. was considered; 4. The proposal in relation to the investment in the construction of Mazhao Expressway Project through joint contribution of capital funds by various bureaus was considered.	Committee members ZHAO Guangfa, ZHU Mingxian and WU Taishi attended the meeting, and the committee members HU Zhenyi and LI Kecheng were not able to attend due to other business commitments;
The 12th meeting of the second session	27 December 2012	1. The proposal in relation to the joint participation in the investment and construction of the Phase I Project for Rail Transit Line 10 in Chengdu through BT (Build-Transfer) by China Railway Construction Investment Co., Ltd. and China Railway Material Group Co., Ltd. was considered; 2. The proposal in relation to the Participation in the investment and construction of the comprehensive renovation Project for the Shapingba Railway Junction in Chongqing through BT (Build-Transfer) by China Railway 17th Bureau Group Co., Ltd. was considered;	Committee members HU Zhenyi, ZHU Mingxian, LI Kecheng and WU Taishi attended the meeting and the committee member ZHAO Guangfa was not able to attend due to other business commitments;



Corporate Governance Structure and Corporate Governance Report (continued)

3. *Remuneration and Evaluation Committee*

During the Reporting Period, the Remuneration and Evaluation Committee consisted of the 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 for the Directors and senior management members of the Company; to study the evaluation criteria for Directors and senior management members of the Company, and to carry out evaluation and make recommendations.

The Company has adopted the mode in which the Remuneration and Evaluation Committee makes recommendations on the remuneration for executive Directors and senior management members to the Board. According to relevant provisions of the Working Rules for the Remuneration and Evaluation Committee, the Remuneration and Evaluation Committee is responsible for formulating the remuneration management method and remuneration plans for the Directors, the Chairman of the Supervisory Committee and senior management members of the Company and proposing recommendations on their specific remuneration to the Board.

During the Reporting Period, the Remuneration and Evaluation Committee earnestly performed their duties and held 2 meetings in accordance with the requirements of the Company Law, the Articles of Association, the Working Rules for the Remuneration and Evaluation Committee and other relevant laws and regulations, the details of which are as follows:

Name of meeting	Date	Main contents	Attendance
The 3th meeting of the second session	25 April 2012	1. The proposal in relation to the performance evaluation results for the President for 2011 was considered; 2. The proposal in relation to the determination of the performance evaluation target value for the President for 2012 was considered;	All committee members, namely, ZHAO Guangjie, LI Kecheng and WU Taishi, attended the meeting
The 4th meeting the Remuneration and Evaluation Committee of the second session	29 October 2012	1. The remuneration plans for the President for 2011 and the individual performance evaluation conducted by the President for the Vice President were reported; 2. The signing of individual performance contracts by the President for the Vice President for 2012 was reported; 3. The Company's performance evaluation for the heads of its subsidiaries was reported; 4. The Company's performance evaluation for the departments in headquarters was reported.	Committee members ZHAO Guangfa and WU Taishi attended the meeting, and the committee member LI Kecheng was not able to attend due to other business commitments.

Corporate Governance Structure and Corporate Governance Report (continued)

4. *Audit and Risk Management Committee*

During the Reporting Period and before 20 March 2012, the Audit and Risk Management Committee of the Company consisted of the independent non-executive Directors, namely, Mr. WU Taishi, Mr. ZHAO Guangjie and Mr. NGAI Wai Fung, with Mr. WU Taishi serving as the Chairman. After 20 March 2012, considered and approved at the 10th meeting of the second session of the Board of the Company, the Board adjusted the members of the Audit and Risk Management Committee as follows: the Audit and Risk Management Committee consisted of the Company consisted of Mr. WU Taishi, the non-executive Director Mr. ZHU Mingxian and the independent non-executive Directors, namely, Mr. LI Kecheng, Mr. ZHAO Guangjie and Mr. NGAI Wai Fung, with Mr. WU Taishi serving as the Chairman. The Audit and Risk Management Committee are mainly responsible for making recommendations on the appointment and change of the external auditors of the Company; the monitoring of the 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 formulation of the Company's risk management strategies and solutions, and the risk control, management, monitoring and review of major decision-makings, major events and important business procedures.

During the Reporting Period, the Audit and Risk Management Committee earnestly performed their duties and held 9 meetings in accordance with the requirements of the Company Law, the Articles of Association and the Working Rules for the Audit and Risk Management Committee and other relevant laws and regulations, the details of which are as follows:

Name of meeting	Date	Main contents	Attendance
The 5th meeting of the second session	9 February 2012	1. The Audit and Supervisory Bureau's reporting on the internal control for 2011 was heard; 2. The Audit and Supervisory Bureau's Audit Work Ideas and Draft Audit Plan were considered;	All committee members, namely, WU Taishi, ZHAO Guangjie and NGAI Wai Fung, attended the meeting.
The 6th meeting of the second session	6 March 2012	Ernst & Young Hua Ming's reporting on the progress of the Company's 2011 annual audit (the second communication meeting on the 2011 annual audit) was heard	Committee members WU Taishi, ZHAO Guangjie and NGAI Wai Fung attended the meeting, and LI Kecheng attended the meeting as an independent Director.
The 7th meeting of the second session	21 March 2012	Crowe Horwath's reporting on the internal control of the Company for 2011 was heard.	Committee members WU Taishi, ZHU Mingxian, LI Kecheng and NGAI Wai Fung attended the meeting, and the committee member ZHAO Guangjie was not able to attend due to other business commitments.



Corporate Governance Structure and Corporate Governance Report (continued)

Name of meeting	Date	Main contents	Attendance
The 8th meeting of the second session	27 March 2012	- Ernst & Young Hua Ming's reporting on the Company's 2011 annual audit (the third communication meeting on the 2011 annual audit) was considered; - The Working Rules for the Audit and Risk Management Committee of China Railway Construction Corporation Limited was discussed and modified; - The selection and engagement of intermediaries for the 2012 annual audit was discussed; - Crowe Horwath's proposal in relation to the Audit Report on the Internal Control of the Company for 2011 was considered; - The proposal in relation to the Report on Internal Control Assessment for 2011 was considered; - The proposal in relation to the Administrative Measures for Internal Control Assessment of Enterprises (Interim) was considered.	Committee members WU Taishi, ZHU Mingxian, LI Kecheng and NGAI Wai Fung attended the meeting, and the committee member ZHAO Guangjie was not able to attend due to other business commitments.
The 9th meeting of the second session	25 April 2012	- The 2012 First Quarterly Report of the Company was considered; - The Company's Work Summary for Risk and Internal Control for 2011 and the Risk and Internal Control Plan for 2012 were heard; - The Company's selection and engagement of intermediaries for internal control audit for 2012 was discussed; - The proposal in relation to the Report on the Comprehensive Risk Management of Enterprises for 2012 was considered; - The Company's Manual for Internal Control and Risk Management at the Corresponding Level was considered;	All committee members, namely, WU Taishi, ZHU Mingxian, LI Kecheng, ZHAO Guangjie and NGAI Wai Fung attended the meeting
The 10th meeting of the second session	6 August 2012	The reporting on the risk and internal control of the first half of 2012 of the Company was heard;	All committee members, namely, WU Taishi, ZHU Mingxian, LI Kecheng, ZHAO Guangjie and NGAI Wai Fung attended the meeting
The 11th meeting of the second session	29 August 2012	- Ernst & Young Hua Ming's reporting on the audit of the Company's 2012 half-yearly statements was heard; - The Company's Half-Yearly Report was considered; - The proposal in relation to the Implementation Plan for the Overall Construction of Internal Control and the Continuous Improvement Plan of the Company was considered; - The proposal in relation to the Company's Internal Control Assessment Plan for 2012 was considered;	All committee members, namely, WU Taishi, ZHU Mingxian, LI Kecheng, ZHAO Guangjie and NGAI Wai Fung attended the meeting
The 12th meeting of the second session	29 October 2012	The Company's 2012 Third Quarterly Financial Report was considered;	Committee members WU Taishi, ZHU Mingxian, ZHAO Guangjie and NGAI Wai Fung attended the meeting, and the committee member LI Kecheng was not able to attend the meeting due to other business commitments
The 13th meeting of the second session	3 December 2012	- Ernst & Young Hua Ming LLP's reporting on the audit plan for the Company's annual report for 2012 was heard; - The Audit and Supervisory Bureau's reporting on the audit expenses for the Company's 2012 financial final accounts was heard.	All committee members, namely, WU Taishi, ZHU Mingxian, LI Kecheng, ZHAO Guangjie and NGAI Wai Fung attended the meeting

During the Reporting Period, the Audit and Risk Management Committee held a meeting during which together they reviewed the financial and accounting policies, internal control system and relevant financial matters, issued opinions on matters related to the engagement of external audit institutions and heard the external audit institutions' reporting on the audit and review of the 2011 Annual Report and 2012 Interim Report, so as to ensure the integrity, fairness and accuracy of the Company's financial statements, reports and other relevant data, and to establish and improve an effective internal control system.

Corporate Governance Structure and Corporate Governance Report (continued)

IX. EXPLANATION ON THE SUPERVISORY COMMITTEE FINDING RISKS IN THE COMPANY

During the Reporting Period, the Supervisory Committee of the Company did not find risks other than the risk factors that may be faced in the discussion and analysis of the Company's future development as stated in "Section V Report of Directors" of this report.

X. EXPLANATION ON THE COMPANY'S INCAPABILITY TO MAINTAIN INDEPENDENCE AND INDEPENDENT OPERATING ABILITY IN ASPECTS OF BUSINESS, PERSONNEL, ASSETS, INSTITUTIONS AND FINANCE RELATIVE TO THE CONTROLLING SHAREHOLDER

During the Reporting Period, the Company is independent in aspects of business, personnel, assets, institutions and finance relative to the Controlling Shareholder.

1. *Business independence*

The Company is principally engaged in construction operations, survey, design and consultancy operations, manufacturing operations, real estate development, logistics and material trading and other businesses, and has the input 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 substantive horizontal 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 systems. 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 division 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.



Corporate Governance Structure and Corporate Governance Report (continued)

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.

5. *Financial independence*

The Company has an independent finance department equipped with independent financial personnel, financial accounting system, 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 case 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 case of mixing tax payment with the subordinate entities of the Controlling Shareholder.

XI. THE ESTABLISHMENT AND IMPLEMENTATION OF THE EVALUATION MECHANISM AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

In accordance with the provisions of the Company's performance method and remuneration management method for senior management members and according to the annual performance evaluation plans for senior management members of the Company considered and determined by the Board meeting, the Remuneration and Evaluation Committee implemented the evaluation for senior management members, of which the results were submitted to Board for consideration and approval and served as the main basis for the remuneration incentives for senior management members. The Remuneration and Evaluation Committee formulated the Proposal on the Remuneration of Senior Management Members and materialized the annual performance pay for senior management members after submitting the proposal to the Board for consideration.

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 earnestly implemented the spirit of the Circular on Further Strengthening the Management of Investor Relations of Listed Companies issued by Shanghai Stock Exchange and the Circular on Carrying out Centralized Publicity for Investor Protection issued by Beijing Securities Regulatory Bureau, and effectively carried out work related to investor relations in a down-to-earth way in strict compliance with the relevant provisions set forth in the Working Rules for Investor Relations of China Railway Construction Corporation Limited. The Company has dedicated hotlines and mail boxes for investor relations, providing convenience and conditions for investors. In 2012, the Company arranged 87 face-to-face meetings with investors and analysts, receiving more than 260 visitors. Upon disclosure of periodic reports, the Company held results presentations oriented to both domestic and overseas investors in a timely manner, and after issuance of annual report, it organized diversified roadshows both at home and abroad, with a view to communicating with investors actively. The Company participated in exchange activities held by domestic and overseas investment institutions for many times to directly listen to the investors' opinions and suggestions. The Company interpreted the periodic reports and announcements issued by it to investors through a variety of ways, making the investors understand relevant conditions in many aspects, including the latest tendency of the industry where the Company operates and the Company's production and operation and development prospects, so as to make impartial and objective evaluation and judgment for the Company.

Corporate Governance Structure and Corporate Governance Report (continued)

The Company's work on investor relations has received a favorable comments from relevant institutions, media and investors. In the selection of "2012 Special Awards for Corporate Governance" held by Shanghai Stock Change, the Company was included in the long list of "Information Disclosure Award" (20 companies). In 2012, in the comparison of listed companies by relevant institutions and financial media organizations, the Company was awarded the "Listed Company with Best Investor Relations Management", the "Most Influential Listed Company Overseas", the "2012 Top 100 Chinese Listed Companies in Capital Brand", the "2012 Top 100 Enterprises of Integrity among Chinese Listed Companies", the "2012 Top 100 Chinese Listed Companies in Comprehensive Strength", etc. ; in the competition for "Top 10 Hong Kong Listed Companies", the Company was honored with the "Comprehensive Strength Top 100" and "Turnover Top 10" for 2012; the Company's website ranked fourth among the "Listed Company Websites Most Popular with Investors", and was granted the individual awards of the "Best Information Disclosure Website" and the "Best Image Presentation Website". The Secretary to the Board of the Company, Mr. YU Xingxi was granted the "2011 Top 100 Secretary to the Board of Chinese Companies Listed on the Main Board", the "Golden Whistle" award at the 8th Chinese Securities Market Annual Conference, the "Best Secretary to the Board in Investor Relations Management" in 2012, etc.

XIV. MAJOR CHANGES TO THE ARTICLES OF ASSOCIATION DURING THE REPORTING PERIOD

During the Reporting Period, in accordance with the requirements of relevant laws and regulations where the shares of the Company are listed and the actual conditions of the Company, the Articles of Association was revised twice as considered and approved at the Board meeting and general meeting.

First revision: As considered and approved at the 11th meeting of the second session of the Board on 28 and 29 March, and the 2011 Annual General Meeting on 12 June, the Company revised Article 22, 137, 162, 163, 166, 167, 168, 169, 170, 173, 175, 176, 181, 188, 189, 190, 192, 193, 194 and 195. The Articles of Association (Revision) was published on the website of Shanghai Stock Change (www.sse.com.cn), the website of Hong Kong Exchange and Clearing Limited (www.hkex.com.hk) and the Company's website (www.crcc.cn) on 13 June.

Second revision: As considered and approved at the 14th meeting of the second session of the Board on 29 and 30 August and the 2012 Second Extraordinary General Meeting of the Company on 28 December, the Company revised the articles related to cash dividend set forth in the Articles of Association. The Company revised the Article 254, and added contents of three articles thereafter. The Articles of Association (Revision) was published on the website of Shanghai Stock Change (www.sse.com.cn), the website of Hong Kong Exchange and Clearing Limited (www.hkex.com.hk) and the Company's website (www.crcc.cn) on 29 December.

XV. REMUNERATION OF AUDITORS

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

XVI. SECRETARY TO THE BOARD OF THE COMPANY

During the Reporting Period, the Secretary to the Board and Joint Secretary of the Company had respectively completed relevant professional training of not less than 15 hours.



Internal Control (continued)

I THE STATEMENT FOR INTERNAL CONTROL RESPONSIBILITY AND DEVELOPMENT OF THE INTERNAL CONTROL SYSTEM

It is of the Company's responsibility to establish a sound internal control system with effective implementation according to the requirements of the "Basic Criteria for Enterprise Internal Control" promulgated by the Ministry of Finance and China Securities Regulatory Commission etc., and to evaluate its effectiveness. The Company has dedicated to strictly carry out internal control. Based on existing management system, we keep on strengthen and improve internal control system, upgrade internal control standard and prevent from any internal control deficiency, so as to pursue the greatest value for shareholders, to ensure that the strategic goal of the Company is attainable, and requirements of relevant regulatory bodies are fulfilled. In 2012, the Company continued to enhance internal control, by establishing "CRCC Guidelines for internal control evaluation (interim)" (《中國鐵建股份有限公司內部控制評價管理辦法(暫行)》), amending "CRCC Manual for Internal Control and Risk Management" (《中國鐵建股份有限公司內控與全面風險管理手冊》) etc. Associated with the existing systems such as "CRCC Guidelines for Internal Control and Full Risk Management" (《中國鐵建股份有限公司內部控制與全面風險管理辦法》), "CRCC Guidelines for Internal Control Auditing Management" (《中國鐵建股份有限公司內部控制審計管理辦法》), "CRCC Analysis Report System on Major Risk" (《中國鐵建股份有限公司重大風險事件分析報告制度》), and "CRCC Financial Management and Internal Control System" (《中國鐵建股份有限公司財務管理與內控制度》), these systems have framed the foundations of internal control, guiding establishment and implementation of the system.

For details of the "Self-assessment Report on Internal Control", please refer to annex to the report.

II RELEVANT ISSUE ON AUDIT REPORT ON INTERNAL CONTROL

Ernst & Young Hua Ming LLP appointed by the Company has audited the effectiveness of our internal control for 2012, and expressed an unqualified audit opinion.

For details of the 'Auditors' Report on Internal Control', please refer to annex to the report.

III IMPLEMENTATION 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 to 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.

REPORT OF THE AUDITORS



Ernst & Young Hua Ming (2013) 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 2012, 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.

1. 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; and (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.

2. 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' judgement, 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. 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.

3. 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 2012 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 LLP

Yang Shujuan
Chinese Certified Public Accountant

Shen Yan
Chinese Certified Public Accountant

Beijing, the People's Republic of China

28 March 2013



Consolidated Balance Sheet

As at 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

ASSETS	<i>Note V</i>	31 December 2012	31 December 2011
Current assets			
Cash and bank balances	1	92,274,144	83,057,641
Financial assets held for trading	2	115,025	46,919
Bills receivable	3	2,300,570	2,014,619
Accounts receivable	4	71,711,636	62,918,831
Advances to suppliers	5	33,560,698	26,075,648
Interest receivables		81,250	60,370
Dividends receivable		12,507	46,844
Other receivables	6	30,968,057	25,335,878
Inventories	7	171,336,940	150,181,495
Current portion of non-current assets	9	13,427,892	10,546,813
Other current assets		498,140	39,090
Total current assets		416,286,859	360,324,148
Non-current assets			
Available-for-sale financial assets	8	264,970	242,097
Held-to-maturity investments		1,269	1,269
Long-term receivables	9	7,693,901	8,504,060
Long-term equity investments	11	5,624,561	4,444,219
Fixed assets	12	37,935,943	38,507,452
Construction in progress	13	2,334,646	2,064,232
Intangible assets	14	8,203,836	6,791,245
Goodwill	15	100,135	—
Long-term prepayments		125,826	117,128
Deferred tax assets	16	1,990,104	1,986,991
Other non-current assets		99,253	—
Total non-current assets		64,374,444	62,658,693
TOTAL ASSETS		480,661,303	422,982,841

Consolidated Balance Sheet (continued)

As at 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	Note V	31 December 2012	31 December 2011
Current liabilities			
Short-term loans	19	38,696,693	34,159,994
Due to customers	20	1,738,943	–
Bills payable	21	22,013,195	10,972,454
Accounts payable	22	158,862,434	149,398,973
Advances from customers	23	62,097,756	53,414,310
Employee benefits payable	24	9,990,592	9,586,517
Taxes payable	25	7,805,229	6,813,394
Interest payables	26	236,603	314,013
Dividends payable	27	108,388	57,489
Other payables	28	34,855,004	32,532,577
Deferred income	35	22,622	25,956
Current portion of non-current liabilities	29	10,432,264	13,961,260
Other current liabilities	30	21,952,069	7,504,783
Total current liabilities		368,811,792	318,741,720
Non-current liabilities			
Long-term loans	31	16,930,101	18,218,813
Bonds payable	32	14,459,980	12,392,517
Long-term payables	33	3,296,652	3,453,826
Special payables	34	245,343	304,386
Deferred income	35	158,536	131,006
Deferred tax liabilities	16	258,978	278,016
Other non-current liabilities	24	3,170,614	3,743,785
Total non-current liabilities		38,520,204	38,522,349
Total liabilities		407,331,996	357,264,069



Consolidated Balance Sheet (continued)

As at 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	<i>Note V</i>	31 December 2012	31 December 2011
Shareholders' equity			
Share capital	36	12,337,542	12,337,542
Capital reserve	37	33,948,198	33,997,676
Surplus reserve	39	1,217,159	855,536
Retained earnings	40	24,222,006	17,338,492
Exchange differences on foreign currency translation		238,762	219,097
Equity attributable to:			
Owners of the Company		71,963,667	64,748,343
Non-controlling interests		1,365,640	970,429
Total shareholders' equity		73,329,307	65,718,772
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		480,661,303	422,982,841

The financial statements have been signed by:

Legal Representative:

Meng Fengchao

28 March 2013

CFO:

Zhuang Shangbiao

28 March 2013

Finance Controller:

Cao Xirui

28 March 2013

Consolidated income statement

For the year ended 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

	Note V	2012	2011
Revenue	41	484,312,928	457,366,110
Less: Cost of sales	41	432,889,011	409,327,413
Taxes and surcharges	42	14,441,235	14,046,780
Selling and distribution expenses	43	1,946,450	1,745,921
General and administrative expenses	44	20,705,766	19,851,399
Finance costs	45	3,500,584	1,981,747
Losses from impairment of assets	46	331,869	624,559
Add: Gains/(losses) on fair value changes	47	3,240	(27,109)
Investment income	48	186,935	168,383
Including: Share of profits of associates and jointly- controlled entities		32,847	77,806
Operating profit		10,688,188	9,929,565
Add: Non-operating income	49	655,864	521,537
Less: Non-operating expenses	51	448,193	395,211
Including: Loss on disposal of non-current assets		102,161	212,470
Profit before tax		10,895,859	10,055,891
Less: Income tax expenses	51	2,375,239	2,173,927
Net profit		8,520,620	7,881,964
Attributable to:			
Owners of the Company		8,478,891	7,854,292
Non-controlling interests		41,729	27,672
Earnings per share:			
Basic earnings per share (RMB/share)	52	0.69	0.64
Diluted earnings per share (RMB/share)	52	N/A	N/A
Other comprehensive income	53	105,987	121,047
Total comprehensive income		8,626,607	8,003,011
Total comprehensive income attributable to:			
Owners of the Company		8,584,878	7,975,317
Non-controlling interests		41,729	27,694



Consolidated Statement of Changes in Equity

Year ended 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

	For the year ended 31 December 2012								
	Equity attributable to owners of the Company								Total equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Exchange differences on foreign currency translation	Subtotal	Non-controlling interests	
1. As at 1 January 2012	12,337,542	33,997,676	—	855,536	17,338,492	219, 097	64,748,343	970,429	65,718,772
2. Increase/(decrease) during the year									
(a) Net profit for the year	—	—	—	—	8,478,891	—	8,478,891	41,729	8,520,620
(b) Other comprehensive income (Note V.53)	—	86,322	—	—	—	19,665	105,987	—	105,987
Total comprehensive income	—	86,322	—	—	8,478,891	19,665	8,584,878	41,729	8,626,607
(c) Capital contributions and withdraw by shareholders									
(1) Capital contributions	—	—	—	—	—	—	—	436,946	436,946
(2) Acquisition of non-controlling interests	—	(137,211)	—	—	—	—	(137,211)	(11,973)	(149,184)
(3) Others	—	1,411	—	—	—	—	1,411	—	1,411
(d) Profit appropriation and distribution									
(1) Appropriation to surplus reserve	—	—	—	361,623	(361,623)	—	—	—	—
(2) Distribution to owners (Note 1)	—	—	—	—	(1,233,754)	—	(1,233,754)	(71,491)	(1,305,245)
(e) Special reserve (Note V.38)									
(1) Appropriated in current year	—	—	5,257,018	—	—	—	5,257,018	—	5,257,018
(2) Used in current year	—	—	(5,257,018)	—	—	—	(5,257,018)	—	(5,257,018)
3. As at 31 December 2012	12,337,542	33,948,198	—	1,217,159	24,222,006	238,762	71,963,667	1,365,640	73,329,307

Note 1: In accordance with the resolution at the 2011 annual general meeting of shareholders on 12 Jun 2012, the Company proposed a final cash dividend for the year ended 31 December 2011 of RMB0.10 per share (31 December 2011: RMB0.05), which amounted to RMB1,233,754,000 (31 December 2011: RMB616,877,000) based on the total number of shares of 12,337,541,500. The dividends have been paid in 2012 and reflected in current year's financial statements.

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

	For the year ended 31 December 2011								
	Equity attributable to owners of the Company								Total equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Exchange differences on foreign currency translation	Subtotal	Non-controlling interests	
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. Increase/(decrease) during the year									
(a) Net profit for the year	—	—	—	—	7,854,292	—	7,854,292	27,672	7,881,964
(b) Other comprehensive income (Note V.53)	—	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 withdraw by 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	—	—	—	—	(616,877)	—	(616,877)	(12,877)	(629,754)
(e) Special reserve (Note V.38)									
(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 Cash Flows

Year ended 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

	Note V	2012	2011
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sale of goods or rendering of services		551,073,344	414,319,619
Refunds of tax		334,662	273,670
Cash received from other operating activities	54	2,473,068	2,238,277
Subtotal of cash inflows from operating activities		553,881,074	416,831,566
Cash paid for goods and services		(498,769,835)	(384,339,849)
Cash paid to and on behalf of employees		(26,143,842)	(25,863,893)
Cash paid for all types of taxes		(17,518,004)	(14,557,862)
Cash paid for other operating activities	54	(5,904,422)	(4,646,273)
Subtotal of cash outflows from operating activities		(548,336,103)	(429,407,877)
Net cash flows from/(used in) operating activities	55	5,544,971	(12,576,311)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		43,668	8,766
Cash received from investment income		104,992	69,482
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,657,223	1,237,547
Decrease in non-pledged deposits with original maturity of three months or more when acquired	1	1,015,560	—
Decrease in pledged time deposits and other restricted cash	18	8,955,247	9,786,859
Cash received from other investing activities		3,204,081	1,380,207
Subtotal of cash inflows from investing activities		14,980,771	12,482,861
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(10,500,301)	(12,053,636)
Cash paid for acquisition of investments		(1,507,373)	(209,152)
Cash paid for acquisition of non-controlling interests		(149,184)	(1,743)
Net cash paid for acquisition of Hangsheng	Note IV.4	(124,115)	—
Net cash paid for acquisition of material assets and liabilities		—	(99,953)
Increase in non-pledged deposits with original maturity of three months or more when acquired		—	(885,935)
Increase in pledged time deposits and other restricted cash	18	(11,008,668)	(8,507,534)
Cash paid for other investing activities		—	(1,327,916)
Subtotal of cash outflows from investing activities		(23,289,641)	(23,085,869)
Net cash flows used in investing activities		(8,308,870)	(10,603,008)

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

	Note V	2012	2011
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received as capital contributions		436,946	115,838
Including: Cash received from non-controlling shareholders of subsidiaries		436,946	115,838
Cash received from borrowings		61,364,464	56,304,728
Cash received from issuing bonds		23,680,000	14,910,000
Subtotal of cash inflows from financing activities		85,481,410	71,330,566
Cash repayments for borrowings		(67,726,931)	(24,907,235)
Cash paid for distribution of dividends or profits and for interest expenses		(6,831,963)	(4,774,401)
Including: Cash paid to non-controlling shareholders for distribution of dividends by subsidiaries		(20,592)	(30,105)
Subtotal of cash outflows from financing activities		(74,558,894)	(29,681,636)
Net cash flows from financing activities		10,922,516	41,648,930
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		20,025	(225,172)
5. NET INCREASE IN CASH AND CASH EQUIVALENTS			
Add: Cash and cash equivalents at beginning of the year	55	8,178,642	18,244,439
		74,167,583	55,923,144
6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	55	82,346,225	74,167,583



Company Balance Sheet

As at 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

ASSETS	<i>Note XI</i>	31 December 2012	31 December 2011
Current assets			
Cash and bank balances		10,093,036	13,906,252
Financial assets held for trading		35,024	31,405
Accounts receivable	1	539,375	666,357
Advances to suppliers		278,806	695,688
Dividends receivable		108,931	—
Other receivables	2	30,109,799	38,258,954
Inventories		2,092,019	4,131,640
Current portion of non-current assets		500,000	2,403,975
Total current assets		43,756,990	60,094,271
Non-current assets			
Available-for-sale financial assets		124,653	113,045
Long-term receivables		500,000	1,000,000
Long-term equity investments	3	59,345,515	49,495,006
Fixed assets		30,629	35,805
Construction in progress		22,527	12,379
Intangible assets		739	520
Deferred tax assets		6,124	11,143
Total non-current assets		60,030,187	50,667,898
TOTAL ASSETS		103,787,177	110,762,169

Company Balance Sheet (continued)

As at 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	31 December 2012	31 December 2011
Current liabilities:		
Short-term loans	100,000	6,715,045
Accounts payable	276,550	839,631
Advanced from customers	2,519,007	38,515
Employee benefits payable	44,863	41,194
Taxes payable	76,826	3,257
Interest payables	362,489	320,471
Other payables	6,911,550	9,982,018
Current portion of non-current liabilities	3,189,161	11,441,289
Other current liabilities	16,000,000	5,000,000
Total current liabilities	29,480,446	34,381,420
Non-current liabilities:		
Long-term loans	4,125,390	6,810,371
Bonds payable	12,409,980	12,392,517
Long-term payables	45,000	1,838,170
Other non-current liabilities	21,620	26,130
Total non-current liabilities	16,601,990	21,067,188
Total liabilities	46,082,436	55,448,608
Shareholders' equity		
Share capital	12,337,542	12,337,542
Capital reserve	39,011,136	39,002,430
Surplus reserve	1,217,159	855,536
Retained earnings	5,138,904	3,118,053
Total shareholders' equity	57,704,741	55,313,561
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	103,787,177	110,762,169



Income Statement

Year ended 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

	<i>Note XI</i>	2012	2011
Revenue	4	1,683,917	5,545,379
Less: Cost of sales	4	2,151,016	5,252,391
Taxes and surcharges		3,388	6,886
Selling and distribution expenses		16,228	12,682
General and administrative expenses		306,104	464,938
Finance income		(785,179)	(20,960)
Losses from impairment of assets		123,193	—
Add: Gains/(losses) on fair value changes		3,619	(12,758)
Investment income	5	3,684,089	41,653
Including: Share of (loss)/income of jointly-controlled entities		(562)	33,391
Operating profit		3,556,875	(141,663)
Add: Non-operating income		62,495	48
Less: Non-operating expenses		694	142
Including: Losses on disposal of non-current assets		12	79
Profit/(loss) before tax		3,618,676	(141,757)
Less: Income tax expenses/(credit)		2,448	(1,495)
Net profit/(loss)		3,616,228	(140,262)
Other comprehensive income/(loss)		8,706	(9,497)
Total comprehensive income/(loss)		3,624,934	(149,759)

Statement of Changes In Equity

Year ended 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

	For the year ended 31 December 2012				
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total equity
1. As at 1 January 2012	12,337,542	39,002,430	855,536	3,118,053	55,313,561
2. Increase/(decrease) during the year					
(a) Net profit	—	—	—	3,616,228	3,616,228
(b) Other comprehensive income	—	8,706	—	—	8,706
Total comprehensive income	—	8,706	—	3,616,228	3,624,934
(c) Profit appropriation and distribution					
(1) Appropriation to surplus reserve	—	—	361,623	(361,623)	—
(2) Distribution to owners <i>(Note)</i>	—	—	—	(1,233,754)	(1,233,754)
3. As at 31 December 2012	12,337,542	39,011,136	1,217,159	5,138,904	57,704,741

Note: Further details are stated in the note to the consolidated statement of changes in equity.

	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. Increase/(decrease) during the 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	—	—	—	(616,877)	(616,877)
3. As at 31 December 2011	12,337,542	39,002,430	855,536	3,118,053	55,313,561



Statement of Cash Flows

Year ended 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

	Note XI	2012	2011
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sale of goods or rendering of services		1,544,524	3,549,619
Tax refunds		—	54,578
Cash received from other operating activities		4,710,249	8,299
Subtotal of cash inflows from operating activities		6,254,773	3,612,496
Cash paid for goods and services		(842,874)	(4,307,190)
Cash paid to and on behalf of employees		(150,337)	(149,976)
Cash paid for all types of taxes		(62,260)	(187,645)
Cash paid for other operating activities		(129,166)	(1,811,197)
Subtotal of cash outflows from operating activities		(1,184,637)	(6,456,008)
Net cash flows from/(used in) operating activities	6	5,070,136	(2,843,512)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from returns on investments		3,575,850	2,613,120
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,185	727
Decrease in non-pledged time deposits with original maturity of three months or more when acquired		—	204,981
Cash received from other investing activities		1,830,896	1,332,897
Subtotal of cash inflows from investing activities		5,408,931	4,151,725
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(27,390)	(18,729)
Cash paid for acquisition of investments		(4,461,302)	(9,955,950)
Increase in non-pledged time deposits with original maturity of three months or more when acquired		(5,200)	—
Cash paid for other investing activities		—	(1,327,916)
Subtotal of cash outflows from investing activities		(4,493,892)	(11,302,595)
Net cash flows from/(used in) investing activities		915,039	(7,150,870)

Statement of Cash Flows (continued)

Year ended 31 December 2012 (All amounts in RMB'000 unless otherwise stated)

	<i>Note XI</i>	2012	2011
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from borrowings		2,407,379	13,098,122
Cash received from issuing bonds		16,000,000	12,500,000
Subtotal of cash inflows from financing activities		18,407,379	25,598,122
Cash repayments for borrowings		(24,986,474)	(3,301,343)
Cash paid for distribution of dividends or profits and for interest expenses		(3,224,042)	(2,646,105)
Subtotal of cash outflows from financing activities		(28,210,516)	(5,947,448)
Net cash flows (used in)/from financing activities		(9,803,137)	19,650,674
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(454)	(42,323)
5. NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,818,416)	9,613,969
Add: Cash and cash equivalents at beginning of the year		13,903,252	4,289,283
6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	10,084,836	13,903,252



Notes to Financial Statements

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

I. Corporate information

China Railway Construction Corporation Limited (the “Company”) is a joint stock limited company with limited liability registered in Beijing in the People’s Republic of China (the “PRC” or “Mainland China”), which was established by China Railway Construction Corporation (hereinafter referred to as “CRCCG”) upon the approval by the State-owned Assets Supervision and Administration Commission of the State Council (the “SASAC”) of Guozi Reform [2007] 878 Approval for CRCCG’s Group Restructuring and Dual Listing in Domestic and Overseas Markets, issued on 17 August 2007, and Guozi Reform [2007] 1218 Approval for the Establishment of China Railway Construction Corporation Limited issued on 4 November 2007. The Company’s registration was approved by the Administration for Industry and Commerce of Beijing with the business license code of 100000000041302. The registered office of the Company’s head office is located at East, No. 40 Fuxing Road, Haidian District, Beijing, China. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) mainly consist of the construction of infrastructure, the provision of survey, design and consultancy services, the provision of logistics services, industrial manufacturing and real estate development.

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

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

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

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

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.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

I. Corporate information (continued)

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

As at 12 December 2012, the Company has issued an aggregate of 12,337,541,500 shares as share capital. See Note V.36 for details.

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

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

These financial statements were approved and authorized for issue by the board of directors of the Company on 28 March 2013. Pursuant to the Company's Articles of Association, the financial statements will be submitted to the Shareholder's meeting for approval.

II. Significant accounting policies and estimates

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 2012 and the financial performance and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

3. *Accounting period*

The accounting year of the Group is from 1 January to 31 December of each calendar year.

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.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

5. **Business combinations** (continued)

Business combinations involving entities not under common control

A business combination involving entities not 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 involving entities not 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.

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 2012. A subsidiary is an enterprise or entity that is controlled by the Company.

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

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

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

6. *Basis of consolidation (continued)*

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

7. *Cash and cash equivalents*

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

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 initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the rates of exchange ruling at the balance sheet date. All differences are taken into the income statement, except those arising from the principals and interests on foreign currency borrowings specifically for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognized in other comprehensive income.

For foreign operations, the Group translates functional currencies of overseas businesses into Renminbi when preparing financial statements. All assets and liabilities are translated at the rates of exchange ruling at the balance sheet date; shareholders' equity, with the exception of retained earnings, are translated at the rates of exchange ruling at the transaction date; all income and expense items in the income statement are translated at the average rates of exchange during the period. Exchange fluctuations arising from the translation mentioned above are recognized as other comprehensive income, and are presented separately in the shareholders' equity in the balance sheet. When the overseas business is disposed of the exchange fluctuation reserve of the overseas business will be transferred to the income statement in the same period. In the case of a partial disposal, only the proportionate share of the related exchange fluctuation reserve is transferred to the income statement.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated into RMB at the rates of exchange ruling at the dates of the cash flows. The effect of changes in rates of exchange on cash and cash equivalents are presented separately in the statement of cash flows.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

9. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

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

Regular way purchases or sales of financial assets are recognized and derecognized on the trade date. 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 the Group commits to purchase or sell the asset.

Classification and measurement of financial assets

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Loans and receivables

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Available-for-sale financial assets

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

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

Classification and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

Bonds payable

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

Other financial liabilities

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

Financial guarantee contracts

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

Fair value of financial instruments

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

Impairment of financial assets

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

9. *Financial instruments* (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost

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

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

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

Available-for-sale financial assets

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

9. Financial instruments (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

The objective evidence showing the impairment of equity instrument held-for-sale includes the severe declining and the other-than-temporary declining of its fair value. There should be a method to distinguish "severe" declining and the "other-than-temporary" ones. The gap between the fair value and the cost decides how severe the impairment is. The persistence of the difference between the fair value and the cost decides whether it is "other-than-temporary". The impairment loss of equity instrument held-for-sale cannot be reversed through profit or loss, and any increase of fair value that occurs after the impairment is recognized directly in other comprehensive income.

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

Financial assets carried at cost

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

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

Transfer of financial assets

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

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (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	—	—
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 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (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 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 consists acquisition cost of land use rights, 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 charged to the income statement when issued, and other turnover materials are amortized based on the number of times that they are estimated to be used.

Inventories are accounted for using the perpetual inventory system.

At each balance sheet date, inventories shall be measured at the lower of cost and net realizable value. If the cost is in excess of amounts expected to be realized from their sale or use, provision for inventories is recognized in the income statement. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realizable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to the income statement.

Net realizable value is the estimated selling price under the normal business term deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

12. Construction contract

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

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

Long-term equity investment shall be recognized at initial investment cost upon 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 involving enterprises not 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 direct 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, unless the consideration in investment contract or agreement is not at fair value.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

13. Long-term equity investments (continued)

The cost method is applied for long term equity investments when the investee are neither jointly-controlled nor significantly influenced by the Group, and no quoted market price in an active market so that whose fair value cannot be reliably measured. The cost method is applied for long term equity investments in the financial statements of the Company when the investee is controlled by the Company. Control refers to the right to decide on the financial and operating policies of a company and to obtain profit from the operating activities of the company.

Under the cost method, the long-term equity investment is recorded at initial investment cost. Profits or cash dividends declared to be distributed by the investee should be recognized as investment income in the current period, but such investment income is limited to proportionate distributions from accumulated profits after the date of acquisition. Also, it should consider whether there is impairment for the long term investment in accordance with the related asset provision policy.

The equity method is applied for long term equity investments when investees are jointly-controlled or significantly influenced by the Group. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures). Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

When the equity method is adopted, the initial cost of investment that in excess of the share of investee's fair value on identifiable net assets remains unchanged; the initial cost of the investment that falls short of the share of investee's fair value on identifiable net assets shall be adjusted, by which the difference had been charged to the income statement.

When the equity method is adopted, the investor recognises its investment income and adjusts the carrying amount of the investment based on the post-acquisition change in the investor's share of net assets of the investee. The recognition of the investee's result should base on the fair values of the individual identifiable assets of the investee according to the Group's accounting policies and accounting period. And the gains and losses resulting from intercompany transactions with the investee should be eliminated to the extent of the amount attributable to the investor according to the shareholding (but if the gains and losses belong to asset impairment losses, it should be entirely recognized). The recognition should base on the adjusted income statement of the investee. With respect to the long term equity investment in associates and jointly-controlled entities acquired before the first time adoption date, the remaining equity investment difference arising from the amortization using the straight line method (if exists) should be recognized as investment income or loss. The investor's share of profits distribution or cash dividends declared by the investee is deducted from the carrying amount of the investment. The Group recognizes net losses incurred by the investee to the extent that the carrying amount of the investment and other substantially treated as equity interests to the investee is reduced to zero, except for which the investor has extra obligation to assume loss of it. For the changes of equity in investee other than net income statement, the investor adjusts carrying amount of investment to shareholders' equity.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

13. Long-term equity investments (continued)

When long term equity investments are being disposed of, the difference between the carrying amount and the actual proceeds received should be charged to the income statement. For long term equity investments under equity method, the amount recognized in the equity previously shall be transferred to the income statement upon its disposal.

For the impairment assessment and measurement of provision for impairment of long term investments in subsidiaries, jointly-controlled entities and associates, further details are stated in Note II.25. For other long-term equity investment that do not have quoted market price from an active market and the fair value cannot be reliably measured, the impairment assessment and measurement of provision for impairment, further details are stated in Note II.9.

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.

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

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

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

14. **Fixed assets** (continued)

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

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

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

Impairment assessment and measurement of the provision for impairment of fixed assets are stated in Note II.25.

15. **Construction in progress**

Construction in progress is recognized based on the actual construction expenditures incurred. It consists of all types of expenditure necessarily to be incurred, capitalized borrowing costs on related borrowed funds before the asset is ready for its intended use, and other related expenditure during the period of construction.

A construction in progress is transferred to fixed assets, intangible assets or completed properties held for sale when the asset is ready for its intended use.

For impairment assessment and measurement of provision for impairment of construction in progress, further details are stated Note II.25.

16. **Borrowing costs**

Borrowing costs are interest and other costs arising from the Group's borrowing. Borrowing costs include interest, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

All the borrowing costs directly attributable to construction or production of all qualifying assets are capitalized and other borrowing costs are recognized as an expense. A qualifying asset is defined as a fixed asset, investment property or inventory that necessarily takes a substantial period of time to get ready for its intended use or sale.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

16. *Borrowing costs* (continued)

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 bring the asset to get ready 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 expenses in the period in which they incurred.

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

- (1) for specific borrowings, the borrowing costs eligible for capitalization are the actual borrowing costs incurred during current period deducted by any temporary interest or investment income; and
- (2) for general borrowings, the borrowing costs eligible for capitalization are determined by applying a capitalization rate to the capital expenditure that accumulated capital expenditures exceed the specific borrowings.

Capitalization of borrowing costs is suspended during extended periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three months, until the acquisition or construction 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 related economic benefits will flow into the Group and the costs of which 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 lives of intangible assets are assessed based on estimated economic benefits periods. Those intangible assets without foreseeable economic benefits periods are classified as intangible assets with indefinite useful lives.

Intangible assets with finite useful lives are amortised over the useful lives on the straight-line basis. The Group reviews the useful lives and amortisation method of intangible assets with finite useful lives, and adjusts if appropriate, at least at each balance sheet date.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

17. Intangible assets (continued)

Land use rights

Land use rights represent cost incurred for a certain lease period.

The Group accounts for its land use rights as intangible assets. The land use rights are measured as intangible assets that are separate from internally generated buildings measured as fixed assets. With respect to the land use right purchased together with buildings, the acquisition cost is allocated between the two parts proportionately, or otherwise, is wholly accounted for as fixed assets.

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

Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work (such as turnpike highways and bridges) for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be classified as intangible assets or receivables from the granting authority. The Group recognizes revenue and a financial asset to the extent that it has an unconditional contractual right to receive specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts. If the Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets and the Group recognizes revenue at the same time. 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 has been completed, the concession assets will be amortized over the term of the concession on the straight-line basis under the intangible asset model.

Mining rights

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

17. *Intangible assets* (continued)

Development expenditure

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

For the impairment assessment and measurement of provision for impairment of the intangible assets, further details are stated in Note II.25.

18. *Long-term prepayments*

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

19. *Assets transfer under a repurchase agreement*

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

20. Provisions

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

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

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

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

21. Revenue

Revenue is recognized only when it is probable that the associated economic benefits will flow to the Group and when the revenue can be measured reliably, as well as all the following conditions are satisfied:

Revenue from construction contracts

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

21. Revenue (continued)

Revenue from construction contracts (continued)

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

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

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

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

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.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

21. Revenue (continued)

Revenue from the rendering of services (continued)

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 at fair value.

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 portion of sales of goods and the rendering of services can be separately identified and measured, they are accounted for separately; if the portion of sales of goods and the rendering of services cannot be separately identified, or can be separately identified but cannot be separately measured, the contract is treated as the sales of goods.

Revenue from the sales of goods

Revenue from the sale of goods is recognised when the significant risks and rewards in relation to ownership of the goods have been transferred to the buyer, the Group retains neither continuing management nor effective control over the goods sold; and the relevant amounts of costs can be measured reliably. The amount of revenue arising from the sales of goods is determined by the amount of consideration received or receivable from the buyer under contract or agreement, except where the consideration received or receivable stipulated in 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

Interest income is recognized based on the time horizon of the use of the Group's fund by others and the effective interest rate.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

21. *Revenue (continued)*

Royalty income

Royalty income is recognized according to period and charge rate as stipulated in the relevant contract or agreement.

Lease income

Lease income from operating leases is recognized over the lease term on the straight-line basis. Contingent lease income is recognized in profit or loss in the period when it incurred.

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.

Relocation compensation received due to public interests

The Group receives relocation compensation from the government for the benefit of public interests such as urban overall planning, reservoir construction, and transformation of squatter settlements and settling area control. The relocation compensation is paid out of financial budgets by governments and is recognized as special payables when received. Compensation granted for losses of fixed assets and intangible assets, expenses incurred, losses from suspension of projects, and assets to be constructed after the relocation, should be transferred to deferred income, and recognizes as government grants relating to assets or expenses accordingly. Excess of the relocation compensation over the amount transferred to deferred income should be recorded in capital reserve.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

23. Income tax

Income tax comprises current and deferred tax. Income tax is recognized as income or an expense in the income statement, except for the tax arising from adjustment of goodwill arising from a business combination, or recognized directly in shareholders' equity if it arises from a transaction or event which is recognized directly in shareholders' equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Based on the differences between the carrying amount of an asset or liability in the balance sheet and its tax base; and the differences between the carrying amount of some items that have a tax base but are not recognised as assets and liabilities and its tax base, the Group adopts liability method for provision of deferred tax.

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) taxable temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, where the timing of the reversal of the temporary differences can be controlled by the Group 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) deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled entities, 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.

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.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

23. **Income tax** (continued)

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. All the other leases are termed as operating leases.

As lessee of an operating lease

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

As lessor of an operating lease

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

As lessee of a finance lease

An asset held under finance lease is recognized 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 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (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 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (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.

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

26. **Employee benefits** (continued)

Termination and early retirement benefits (continued)

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

Housing funds

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

Bonus entitlements

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

27. **Distribution of profit**

The cash dividend of the Company is recognized as a liability upon approval in the annual shareholders' meeting.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

28. Debt restructuring

Debt restructuring refers to an event in which the terms of a debt are given in as a result of a mutual agreement between a debtor and a creditor or a judgment of a court when the debtor gets into a financial problem.

As a debtor

When a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt and the cash actually paid is recognized in profit or loss for the current period. When a debt is satisfied by a transfer of non-cash assets to the creditor in a debt restructuring, the difference between the carrying amount of the debt and the fair value of the non-cash assets transferred is recognized in profit or loss for the current period; the difference between the fair value of the non-cash assets transferred and their carrying amount was recognized in profit or loss for the current period. When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt and the fair value of the capital issued to the creditor is recognized in profit or loss for the current period. When a debt is satisfied by a combination of the methods mentioned above, the carrying amount of the debt is reduced by, and in the sequence of, the cash payment, the fair value of the non-cash assets transferred and the fair value of the capital issued to the creditor, and then accounted for in accordance with the requirements related to a debt restructuring that involves the modification of other terms of a debt.

As a creditor

When a debt is settled by cash in a debt restructuring, the difference between the gross carrying amount of the debt receivable and the cash received is recognized in profit or loss for the current period. When a debt is satisfied by a transfer of non-cash assets in a debt restructuring, the difference between the gross carrying amount of the debt receivable and the fair value of the non-cash assets received is recognized in profit or loss for the current period. When a debt is converted into capital in a debt restructuring, the difference between the gross carrying amount of the debt and the fair value of the equity interest received is recognized in profit or loss for the current period. When a debt is satisfied by a combination of the methods mentioned above, the gross carrying amount of the debt is reduced by, and in the sequence of, the cash received, the fair value of the non-cash assets obtained and the fair value of the equity interest received, and then accounted for in accordance with the requirements related to a debt restructuring that involves the modification of other terms of a debt.

If the creditor has provided for impairment loss on the debt receivable, the above difference is used to reduce the impairment provision and any excess is recognized in profit or loss for the current period.

29. Related parties

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

30. 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, they can be aggregated into a single operating segment.

31. Production safety expenses

The Group accrues for production safety expenses pursuant to the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilization <CaiQi [2012]No.16> and the Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilization, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in the profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilized as expenses, they should be recognized in the income statement and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognized in the cost of fixed assets, which will be recognized when it is ready for use. Same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

32. 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. The determination requires significant judgment. In making this judgment, the Group evaluates various factors, including the duration and the extent to which the fair value of an investment is less than its cost. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health and short-term business prospects of the investee, including industry and sector performance, changes in technology, and operating and financing cash flows, etc.

Contingent liabilities arising from litigation and claims

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

Estimation uncertainty

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

Useful lives and residual values of fixed assets

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

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.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

32. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Income tax and deferred tax assets

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

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The realization of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than estimated, a material reversal of deferred tax assets may arise, which will be recognized in the income statement in the period in which such a reversal takes place.

Percentage of completion of construction work

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

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.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

II. Significant accounting policies and estimates (continued)

32. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Provision for properties under development

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

Impairment of goodwill

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

Retirement benefits

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

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

III. Taxes

1. Major categories of taxes and respective tax rates

Value-added tax (“VAT”)	— For the Company and certain subsidiaries which are recognized as general VAT payers, VAT payable is imposed on the taxable sales amount multiplied by the tax rate of 6% or 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 on the total payment of BT and VAT at a rate of 7%, 5% or 1% 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 payment of BT and VAT.
Corporate income tax (“CIT”)	— Except for certain preferential treatments available to the Company's domestic subsidiaries and overseas subsidiaries which are required to accrue CIT based on tax laws and regulations of foreign jurisdictions, the corporations within the Group are subject to CIT at a rate of 25%. The Company and its subsidiaries each calculate and pay CIT as a legal entity at the location where it is registered. Overseas subsidiaries (including those located in the Hong Kong and Macao Special Administrative Regions of the People's Republic of China) are taxed according to the prevailing tax laws and regulations in the relevant countries/jurisdictions.
Real estate tax	— Real estate tax is levied at a rate of 1.2% based on 70%, 75% or 80% of the original cost of the properties and is filed and paid by the Company and its subsidiaries accordingly.
Individual income tax (“IIT”)	According to the relevant tax laws and regulations, the Company and its subsidiaries have obligations to withhold IIT for their employees' salary income.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. *Tax preferential treatments*

Additional deduction of research and development (R&D) expenditures

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

Tax preferential treatment for the Western Region Development

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. Tax preferential treatments (continued)

Tax preferential treatment for the Western Region Development (continued)

As at 31 December 2012, the Catalogue of Encouraged Industries in the Western Region has not been released, certain subsidiaries of the Group, including China Railway 11th Bureau Group 5th Engineering Co., Ltd. (中鐵十一局集團第五工程有限公司), China Railway 12th Bureau Group 4th Engineering Co., Ltd. (中鐵十二局集團第四工程有限公司), Railway Maintenance Engineering Co., Ltd. of 12th Bureau Group of the China Railway. (中鐵十二局集團鐵路養護工程有限公司), China Railway 17th Bureau Group 2nd Engineering Co., Ltd. (中鐵十七局集團第二工程有限公司), China Railway 17th Bureau Group 4th Engineering Co., Ltd. (中鐵十七局集團第四工程有限公司), China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司), China Railway 20th Bureau Group 5th Engineering Co., Ltd. (中鐵二十局集團第五工程有限公司), China Railway 20th Bureau Group 6th Engineering Co., Ltd. (中鐵二十局集團第六工程有限公司), China Railway 20th Bureau Group Electrical Engineering Co., Ltd. (中鐵二十局集團有限公司電氣化工程有限公司), China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司), China Railway 21st Bureau Group 1st Engineering Co., Ltd. (中鐵二十一局集團第一工程有限公司), China Railway 21st Bureau Group 2nd Engineering Co., Ltd. (中鐵二十一局集團第二工程有限公司), China Railway 21st Bureau Group 3rd Engineering Co., Ltd. (中鐵二十一局集團第三工程有限公司), China Railway 21st Bureau Group 4th Engineering Co., Ltd. (中鐵二十一局集團第四工程有限公司), China Railway 21st Bureau Group 5th Engineering Co., Ltd. (中鐵二十一局集團第五工程有限公司), China Railway 21st Bureau Group Electrical Engineering Co., Ltd. (中鐵二十一局集團電務電化工程有限公司), China Railway 21st Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵二十一局集團路橋工程有限公司), Lanzhou Jincheng Railway Concrete Co., Ltd. (蘭州金誠鐵路混凝土有限公司), China Railway 22nd Bureau Group 5th Engineering Co., Ltd. (中鐵二十二局集團第五工程有限公司), China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司), China Railway 23rd Bureau Group 3rd Engineering Co., Ltd. (中鐵二十三局集團第三工程有限公司), China Railway 23rd Bureau Group 4th Engineering Co., Ltd. (中鐵二十三局集團第四工程有限公司), China Railway 23rd Bureau Group 6th Engineering Co., Ltd. (中鐵二十三局集團第六工程有限公司), China Railway 23rd Bureau Group 8th Engineering Co., Ltd. (中鐵二十三局集團第八工程有限公司), China Railway 1st Survey and Design Institute Group Ltd. (中鐵第一勘察設計院集團有限公司), Gansu Runtong Electric Engineering Co., Ltd. (甘肅潤通電氣化工程有限公司), Gansu Runtong Telecom Engineering Co., Ltd. (甘肅潤通電信與自動化控制工程有限公司) and Kunming China Railway Large Maintenance Machinery Co., Ltd. (昆明中鐵大型養路機械集團有限公司) were assumed to have enjoyed the corporate income tax preferential treatment for the Western Region Development temporarily after confirmed by the local tax authority.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. Tax preferential treatments (continued)

Other preferential tax treatments of the Company's subsidiaries

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

China Railway 11th Bureau Group Bridge Co., Ltd. (中鐵十一局集團橋梁有限公司) has been recognized as a High-New Technology Enterprises by the Science and Technology Department of Jiangxi Province, Jiangxi Provincial Department of Finance, Jiangxi State Administration of Taxation and the Jiangxi Local Taxation Bureau since 2010, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

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

China Railway 12th Bureau Group 2nd Engineering Co., Ltd. (中鐵十二局集團有限公司第二工程有限公司) has been recognized as a High-New Technology Enterprise by the Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2012, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2012 to 31 December 2014.

China Railway 12th Bureau Group 3rd Engineering Co., Ltd. (中鐵十二局集團有限公司第三工程有限公司) has been recognized as a High-New Technology Enterprise by the Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2012, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2012 to 31 December 2014.

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

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

China Railway 13th Bureau Group Electric Engineering Co., Ltd. (中鐵十三局集團有限公司第四工程有限公司) has been recognized as a High-New Technology Enterprise by the Science and Technology Department of Tianjin, Tianjin Department of Finance, Tianjin State Administration of Taxation and the Tianjin Local Taxation Bureau since 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. Tax preferential treatments (continued)

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

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

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

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

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

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

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

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

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. Tax preferential treatments (continued)

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

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

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

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

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

China Railway 19th Bureau Group 1st Engineering Co., Ltd. (中鐵十九局集團有限公司第一工程有限公司) has been recognized as a High-New Technology Enterprise by the Science and Technology Department of Liaoning Province, Liaoning Provincial Department of Finance, Liaoning State Administration of Taxation and the Liaoning Local Taxation Bureau since 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.

China Railway 19th Bureau Group 2nd Engineering Co., Ltd. (中鐵十九局集團有限公司第二工程有限公司) has been recognized as a High-New Technology Enterprise by the Science and Technology Department of Liaoning Province, Liaoning Provincial Department of Finance, Liaoning State Administration of Taxation and the Liaoning 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 2012 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. Tax preferential treatments (continued)

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

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

China Railway 20th Bureau Group Xi'an Engineering Co., Ltd. (中鐵二十局集團西安工程機械有限公司) has been recognized as a High-New Technology Enterprise by the Shaanxi Municipal Science and Technology Commission, Shaanxi Finance Department, Shaanxi Municipal Office of the State Administration of Taxation and the Shaanxi 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 4th Engineering Co., Ltd. (中鐵二十局集團第四工程有限公司) has been recognized as a High-New Technology Enterprise by the Qingdao Municipal Science and Technology Commission, Qingdao Finance Department, Qingdao Municipal Office of the State Administration of Taxation and the Qingdao Local Taxation Bureau since 2010, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

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

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

China Railway 23rd Bureau Group Electrical Engineering Co., Ltd. (中鐵二十三局集團有限公司電務工程有限公司) has been recognized as a High-New Technology Enterprise by the 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 2010 to 31 December 2012.

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

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. Tax preferential treatments (continued)

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

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

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

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

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

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

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

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

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

III. Taxes (continued)

2. Tax preferential treatments (continued)

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

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

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-New Technology Enterprises by the Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, Hubei State Administration of Taxation and the Hubei Local Taxation Bureau since 2012, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2012 to 31 December 2014.

China Railway Construction Electrification Bureau (Group) 5th Engineering Co., Ltd. (中鐵建電氣化局集團第五工程有限公司) has been recognized as a High-New Technology Enterprise by the Guangxi Provincial Science and Technology Department, Guangxi Provincial Department of Finance, Guangxi State Administration of Taxation and the Guangxi Local Taxation Bureau since 2010, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2010 to 31 December 2012.

China Railway Construction Electrification Bureau (Group) Kang Yuan New Materials Co., Ltd. (中鐵建電氣化局集團康遠新材料有限公司) has been recognized as a High-New Technology Enterprise by the Jiangsu Provincial Science and Technology Department, Jiangsu Provincial Department of Finance, Jiangsu State Administration of Taxation and the Jiangsu Local Taxation Bureau since 2012, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2012 to 31 December 2014.

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

China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司) has been recognized as a High-New Technology Enterprise by the Science and Technology Department of Hunan Province, Hunan Provincial Department of Finance, Hunan State Administration of Taxation and the Hunan Local Taxation Bureau since 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.

China Railway Longchang Materials Co., Ltd. (中鐵隆昌鐵路器材有限公司) has been recognized as a High-New Technology Enterprise by the Science and Technology Department of Sichuan Province, Sichuan Provincial Department of Finance, Sichuan State Administration of Taxation and the Sichuan Local Taxation Bureau since 2011, and was entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2011 to 31 December 2013.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

IV. Consolidation scope of the consolidated financial statements

1. Subsidiaries

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

Subsidiaries acquired through establishment or investment:

							Actual	Percentage			Non-	
Company name	Type	Place of registration	Legal representative	Registered capital	Principal activities	Organization code	contribution at year end	Percentage of equity interest	of voting rights	Consolidated or not	controlling interests	
(Note (a))												
China Civil Engineering Construction Ltd.	Wholly-owned subsidiary	Beijing	Liu Zhiming	1,210,000	Construction	10000081-7	2,254,969	Direct	100	100	Yes	—
China Railway 11 th 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 12 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Taiyuan, Shanxi	Shi Daoquan	1,060,677	Construction	11007118-4	2,075,868	Direct	100	100	Yes	72,403
China Railway 13 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Tianjin	Lei Shengxiang	1,044,810	Construction	24499795-1	1,396,621	Direct	100	100	Yes	—
China Railway 14 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Jinan, Shandong	Yang Youshi	1,110,000	Construction	16305598-9	2,130,105	Direct	100	100	Yes	5,977
China Railway 15 th Bureau Group Co., Ltd. (Note (a))	Wholly-owned subsidiary	Luoyang, Henan	Wu Xiangong	1,117,210	Construction	16995347-2	1,446,941	Direct	100	100	Yes	—
China Railway 16 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Tan Zhengbiao	1,068,300	Construction	10163676-1	1,405,744	Direct	100	100	Yes	2,903
China Railway 17 th Bureau Group Co., Ltd. (Note (b))	Wholly-owned subsidiary	Taiyuan, Shanxi	Duan Dongming	1,105,470	Construction	11007084-3	1,714,582	Direct	100	100	Yes	—
China Railway 18 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Tianjin	Hao Chenyi	1,130,000	Construction	10306009-X	1,103,234	Direct	100	100	Yes	13,796
China Railway 19 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Ge Yongli	1,095,469	Construction	12202739-1	1,454,638	Direct	100	100	Yes	—



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

IV. Consolidation scope of the consolidated financial statements (continued)

1. Subsidiaries (continued)

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

Subsidiaries acquired through establishment or investment: (continued)

Company name	Type	Place of registration	Legal representative	Registered capital	Principal activities	Organization code	Actual contribution	Percentage of equity interest	Percentage of voting rights	Consolidated or not	Non-controlling interests	
							at year end				(Note 16)	
China Railway 20 th Bureau Group Co., Ltd. (Note (c))	Wholly-owned subsidiary	Xi'an, Shaanxi	Jiang Yongjun	1,110,000	Construction	22052306-5	1,615,144	Direct	100	100	Yes	—
China Railway 21 st Bureau Group Co., Ltd.	Wholly-owned subsidiary	Lanzhou, Gansu	Meng Guangshun	950,000	Construction	22433362-1	1,557,251	Direct	100	100	Yes	—
China Railway 22 nd Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Liu Guozhi	926,000	Construction	71092227-X	1,387,558	Direct	100	100	Yes	27,095
China Railway 23 rd Bureau Group Co., Ltd. (Note (d))	Wholly-owned subsidiary	Chengdu, Sichuan	Xu Mingxin	965,000	Construction	74033824-2	1,476,847	Direct	100	100	Yes	34,841
China Railway 24 th Bureau Group Co., Ltd.	Wholly-owned subsidiary	Shanghai	Wang Beijing	953,244	Construction	13220244-8	1,424,517	Direct	100	100	Yes	6,723
China Railway 25 th Bureau Group Co., Ltd. (Note (e))	Wholly-owned subsidiary	Guangzhou, Guangdong	An Kang	910,720	Construction	19043049-X	1,107,177	Direct	100	100	Yes	—
China Railway Construction Group Ltd.	Wholly-owned subsidiary	Beijing	Wang Wenzhong	1,300,000	Construction	10228709-X	2,340,101	Direct	100	100	Yes	39,481
China Railway Electrification Bureau Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Wang Hanlin	710,000	Construction	77705261-9	1,105,530	Direct	100	100	Yes	15,434
China Railway Construction Real Estate Group Co., Ltd. (Note (f))	Wholly-owned subsidiary	Beijing	Li Li	7,000,000	Real estate development	66050723-7	7,062,941	Direct	100	100	Yes	312,532
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	1,329

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

IV. Consolidation scope of the consolidated financial statements (continued)

1. Subsidiaries (continued)

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

Subsidiaries acquired through establishment or investment: (continued)

Company name	Type	Place of registration	Legal representative	Registered capital	Principal activities	Organization code	Actual	Percentage			Non-	
							contribution	Percentage of equity	of voting	Consolidated	controlling	
							at year end	interest	rights	or not	interests	
(Note (a))												
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	6,361
China Railway Fifth Survey and Design Institute Group Co., Ltd. (Note (g))	Wholly-owned subsidiary	Beijing	Liu Peishuo	155,000	Survey, design and consultancy	40000238-X	291,811	Direct	100	100	Yes	1,322
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	1,501
China Railway Goods and Materials Group Co., Ltd.	Wholly-owned subsidiary	Beijing	Jin Yuefang	1,000,000	Trading of construction materials	10209797-4	1,314,805	Direct	100	100	Yes	42,935
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	8,677
China Railway Construction Heavy Industry Co., Ltd.	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. (Note (h))	Wholly-owned subsidiary	Beijing	Wang Jian	20,000	Survey, design and consultancy	63371371-3	26,385 4,502	Direct Indirect	80 20	80 20	Yes	3,050



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

IV. Consolidation scope of the consolidated financial statements (continued)

1. Subsidiaries (continued)

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

Subsidiaries acquired through establishment or investment: (continued)

Company name	Type	Place of registration	Legal representative	Registered capital	Principal activities	Organization code	Actual	Percentage			Non-	
							contribution	Percentage of equity	of voting	Consolidated	controlling	
							at year end	interest	rights	or not	interests	
(Note (i))												
Chenghe Insurance Broker Co., Ltd.	Wholly-owned subsidiary	Beijing	Cao Xirui	50,000	Insurance brokerage	69234422-5	53,290	Direct	100	100	Yes	—
China Railway Construction (Beijing) Business Management Co., Ltd. (Note (i))	Wholly-owned subsidiary	Beijing	Zhou Buke	18,828	Property management	10188680-8	28,313	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 Investment Co., Ltd.(j)	Wholly-owned subsidiary	Beijing	Li Ning	3,000,000	Project investment	57317581-X	10,000,000	Direct	100	100	Yes	668,600
China Railway Construction and Waterway Bureau Co., Ltd. (Note (k))	Wholly-owned subsidiary	Zhuhai, Guangdong	Xu Sifa	1,200,000	Port and waterway construction	57966883-4	1,304,048	Direct	100	100	Yes	14,329
CRCC Finance Company Limited (Note (l))	Subsidiary	Beijing	Zhuang Shangbiao	1,300,000	Finance Service	10112857-2	1,222,000	Direct	94	94	Yes	86,351
CRCC International Group Co., Ltd. (Note (m))	Wholly-owned subsidiary	Beijing	Zhuo Lei	3,000,000	Project contracting	768486503	3,000,102	Direct	100	100	Yes	—
							58,690,201				1,365,640	

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

IV. Consolidation scope of the consolidated financial statements (continued)

1. Subsidiaries (continued)

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

Subsidiaries acquired through establishment or investment: (continued)

Notes:

- (a) The legal representative of China Railway 15th Bureau Group Co., Ltd. was changed to Wu Xiangong on 10 December 2012 from the former legal representative Xu Dongkun.
- (b) The registered capital of China Railway 17th Bureau Group Co., Ltd. was increased by RMB 6,126,000 and change of business registration was completed on 28 December 2012. As at 31 December 2012, the registered capital is RMB1,105,470,000.
- (c) The legal representative of China Railway 20th Bureau Group Co., Ltd. was changed to Jiang Yongjun on 7 May 2012 from the former legal representative Yu Wenzhong.
- (d) The legal representative of China Railway 23th Bureau Group Co., Ltd. was changed to Xu Mingxin on 19 July 2012 from the former legal representative Li Hongqi. Besides, the registered capital of China Railway 23th Bureau Group Co., Ltd. was increased by RMB 6,500,000 and change of business registration was completed on 28 December 2012. As at 31 December 2012, the registered capital is RMB965,000,000.
- (e) The legal representative of China Railway 25th Bureau Group Co., Ltd. was changed to An Kang on 12 January 2012 from the former legal representative Wang Hanlin.
- (f) The name of China Railway Real Estate Group Co., Ltd. was changed on 9 May 2012.
- (g) The legal representative of China Railway Fifth Survey and Design Institute Group Co., Ltd. was changed to Liu Peishuo on 23 July 2012 from the former legal representative Lou Delan.
- (h) The registered capital of Beijing Tiecheng Construction Supervision Co., Ltd. was increased by RMB 12,000,000 and change of business registration was completed on 30 August 2012. As at 31 December 2012, the registered capital is RMB20,000,000.
- (i) The registered capital of China Railway Construction (Beijing) Business Management Co., Ltd. was increased by RMB 10,000,000 and change of business registration was completed on 21 September 2012. As at 31 December 2012, the registered capital is RMB18,828,000.
- (j) The legal representative of China Railway Construction Investment Co., Ltd. was changed to Lining on 29 June 2012 from the former legal representative Zhou Zhiliang.
- (k) On 29 February 2012, the Company contributed RMB304,048,000 to China Railway Construction and Waterway Bureau Co., Ltd., to facilitate the acquisition of Guangdong Province Hangsheng Construction Group Co., Ltd.. China Railway Construction and Waterway Bureau Co., Ltd. increased its registered capital by RMB200,000,000. Change of business registration was completed on 20 June 2012 and its registered capital was increased to RMB1,200,000,000.
- (l) As a subsidiary, CRCC Finance Company Limited was invested and established by the Company and CRCCG on 28 March 2012.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

IV. Consolidation scope of the consolidated financial statements (continued)

1. Subsidiaries (continued)

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

Subsidiaries acquired through establishment or investment: (continued)

Notes: (continued)

- (m) China Railway Construction (HK) Limited, China Railway Construction USA Ltd, and China Railway Construction (Caribbean) Co., Ltd. have been merged into CRCC International Group Co., Ltd. Changes of registration was completed on 28 November 2012.
- (n) All non-controlling interests arise from the subsidiaries of Company's second tier subsidiaries, except for CRCC Finance Company Limited.

2. Changes in the scope of consolidation

Except for the subsidiaries newly invested during the current period as stated in the Note above and the acquisition of Guangdong Provincial Hangsheng Construction Co., Ltd. which was merged by China Railway Construction and Waterway Bureau Co., Ltd., the consolidation scope is consistent with the previous year.

3. Entities newly included in the scope of consolidated in current year

For the year ended 31 December 2012, key information of the significant newly included subsidiaries in the consolidation scope is presented as follows:

	31 December 2012 Net assets	2012 Net profit/(loss)
CRCC Finance Company Limited	1,439,187	139,187
CRCC International Group Co., Ltd	2,945,412	(49,344)

4. Business combinations not involving entities under common control

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

IV. Consolidation scope of the consolidated financial statements (continued)

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

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

	13 April 2012 Fair values	13 April 2012 Carrying amounts
Cash and bank balances	175,885	175,885
Accounts receivable	849,262	849,262
Advances to suppliers	233,592	233,592
Other receivables	310,433	310,433
Inventories	11,572	11,572
Construction contracts	442,525	442,525
Long-term equity investments	14,335	14,335
Fixed assets (Note V.12)	78,017	78,017
Intangible assets (Note V.14)	152,481	9,708
Long-term prepayments	185	185
Deferred tax assets	29,076	29,076
Short-term loans	(85,000)	(85,000)
Accounts payable	(1,127,954)	(1,127,954)
Advances from customers	(454,296)	(454,296)
Construction contracts	(115,035)	(115,035)
Employee benefits payable	(4,422)	(4,422)
Taxes payable	(45,591)	(45,591)
Other payables	(232,247)	(232,247)
Other-current liabilities	(19,500)	(19,500)
Long-term payables	(13,453)	(13,453)
	199,865	57,092
Goodwill	100,135	
Satisfied by Cash	300,000	

The financial performance and the net cash flows for the year ended 31 December 2012 from the acquisition date of Hangsheng are as follows:

	From 13 April 2012 to 31 December 2012
Revenue	1,483,359
Net profit	10,433
Net cash flows from operating activities	149,030
Net cash flows used in investing activities	(8,924)
Net cash flows from financing activities	16,486



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

IV. Consolidation scope of the consolidated financial statements (continued)

5. Exchange rates used to translate the financial statements of foreign operations

	Average rates		Closing rates	
	2012	2011	31 December 2012	31 December 2011
USD	6.29320	6.45635	6.28550	6.30090
JPY	0.07708	0.08110	0.07305	0.08110
HKD	0.81078	0.83016	0.81085	0.81070
MOP	0.79005	0.81476	0.79150	0.78860
TTD	0.98559	1.01680	0.99467	0.97650
LYD	5.00426	5.16470	5.00486	5.00366
DZD	0.08221	0.08696	0.08113	0.08329
AED	1.72444	1.76483	1.71966	1.72921
SAR	1.68997	1.72850	1.68630	1.69364
NGN	0.03959	0.04114	0.04046	0.03871
PLN	1.95303	2.03962	2.05322	1.85283
TZS	0.00399	0.00418	0.00401	0.00396
TRY	3.34715	3.80196	3.35979	3.33451
BWP	0.82959	0.93861	0.82545	0.83373
NPR	0.07361	0.08392	0.07338	0.07384
SDG	1.89477	2.50708	1.43548	2.35406
MGA	0.00281	0.00295	0.00282	0.00279
THB	0.20430	0.20990	0.20810	0.20050
OMR	16.43160	17.02705	16.41410	16.44910
PGK	3.04840	2.81497	3.15807	2.93873
INR	0.11601	0.13131	0.11549	0.11652
GEL	3.80779	3.76069	3.81248	3.80309
ILS	1.67929	1.75873	1.69556	1.66301
ZAR	0.76479	0.89076	0.74549	0.78409
RWF	0.01050	0.01102	0.01029	0.01070
ETB	0.36173	0.38782	0.35028	0.37318
SLL	0.00148	0.00154	0.00148	0.00148
SGD	5.03169	5.01212	5.16222	4.90116
ZMK	0.00125	0.00133	0.00122	0.00127

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements

1. Cash and bank balances

	31 December 2012		
	Original currency	Exchange rate	RMB equivalent
Cash			
RMB	382,967	1.00000	382,967
USD	11,937	6.28550	75,030
EUR	2,004	8.31760	16,668
HKD	216	0.81085	175
JPY	630	0.07305	46
Others			44,464
			519,350
Cash at banks			
RMB	81,570,531	1.00000	81,570,531
NGN	54,484,996	0.04046	2,204,463
UDS	282,999	6.28550	1,778,790
EUR	33,992	8.31760	282,732
AUD	16,323	6.53630	106,692
LYD	20,274	5.00486	101,469
DZD	1,094,922	0.08113	88,831
SGD	15,331	5.16222	79,142
HKD	42,508	0.81085	34,468
BWP	38,778	0.82545	32,009
SAR	15,376	1.68630	25,929
AED	11,596	1.71966	19,941
OMR	521	16.41410	8,552
JPY	49,829	0.07305	3,640
MOP	2,646	0.79150	2,094
Others			778,102
			87,117,385
Others			
RMB	4,599,592	1.00000	4,599,592
EUR	4,466	8.31760	37,146
Others			671
			4,637,409
			92,274,144



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

1. Cash and bank balances (continued)

	31 December 2011		
	Original currency	Exchange rate	RMB equivalent
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	77,019,036	1.00000	77,019,036
USD	145,059	6.30090	914,002
NGN	15,518,962	0.03871	600,739
DZD	3,685,412	0.08329	306,958
EUR	23,717	8.16250	193,590
HKD	151,422	0.81070	122,758
SAR	67,000	1.69364	113,474
BWP	16,866	5.00366	84,392
HKD	61,561	0.83373	51,325
OMR	22,521	1.72921	38,944
MOP	1,687	0.78860	1,330
AED	79	16.44910	1,299
JPY	11,603	0.08110	941
Others			506,051
			79,954,839
Others			
RMB	2,537,189	1.00000	2,537,189
EUR	4,889	8.16250	39,906
Others			6,893
			2,583,988
			83,057,641

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

1. Cash and bank balances (continued)

As at 31 December 2012, the Group held restricted cash and bank balances of RMB4,637,409,000 (31 December 2011: RMB2,583,988,000) (Note V.18).

Cash deposited in current account earns interest at floating interest rates. Terms of short-term time deposits are from one month to three months depending on the cash flow demand of the Group. Such deposits earn interest at the respective bank deposit rates.

	31 December 2012	31 December 2011
Cash and bank balances at year end	92,274,144	83,057,641
Less: non-pledged time deposits with original maturity of three months or more when acquired	(5,290,510)	(6,306,070)
Less: other restricted cash and bank balances	(4,637,409)	(2,583,988)
Cash and cash equivalents at year end	82,346,225	74,167,583
Less: cash and cash equivalents at beginning of the year	(74,167,583)	(55,923,144)
Net increase in cash and cash equivalents	8,178,642	18,244,439

2. Financial assets held for trading

	31 December 2012	31 December 2011
Equity instruments held for trading	115,025	46,919

Management considered that there was no material restrictions on the recovery of the financial assets held for trading.

3. Bills receivable

	31 December 2012	31 December 2011
Commercial acceptance bills	1,577,680	1,029,677
Bank acceptance bills	722,890	984,942
	2,300,570	2,014,619



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

3. Bills receivable (continued)

As at 31 December 2012, the Group's bills receivable with a carrying amount of RMB474,667,000 (31 December 2011: RMB394,130,000) were pledged to obtain short-term bank loans 320,000,000 (31 December 2011: RMB357,630,000) (Note V.18(c)). Included in the bills receivable above were bills receivable with a carrying amount of RMB100,000,000 (31 December 2011: RMB200,000,000) issued by companies within the Group.

As at 31 December 2012, the top five largest bills receivable pledged were as follows:

Issuer	Date of issuance	Due date	Amount
The Ministry of Railways Nanning Railway Bureau	26 Jul 2012	25 Jul 2013	94,153
The Ministry of Railways Nanning Railway Bureau	17 Aug 2012	16 Aug 2013	89,161
Shanghai-Kunming Railway Passenger Line Co., Ltd.	07 Dec 2012	07 Dec 2013	64,420
Shanghai-Kunming Railway Passenger Line Co., Ltd.	17 Sep 2012	16 Sep 2013	55,649
Shaanxi Expressway Management Group Co., Ltd.	31 Oct 2012	25 Jul 2013	30,098
			333,481

As at 31 December 2011, the top five largest bills receivable pledged were as follows:

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

3. Bills receivable (continued)

As at 31 December 2012, 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
Zhangjiagang Bonded Zone Huitongda International Trade Co., Ltd.	30 Oct 2012	30 Apr 2013	68,322
Zhangjiagang Bonded Zone Huitongda International Trade Co., Ltd.	28 Aug 2012	28 Feb 2013	20,000
Hebei Iron and Steel Group Jingye Iron and Steel Co., Ltd.	26 Jul 2012	25 Jan 2013	10,000
Shanxi Shanmei Trade Co., Ltd.	10 Sep 2012	09 Mar 2013	10,000
Shanxi Shanmei Trade Co., Ltd.	10 Sep 2012	09 Mar 2013	10,000
Others			1,010,484
			1,128,806

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 Oct 2011	28 Jan 2012	25,154
Wuhan Puxiang Iron and Steel Trading Co., Ltd.	21 Oct 2011	21 Apr 2012	21,600
China Railway Materials Company Limited	14 Nov 2011	14 Feb 2012	20,000
Gem-Year Industrial Co., Ltd.	14 Sep 2011	14 Mar 2012	12,000
Linyi Hui Bao Ling Iron Ore Co., Ltd.	19 Jul 2011	19 Jan 2012	11,600
Others			58,924
			149,278

As at 31 December 2012, the Group's derecognized bank acceptance bills issued by third parties which were not matured amounted to RMB61,700,000 (31 December 2011: RMB354,520,000).

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

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. Accounts receivable

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

An ageing analysis of accounts receivable is presented as follows:

	31 December 2012	31 December 2011
Within 1 year	68,021,308	59,145,053
1 to 2 years	2,397,974	2,640,287
2 to 3 years	1,094,864	870,588
Over 3 years	656,314	697,074
	72,170,460	63,353,002
Less: provision for bad debts	(458,824)	(434,171)
	71,711,636	62,918,831

Movements in the provision for bad debts are as follows:

	2012	2011
Opening balance	434,171	377,746
Provision	88,360	178,586
Other additions (Note)	70,479	—
Reversal	(112,953)	(89,245)
Write-off	(21,233)	(32,916)
Closing balance	458,824	434,171

Note: Other additions during the year included the carrying amount of bad debt provisions made by Hangsheng before the acquisition of Hangsheng by China Railway Construction Waterway Bureau Co., Ltd., a subsidiary of the Company.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. *Accounts receivable* (continued)

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

	31 December 2012			
	Gross carrying amount		Provision for bad debts	
	Amount	Percentage	Amount	Percentage
Individually significant and subject to separate provision for bad debts	61,980,821	85.88	(130,925)	0.21
Subject to provision by group				
— Within 6 months	7,723,702	10.70	—	—
— 6 months to 1 year	516,893	0.72	(2,584)	0.50
— 1 to 2 years	427,715	0.59	(21,388)	5.00
— 2 to 3 years	207,260	0.29	(20,726)	10.00
— Over 3 years	357,494	0.50	(176,844)	49.47
Individually not significant but subject to separate provision for bad debts	956,575	1.32	(106,357)	11.12
	72,170,460	100.00	(458,824)	

	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)	



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. Accounts receivable (continued)

As at 31 December 2012, 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	18,741	(14,993)	80.00	No transactions and no payments for a long time
Company 3	13,137	(10,674)	81.25	Amount in dispute and the case has been brought to court
Company 4	10,529	(8,424)	80.00	Amount in dispute and in negotiation
Company 5	14,825	(4,448)	30.00	Debtor is in a lawsuit and insolvency
Others	2,456,335	(58,396)		
	2,556,905	(130,925)		

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 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. *Accounts receivable* (continued)

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

For the year ended 31 December 2012 and the year ended 31 December 2011, no individually significant accounts receivable have been written off.

As at 31 December 2012, 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	6,533	(6,533)	100.00	No transactions and no payments for a long time
Company 2	6,324	(6,324)	100.00	No transactions and no payments for a long time
Company 3	7,425	(4,435)	59.73	No transactions and no payments for a long time
Company 4	4,211	(4,211)	100.00	No transactions and no payments for a long time
Company 5	4,061	(4,061)	100.00	No transactions and no payments for a long time
Others	928,021	(80,793)		
	956,575	(106,357)		

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 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. Accounts receivable (continued)

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

	31 December 2012		31 December 2011	
	Amount	Provision for bad debt	Amount	Provision for bad debt
CRCCG	369,840	—	14,486	—

As at 31 December 2012, the top five largest accounts receivable were as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total accounts receivable
Company 1	Third party	1,726,030	Within 1 year	2.39
Company 2	Third party	1,299,361	Within 1 year	1.80
Company 3	Third party	1,255,397	Within 1 year	1.74
Company 4	Third party	923,884	Within 1 year	1.28
Company 5	Third party	795,850	Within 1 year	1.10
		6,000,522		8.31

As at 31 December 2011, the top five largest 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 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. *Accounts receivable* (continued)

As at 31 December 2012, accounts receivable due from related parties were as follows:

	Relationship with the Group	Amount	Percentage of total accounts receivable
CRCCG	Ultimate holding company	369,840	0.51
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	57,894	0.08
CRCC-HC-CR15G Joint Venture	Jointly-controlled entity	22,759	0.03
Chongqing Tiefsa Suiyu Highway Co., Ltd.	Fellow subsidiary	4,803	0.01
Xi'an Tianchuang Real Estate Co., Ltd.	Fellow subsidiary	584	—
Nanchang Railway 2 nd Construction Engineering Co., Ltd.	Associate	530	—
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary	30	—
		456,440	0.63

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 Tiefsa Suiyu Highway Co., Ltd.	Fellow subsidiary	4,243	0.01
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary	3,405	0.01
Xi'an Tianchuang Real Estate Co., Ltd.	Fellow subsidiary	584	—
Nanchang Railway 2 nd Construction Engineering Co., Ltd.	Associate	530	—
		193,163	0.31



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. *Accounts receivable* (continued)

As at 31 December 2012, the Group's accounts receivable that are neither past due nor impaired amounted to RMB67,147,618,000 (31 December 2011: RMB59,235,090,000).

As at 31 December 2012, the Group's accounts receivable with a carrying amount of RMB1,626,033,000 (31 December 2011: RMB4,718,929,000) were pledged to obtain short-term bank loans of RMB1,334,813,000 (31 December 2011: RMB2,909,790,000) (Note V.18(b)).

5. *Advances to suppliers*

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

	31 December 2012		31 December 2011	
	Gross carrying amount	Percentage	Gross carrying amount	Percentage
Within 1 year	33,112,390	98.66	25,571,488	98.07
1 to 2 years	200,270	0.60	363,463	1.39
2 to 3 years	160,630	0.48	99,483	0.38
Over 3 years	87,408	0.26	41,214	0.16
	33,560,698	100.00	26,075,648	100.00

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

	31 December 2012	Nature
Company 1	95,958	Prepayment for construction
Company 2	42,138	Prepayment for materials
Company 3	17,947	Prepayment for facilities
Company 4	17,052	Prepayment for materials
Company 5	15,513	Prepayment for materials
	188,608	

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

5. Advances to suppliers (continued)

	31 December 2011	Nature
Company 1	98,317	Prepayment for construction
Company 2	63,997	Prepayment for materials
Company 3	41,795	Prepayment for materials
Company 4	23,707	Prepayment for construction
Company 5	22,488	Prepayment for construction
	250,304	

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

As at 31 December 2012, the top five largest advances to suppliers were as follows:

	Relationship with the Group	Amount	Ageing	Reason for outstanding advances
Company 1	Third party	477,550	Within 1 year	Materials not yet received
Company 2	Third party	413,300	Within 1 year	Materials not yet received
Company 3	Third party	412,644	Within 1 year	Materials not yet received
Company 4	Third party	226,544	Within 1 year	Materials not yet received
Company 5	Third party	226,297	Within 1 year	Materials not yet received
		1,756,335		



Notes to Financial Statements (continued)

31 December 2012 (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 top five largest 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 rights not yet received
Company 5	Third party	141,920	Within 1 year	Project not yet completed
		993,593		

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

Further details of advances to suppliers to other related parties are stated in Note VI.6.

6. Other receivables

An ageing analysis of other receivables is as follows:

	31 December 2012	31 December 2011
Within 1 year	29,765,471	24,049,422
1 to 2 years	860,963	946,949
2 to 3 years	244,881	243,430
Over 3 years	420,842	402,470
	31,292,157	25,642,271
Less: provision for bad debts	(324,100)	(306,393)
	30,968,057	25,335,878

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

Movements in the provision for bad debts are as follows:

	2012	2011
Opening balance	306,393	276,612
Provision	61,121	118,562
Other additions (Note)	30,058	—
Reversal	(59,128)	(24,846)
Write-off	(14,344)	(63,935)
Closing balance	324,100	306,393

Note: Other additions during the year included the carrying amount of bad debt provisions made by Hangsheng before the acquisition of Hangsheng by China Railway Construction Waterway Bureau Co., Ltd., a subsidiary of the Company.

Other receivables by category are presented as follows:

	31 December 2012			
	Gross carrying amount Amount	Percentage %	Provision for bad debts Amount	Percentage %
Individually significant and subject to separate provision for bad debts	15,727,030	50.26	(168,866)	1.07
Subject to provision by group				
— Within 6 months	9,156,763	29.26	—	—
— 6 months to 1 year	60,234	0.19	(301)	0.50
— 1 to 2 years	91,086	0.29	(4,554)	5.00
— 2 to 3 years	48,643	0.16	(4,864)	10.00
— Over 3 years	78,748	0.25	(43,501)	55.24
Individually not significant but subject to separate provision for bad debts	6,129,653	19.59	(102,014)	1.66
	31,292,157	100.00	(324,100)	



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

	31 December 2011		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)	

As at 31 December 2012, 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	170,679	(168,000)	98.43	Debtor in financial difficulties
Company 2	26,599	(475)	1.79	Debtor in financial difficulties
Others	43,396	(391)		
	240,674	(168,866)		

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

As at 31 December 2011, other receivables 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 2012, other receivables that were individually not significant for which provision for bad debts was recognized separately were as follows:

Other receivables	Gross carrying amount	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	4,030	(4,030)	100.00	Debtor in financial difficulties
Others	147,756	(72,993)		Debtor in financial difficulties
	176,777	(102,014)		



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

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

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

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

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

As at 31 December 2012, the amount of other receivables neither past due nor impaired was RMB30,595,995,000 (31 December 2011: RMB24,868,327,000).

As at 31 December 2012, the top five largest other receivables were as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total other receivables
Company 1	Third party	1,283,000	Within 1 year	4.10
Company 2	Third party	329,206	Within 1 year	1.05
Company 3	Third party	307,108	Within 1 year	0.98
Company 4	Third party	300,000	Within 1 year	0.96
Company 5	Third party	292,380	Within 1 year	0.93
		2,511,694		8.02

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

As at 31 December 2011, the top five largest 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: Further details are stated in Note VI.5 (Note f).

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

As at 31 December 2012, other receivables due from related parties were as follows:

	Relationship with the Group	Amount	Percentage of total other receivables
Nanchang Xinlong Real Estate Co., Ltd.	Associate	26,599	0.09
Nanchang Railway 2nd Construction Engineering Co., Ltd.	Associate	6,139	0.02
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	Associate	1,828	0.01
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	939	—
Shaanxi Jiuzheng Medical Technology Co., Ltd.	Associate	917	—
		36,422	0.12



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

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

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

Note: Further details are stated in Note VI.5 (Note f).

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Inventories

	31 December 2012		
	Gross carrying amount	Provision	Carrying amount
Raw materials	20,823,925	(4,163)	20,819,762
Work in progress	973,169	—	973,169
Finished goods	5,359,484	(4,747)	5,354,737
Turnover materials	6,039,001	—	6,039,001
Properties under development (1)	42,846,910	—	42,846,910
Completed properties held for sale (2)	8,817,250	(69,368)	8,747,882
Gross amount due from contract customers (3)	86,776,357	(220,878)	86,555,479
	171,636,096	(299,156)	171,336,940

	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
Gross amount due from contract customers (3)	74,316,987	(141,017)	74,175,970
	150,365,163	(183,668)	150,181,495



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

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

2012

	Opening balance	Provision	Other additions (Note)	Reversal	Write-off	Closing balance
Raw materials	3,049	—	1,114	—	—	4,163
Finished goods	215	5,877	—	(1,345)	—	4,747
Completed properties held for sale	39,387	29,981	—	—	—	69,368
The provision for foreseeable contract losses	141,017	161,593	—	(18,421)	(63,311)	220,878
	183,668	197,451	1,114	(19,766)	(63,311)	299,156

Note: Other additions during the year included the carrying amount of inventory provisions made by Hangsheng before the acquisition of Hangsheng by China Railway Construction Waterway Bureau Co., Ltd., a subsidiary of the Company.

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
The provision for foreseeable contract losses	133,785	54,525	(16,041)	(31,252)	141,017
	189,942	55,341	(17,862)	(43,753)	183,668

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

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

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	As at 31 December 2012
Changsha Shanyu City Project	June 2004	December 2015	3,000,000	1,739,486
Tongjing International City Project	May 2005	December 2013	980,000	663,011
CRCC Jing Nan Yipin Project	May 2007	October 2013	2,033,470	713,212
Guiyang CRCC International City Project	September 2007	December 2018	8,104,880	2,651,178
CRCC Lingxiu City Project	May 2008	December 2017	3,164,310	762,379
Huatie Everyday Project	July 2008	May 2013	800,000	296,623
Hefei CRCC International City Project	August 2008	December 2015	6,300,000	1,549,079
CRCC Lucky Garden Project	May 2009	June 2013	533,020	391,182
Changsha CRCC International City Project	June 2009	November 2015	2,000,000	374,597
Beijing CRCC International City Project	July 2009	December 2015	6,802,520	1,498,399
Chengdu Longquanyi Project	September 2009	August 2014	3,000,000	250,071
Wuhan 1818 Center Project	November 2009	December 2014	1,600,000	546,339
Tiantian Garden IV Project	December 2009	August 2013	421,441	340,335
CRCC Wutong Garden Project	December 2009	August 2014	1,729,548	494,478
River Palace Project	February 2010	April 2013	1,400,000	184,936
CRCC Donglai Shangcheng Project	June 2010	August 2014	786,590	227,484
CRCC Haixi Project	August 2010	January 2013	700,000	451,000
Xin Ran Jiayuan Project	November 2010	September 2014	2,612,930	132,811
Hangzhou CRCC International City Project	March 2011	June 2016	5,190,030	3,522,135
Tianjin CRCC International City Project	March 2011	April 2018	9,734,970	5,014,447
Zhuzhou Lotuspond Star City Flat Project	April 2011	March 2015	1,440,000	435,528
Gaoxin District Land of Chengdu Project	May 2011	December 2017	4,017,170	1,683,979
Guiyang Lancaoba Project	June 2011	December 2017	11,614,040	326,639
CRCC Liwan International City Project	June 2011	May 2014	2,815,380	1,925,978
Fangshan Shengshui Jiaming Project	June 2011	June 2013	2,500,000	1,673,865



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

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

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	As at 31 December 2012
Liuzhou CRCC Golden Landing Project	July 2011	December 2013	296,076	176,610
CRCC Mingshan Xiushui Project	August 2011	May 2015	450,000	165,272
Xi'an CRCC International City Project	August 2011	May 2018	9,773,964	2,640,639
Jinan CRCC International City Project	August 2011	December 2014	2,196,840	1,340,224
Beijing Shanyu City Project	September 2011	December 2014	3,609,140	1,391,346
Beijing Wutong Yuan Project	December 2011	August 2015	4,496,240	2,689,646
Chaohu BinHu Jingcheng Eastern District Relocation Housing Project	November 2011	June 2013	566,389	448,036
Zhoukou Real Estate CRCC Donglai Shangcheng Project	November 2011	October 2016	1,150,000	321,964
Harbin Pioneer Road Reconstruction and Development Project	April 2012	August 2013	860,000	441,306
Ningbo Shanyu City Project	May 2012	January 2016	1,375,310	264,974
Tianjin Hangu Project	May 2012	May 2014	710,000	230,236
CRCC Wuhan Project	August 2012	May 2016	3,000,000	420,613
Changyang International Garden Project	March 2013	April 2015	1,824,230	823,215
Others				3,643,658
				42,846,910

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

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

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	As at 31 December 2011
Changsha Shanyu City Project	June 2004	December 2015	3,000,000	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
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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

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

Project name	Construction commencement date	Estimated completion date	Estimated investment amount	As at 31 December 2011
Gaoxin District Land of Chengdu Project	May 2011	December 2013	3,309,000	1,429,543
Guiyang Lancaoba Project	June 2011	December 2017	11,614,040	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	9,773,964	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

As at 31 December 2012, the aggregate carrying amount of borrowing costs capitalized in properties under development was RMB1,239,884,000 (31 December 2011: RMB872,873,000). Borrowing costs capitalized during the year ended 31 December 2012 amounted to RMB988,795,000 (For the year ended 31 December 2011 amounted to RMB510,981,000). The capitalization rates of borrowing costs ranged from 4.87% to 7.15% during the year (For the year ended 31 December 2011: 5.60% to 7.27%).

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

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

Project name	Completion date	2012			Closing balance
		Opening balance	Additions	Deductions	
Yingtai Garden I Project	November 2006	7,841	—	—	7,841
Jiaonan Linrui Business Square Project	December 2008	43,234	—	(6,941)	36,293
Xuzhou Rencai Jianyuan Project	November 2011	496,193	—	(290,197)	205,996
C-park Flat Project	December 2009	25,740	—	(1,458)	24,282
Changsha Shanyu City Project	December 2012	74,450	517,366	(229,829)	361,987
CRCC International Garden I Project	October 2012	133,942	553,387	(330,232)	357,097
Hefei CRCC International City Xuyuan Project	December 2012	871,347	729,041	(842,807)	757,581
Fangshan Guangyang Garden Project	March 2011	131,745	27,870	(112,702)	46,913
CRCC Fengling Shanyu City I and III Projects	November 2012	394,852	665,554	(615,181)	445,225
Chengdu Longquanyi Project	December 2012	168,487	1,598,993	(627,595)	1,139,885
CRCC Chengdu International City II Project	December 2012	—	1,310,316	(405,538)	904,778
Beijing CRCC International City Project	April 2012	1,013	2,367,603	(1,635,339)	733,277
CRCC Qingxiu City Project	December 2011	976,128	1,600,270	(2,272,684)	303,714
CRCC Jingnan Yipin Project	December 2011	61,841	436,733	(398,014)	100,560
CRCC Guiyang International City Project	December 2012	64,658	1,266,427	(373,933)	957,152
Jingjiang Yayuan II Project	December 2011	58,018	—	(26,781)	31,237
Changsha CRCC International City Project	May 2012	17,198	1,375,690	(1,247,796)	145,092
Anzhitinglan (East)	March 2012	—	94,317	(78,339)	15,978
Beijing Shanyu City Project	December 2012	—	469,188	—	469,188
Tongjing International City Project	December 2012	—	410,629	(233,693)	176,936
CRCC Bei Cheng Hua Fu Project	December 2012	—	1,278,961	(310,122)	968,839
River Palace Project	December 2012	12,650	750,015	(590,189)	172,476
Chongqing Cha Yuan New Zone Tongjing International City Q Group Project	December 2012	—	369,767	(227,945)	141,822
Others		166,112	3,387,789	(3,240,800)	313,101
		3,705,449	19,209,916	(14,098,115)	8,817,250



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

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

Project name	Completion date	Opening balance	2011		Closing balance
			Additions	Deductions	
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, II, and III Projects	December 2010	284,032	809,717	(698,897)	394,852
Chengdu Longquanyi Project	November 2011	—	1,029,291	(860,804)	168,487
CRCC Qingxiu City Project	December 2011	—	2,503,485	(1,527,357)	976,128
CRCC Jingnan Yipin Project	December 2011	—	355,985	(294,144)	61,841
CRCC Guiyang International City Project	December 2011	—	806,026	(741,368)	64,658
Jingjiang Yayuan II Project	December 2011	—	58,018	—	58,018
Others		126,023	2,981,765	(2,919,780)	188,008
		1,712,743	11,593,423	(9,600,717)	3,705,449

As at 31 December 2012, the Group's inventories (properties under development and completed properties held for sale) with an aggregate carrying amount of RMB15,214,762,000 (31 December 2011: RMB12,821,131,000). (Note V.18(d)).

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

(3) Construction contracts

	31 December 2012	31 December 2011
Contract costs incurred to date	1,864,354,579	1,588,683,098
Recognized profits less recognized losses	135,014,789	111,886,788
Less: progress billings	(1,926,475,303)	(1,640,459,732)
	72,894,065	60,110,154

At end of the year:

	31 December 2012	31 December 2011
Gross amount due from contract customers	86,555,479	74,175,970
Gross amount due to contract customers (Note V.23)	(13,661,414)	(14,065,816)
	72,894,065	60,110,154

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 2012		31 December 2011	
	Gross carrying amount	Provision	Gross carrying amount	Provision
CRCCG	31,579	—	110,719	—

Note: Further details of gross amount due from contract customers due from related parties are stated in Note VI. 6.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

8. Available-for-sale financial assets

	31 December 2012	31 December 2011
Available-for-sale equity instruments	264,970	242,097

No provision for impairment of available-for-sale financial assets has been made or reversed during the years of 2012 and 2011.

The Group's available-for-sale financial assets are investment to companies that are listed outside Hong Kong.

9. Long-term receivables

	31 December 2012		
	Gross carrying amount	Provision for bad debts	Carrying amount
Retention money receivables	7,790,086	(91,886)	7,698,200
"Build-Transfer" project receivables	12,574,484	(150,891)	12,423,593
Consideration for the Saudi Arabia Mecca Light Rail Project	1,000,000	—	1,000,000
	21,364,570	(242,777)	21,121,793
Less: Current portion of non- current assets:			
Retention money receivables	6,812,040	(42,514)	6,769,526
"Build-Transfer" project receivables	6,158,366	—	6,158,366
Consideration for the Saudi Arabia Mecca Light Rail Project	500,000	—	500,000
	13,470,406	(42,514)	13,427,892
Long-term receivables	7,894,164	(200,263)	7,693,901

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

9. Long-term receivables (continued)

	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

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

	31 December 2012	31 December 2011
Within 1 year	15,491,008	12,558,103
1 to 2 years	3,117,648	5,638,095
2 to 3 years	2,503,838	803,303
Over 3 years	252,076	118,619
	21,364,570	19,118,120
Less: provision for bad debts	(242,777)	(67,247)
	21,121,793	19,050,873
Less: Current portion of non-current assets	(13,427,892)	(10,546,813)
	7,693,901	8,504,060



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

9. Long-term receivables (continued)

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

	2012	2011
Opening balance	67,247	54,853
Provision for bad debts	175,530	12,394
Closing balance	242,777	67,247

The Group tests impairment for long-term receivables that are individually significant and 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 2012, the above provision is made for individually tested impaired long-term receivables of RMB242,777,000 (31 December 2011: RMB67,247,000) with a carrying amount before provision for impairment of RMB1,086,228,000 (31 December 2011: RMB634,127,000).

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

Further details of long-term receivables due from other related parties are stated in Note VI. 6.

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 2012	31 December 2011
Neither past due nor impaired	20,165,353	18,362,772
Past due but not impaired		
— Within 3 months	38,798	40,463
— 3 to 6 months	2,508	20,978
— More than 6 months	71,683	59,780
	20,278,342	18,483,993

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

10. Investments in jointly-controlled entities and associates

2012

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
Chun Wo-Henryvic-CRCC-Queensland Rail Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	173	22	151	—	—
Chun Wo-Henryvic-CRCC Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	144	12	132	—	—
CRCC-Tongguan Investment Co., Ltd.	Limited company	Tongling, Anhui	Zheng Qundi	Mining Industry investment	2,000,000	69896533-X	5,900,130	3,572,402	2,327,728	—	—
PetroChina-CRCC Petroleum Marketing Co., Ltd.	Limited company	Beijing	Zhang Changgen	Petroleum marketing	100,000	69727508	172,371	48,455	123,916	1,171,448	16,811
China-Africa Lekkil Investment Co., Ltd.	Limited company	Beijing	Chen Xiaoxing	Investment holding	200,000	7853080-5	1,133,818	13,739	1,120,079	181	(8,142)
China Railway Communications International Engineering and Technology Co., Ltd.	Limited company	Xi'an, Shaanxi	Yu Wenzhong	Construction and design of highway	150,000	7978689-5	133,125	511	132,614	—	(642)
Associates											
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	Limited company	Beijing	Zhu Zhengsheng	Technology consultancy	5,000	72640821	11,362	6,000	5,362	14,676	480
Shenkou Xinghua Enterprise Co., Ltd.	Joint stock company	Shenkou, Guangdong	Li Zhuozhi	Real estate development	46,377	61889020	135,883	11,634	124,249	13,928	6,680
Chongqing Yurong Highway Co., Ltd.	Limited company	Chongqing	Du Guoping	Construction	979,750	55675000-X	5,623,727	4,643,977	979,750	—	—
Hubei Jiaotou Ziyun Railway Co., Ltd.	Limited company	Zhijiang, Hubei	Yang Zhibo	Construction	500,000	58246491-2	1,001,940	502,049	499,891	—	(55)
Nanchang Xinlong Property management Co., Ltd.	Limited company	Nanchang	Huang Shaohong	Property management renting and real estate development	218,350	78145661-6	285,405	6,125	279,280	7,954	9
Chongqing monorail transit engineering Co., Ltd.	Limited company	Chongqing	Shi Shurong	Construction	100,000	778469395	1,232,203	1,096,332	135,871	675,251	30,060



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

10. Investments in jointly-controlled entities and associates (continued)

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-CROC-Queensland Rail Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	173	22	151	—	(106)
Chun Wo-Henryvicy-CROC Joint Venture	Partnership business	Hong Kong	N/A	Construction	N/A	N/A	144	12	132	—	(3)
CROC-Tongguan Investment Co., Ltd.	Limited company	Tongling, Anhui	Jin Shouhua	Mining industry investment	2,000,000	69896333-X	5,588,254	3,190,438	2,397,816	—	—
PetroChina-CROC 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	Xian, Shaanxi	Yu Wenzhong	Construction and design of highways	150,000	79748689-5	133,623	368	133,255	—	(2,094)
Associates											
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	Limited company	Beijing	Zhu Zhensheng	Technology consultancy	5,000	726340821	8,447	2,725	5,722	16,403	268
Shekou Xinghua Enterprise Co., Ltd.	Joint stock company	Shekou, Guangdong	Li Zhuozhi	Real estate development	46,377	618809020	129,011	11,443	117,568	12,965	5,203
Chongqing Yurong Highway Co., Ltd.	Limited company	Chongqing	Du Guoping	Construction	979,750	55675000-X	3,579,371	2,599,621	979,750	—	—

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

11. Long-term equity investments

		31 December 2012	31 December 2011
Equity method			
Jointly-controlled entities:			
Unlisted	(1)	2,190,019	1,475,588
Associates:			
Unlisted	(2)	915,858	663,237
Cost method			
Unlisted	(3)	2,541,802	2,331,280
		5,647,679	4,470,105
Less: provision for impairment	(4)	(23,118)	(25,886)
		5,624,561	4,444,219



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(1) Investments in jointly-controlled entities

2012

Company name	Investment cost	Opening balance	Increase/(decrease) during the year				Closing balance	Percentage of ownership in equity	Percentage of voting rights
			Additional investment	Share of profits/(losses)	Distribution of dividends	Disposal			
Hubei Wanjia Real Estate Development Limited	—	9,663	—	—	—	(9,663)	—	—	—
Chun Wo-Henryvic-CRCC-Queensland Rail Joint Venture	—	31	—	—	—	—	31	20	20
Chun Wo-Henryvic-CRCC Joint Venture	—	32	—	—	—	—	32	25	25
CRCC-Tongguan Investment Co., Ltd.	1,200,000	1,200,000	—	—	—	—	1,200,000	50	50
PetroChina-CRCC Petroleum Marketing Co., Ltd.	50,000	51,502	—	33,749	(23,271)	—	61,980	50	50
China-Africa Lekkil Investment Co., Ltd.	851,410	124,936	721,410	(5,293)	—	—	841,053	74.47	74.47
China Railway Communications International Engineering and Technology Co., Ltd.	77,000	67,505	—	(329)	—	—	67,176	51.33	51.33
Others	—	21,919	1,957	(3,967)	(162)	—	19,747	—	—
		1,475,588	723,367	24,160	(23,433)	(9,663)	2,190,019		

2011

Company name	Investment cost	Opening balance	Increase/(decrease) during the year			Closing balance	Percentage of ownership in equity	Percentage of voting rights
			Share of profits/(losses)	Distribution of dividends				
Hubei Wanjia Real Estate Development Limited	8,000	15,130	5,533	(11,000)		9,663	40	40
Chun Wo-Henryvic-CRCC-Queensland Rail Joint Venture	—	456	(21)	(404)		31	20	20
Chun Wo-Henryvic-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 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(2) Investments in associates

2012

Company name	Investment cost	Opening balance	Increase/(decrease) during the year				Closing balance	Percentage of ownership in equity	Percentage of voting rights
			Increase investment	Share of profits/(losses)	Distribution of dividends	Disposal			
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	2,450	2,511	—	235	(212)	—	2,534	49	49
Shekou Xinghua Enterprise Co., Ltd.	16,693	38,680	—	2,198	—	—	40,878	32.9	32.9
Chongqing Yurong Highway Co., Ltd.	587,850	391,900	195,950	—	—	—	587,850	40	40
Hubei Jiaotou Ziyun Railway Co., Ltd.	100,000	40,000	60,000	—	—	—	100,000	20	20
Nanchang Xinlong property management Co., Ltd.	90,000	90,015	—	(540)	—	—	89,475	37.54	37.54
Chongqing monorail transit engineering Co., Ltd.	37,642	57,440	—	10,095	(12,154)	—	55,381	37.5	37.5
Others		42,691	(55)	(3,301)	—	405	39,740		
		663,237	255,895	8,687	(12,366)	405	915,858		

2011

Company name	Investment cost	Opening balance	Increase/(decrease) during the year				Closing balance	Percentage of ownership in equity	Percentage of voting rights
			Increase investment	Share of profits/(losses)	Distribution of dividends	Disposal			
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	2,450	2,580	—	131	(200)	—	2,511	49	49
Shekou Xinghua Enterprise Co., Ltd.	16,693	36,968	—	1,712	—	—	38,680	32.9	32.9
Chongqing Yurong Highway Co., Ltd.	391,900	195,950	195,950	—	—	—	391,900	40	40
Hubei Jiaotou Ziyun Railway Co., Ltd.	40,000	—	40,000	—	—	—	40,000	20	20
Nanchang Xinlong Property management Co., Ltd.	90,000	89,889	—	126	—	—	90,015	37.54	37.54
Chongqing monorail transit engineering Co., Ltd.	37,642	47,016	—	15,211	(4,787)	—	57,440	37.5	37.5
Others		39,235	4,049	(488)	—	(105)	42,691		
		411,638	239,999	16,692	(4,987)	(105)	663,237		



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(3) Equity investments under cost method

2012

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
Vossloh Fastening Systems (China) Co., Ltd.	56,969	56,969	—	56,969	16.20	16.20
Zhuhai Baiyi Science and Technology-Yunnan Huaxing Resource Development Company	10,000	10,000	—	10,000	16.00	16.00
Railtech Zhuzhou Bridge Railway Fastening (Wuhan) Co., Ltd.	3,085	3,085	—	3,085	15.00	15.00
Wuhan Johnson Pearl Plaza Head Falcon Electric Appliance Co., Ltd.	1,600	1,600	—	1,600	10.00	10.00
Beijing Railway Hotel Company Limited	15,000	15,000	—	15,000	8.10	8.10
Shanghai Zhouji Development Co., Ltd.	3,123	3,123	—	3,123	7.00	7.00
Beijing-Guangzhou Passenger Railway Henan Company Limited	1,700,000	1,500,000	200,000	1,700,000	5.00	5.00
Shijiazhuang-Taiyuan Passenger Railway Co., Ltd.	200,000	200,000	—	200,000	3.65	3.65
Essence Securities Co., Ltd.	268,452	260,615	7,837	268,452	2.09	2.09
Inner Mongolia Jitong Railway Co., Ltd.	13,802	12,145	937	13,082	0.43	0.43
China Resources Land (Beijing) Co., Ltd.	5,485	5,485	—	5,485	0.24	0.24
Guotai Jun'an Securities Corporation Limited	7,660	7,660	—	7,660	0.16	0.16
Zhuzhou Bridge Engineering Group Co., Ltd.	—	592	(592)	—	—	—
Others	—	185,006	2,340	187,346	—	—
		2,331,280	210,522	2,541,802		

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(3) Equity investments under cost method (continued)

2011

Company name	Investment cost	Opening balance	Movements during the year	Closing balance	Percentage of ownership in equity	Percentage of voting rights
Jilin Dong'ao Engineering Co., Ltd.	10,000	10,000	—	10,000	16.67	16.67
Vossloh Fastening Systems (China) Co., Ltd.	56,969	56,969	—	56,969	16.20	16.20
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 (Beijing)Co., Ltd.	1,600	1,600	—	1,600	10.00	10.00
Zhuzhou Bridge Engineering Group Co., Ltd.	592	592	—	592	9.37	9.37
Beijing Railway Hotel Company Limited	15,000	15,000	—	15,000	8.10	8.10
Shanghai Zhouji Development Co., Ltd.	3,123	3,123	—	3,123	7.00	7.00
Beijing-Guangzhou Passenger Railway Henan Company Limited	1,500,000	1,500,000	—	1,500,000	5.00	5.00
Shijiazhuang-Taiyuan Passenger Railway Co., Ltd.	200,000	200,000	—	200,000	3.65	3.65
Essence Securities Co., Ltd.	260,615	251,500	9,115	260,615	2.09	2.09
Inner Mongolia Jitong Railway Co., Ltd.	12,145	12,145	—	12,145	0.43	0.43
China Resources Land (Beijing) Co., Ltd.	5,485	5,485	—	5,485	0.24	0.24
Guotai Jun'an Securities Corporation Limited	7,660	7,660	—	7,660	0.16	0.16
Huizhou Jinfan Real Estate Co., Ltd.	—	29,200	(29,200)	—	—	—
Hainan Yantai International Hotel Co., Ltd.	—	6,000	(6,000)	—	—	—
Others	—	189,887	(4,881)	185,006	—	—
		2,362,246	(30,966)	2,331,280		



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(4) Provision for impairment

Company name	Opening balance	2012		Closing balance
		Provision	Write-off / Disposal	
Associate:				
VIP Development Limited	1,500	—	(22)	1,478
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	1,254	—	6,182
Others	1,757	—	—	1,757
	13,808	1,254	(4,000)	11,062
	25,886	1,254	(4,022)	23,118

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(4) Provision for impairment (continued)

Company name	Opening balance	2011		Closing balance
		Provision	Write-off	
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 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Fixed assets

2012

	Opening balance	Additions	Acquisition of subsidiary (Note IV.4)	Transferred from construction in progress (Note V.13)	Disposals	Closing balance
Gross carrying amount:						
Buildings	9,567,492	619,791	41,920	756,876	(390,844)	10,595,235
Machinery	30,317,123	2,811,762	57,359	1,373,116	(1,151,905)	33,407,455
Vehicles	10,864,979	1,346,581	31,586	107,077	(422,763)	11,927,460
Production equipment	5,871,853	709,098	18,287	45,785	(423,019)	6,222,004
Measuring and testing equipment	2,421,441	181,317	—	9,349	(134,813)	2,477,294
Other equipment	11,954,134	2,278,737	29,736	57,894	(863,212)	13,457,289
	70,997,022	7,947,286	178,888	2,350,097	(3,386,556)	78,086,737
Accumulated depreciation:	Accrued					
Buildings	(2,304,743)	(382,759)	(15,792)	—	81,912	(2,621,382)
Machinery	(12,450,208)	(3,397,666)	(30,700)	—	748,593	(15,129,981)
Vehicles	(6,551,255)	(1,798,058)	(18,043)	—	333,695	(8,033,661)
Production equipment	(2,177,782)	(636,459)	(15,903)	—	186,891	(2,643,253)
Measuring and testing equipment	(1,291,561)	(388,882)	—	—	83,907	(1,596,536)
Other equipment	(7,116,342)	(2,905,793)	(20,433)	—	504,584	(9,537,984)
	(31,891,891)	(9,509,617)	(100,871)	—	1,939,582	(39,562,797)

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Fixed assets (continued)

2012 (continued)

	Opening balance	Additions	Acquisition of subsidiary (Note IV.4)	Transferred from construction in progress (Note V.13)	Disposals	Closing balance
Net carrying amount:						
Buildings	7,262,749	237,032	26,128	756,876	(308,932)	7,973,853
Machinery	17,866,915	(585,904)	26,659	1,373,116	(403,312)	18,277,474
Vehicles	4,313,724	(451,477)	13,543	107,077	(89,068)	3,893,799
Production equipment	3,694,071	72,639	2,384	45,785	(236,128)	3,578,751
Measuring and testing equipment	1,129,880	(207,565)	—	9,349	(50,906)	880,758
Other equipment	4,837,792	(627,056)	9,303	57,894	(358,628)	3,919,305
	39,105,131	(1,562,331)	78,017	2,350,097	(1,446,974)	38,523,940
Provision for impairment:						
Buildings	(82,786)	—	—	—	489	(82,297)
Machinery	(359,688)	—	—	—	5,280	(354,408)
Vehicles	(92,124)	—	—	—	1,732	(90,392)
Production equipment	(22,231)	—	—	—	131	(22,100)
Measuring and testing equipment	(7,410)	—	—	—	1,420	(5,990)
Other equipment	(33,440)	—	—	—	630	(32,810)
	(597,679)	—	—	—	9,682	(587,997)
Carrying amount:						
Buildings	7,179,963	237,032	26,128	756,876	(308,443)	7,891,556
Machinery	17,507,227	(585,904)	26,659	1,373,116	(398,032)	17,923,066
Vehicles	4,221,600	(451,477)	13,543	107,077	(87,336)	3,803,407
Production equipment	3,671,840	72,639	2,384	45,785	(235,997)	3,556,651
Measuring and testing equipment	1,122,470	(207,565)	—	9,349	(49,486)	874,768
Other equipment	4,804,352	(627,056)	9,303	57,894	(357,998)	3,886,495
	38,507,452	(1,562,331)	78,017	2,350,097	(1,437,292)	37,935,943



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Fixed assets (continued)

2011

	Opening balance	Additions	Transferred from construction in progress (Note V.13)	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
	60,472,434	11,553,647	2,607,996	(3,637,055)	70,997,022
Accumulated depreciation:		Accrued			
Buildings	(2,101,031)	(285,551)	—	81,839	(2,304,743)
Machinery	(10,229,367)	(3,191,357)	—	970,516	(12,450,208)
Vehicles	(5,309,628)	(1,799,993)	—	558,366	(6,551,255)
Production equipment	(1,803,422)	(577,804)	—	203,444	(2,177,782)
Measuring and testing equipment	(1,020,609)	(371,364)	—	100,412	(1,291,561)
Other equipment	(4,616,088)	(2,992,649)	—	492,395	(7,116,342)
	(25,080,145)	(9,218,718)	—	2,406,972	(31,891,891)
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
	35,392,289	2,334,929	2,607,996	(1,230,083)	39,105,131

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Fixed assets (continued)

2011 (continued)

	Opening balance	Additions	Transferred from construction in progress (Note V.13)	Disposals	Closing balance
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)
	(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
	35,172,303	1,943,300	2,607,996	(1,216,147)	38,507,452



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Fixed assets (continued)

As at 31 December 2012, except for the ownership titles of certain of the Group's buildings with a carrying amount of RMB61,447,000 (31 December 2011: RMB79,446,000) which were restricted (Note V.18(e)), 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 2012

	Gross carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery	2,484	(243)	—	2,241
Vehicles	563	(188)	—	375
Production equipment	25,628	(3,308)	—	22,320
Measuring and testing equipment	60	(8)	—	52
Other equipment	3,422	(3,149)	—	273
	32,157	(6,896)	—	25,261

As at 31 December 2011

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Fixed assets (continued)

Fixed assets held under finance leases are as follows:

	31 December 2012	31 December 2011
Gross carrying amount	4,021,026	1,840,749
Accumulated depreciation	(713,807)	(161,236)
Carrying amount	3,307,219	1,679,513

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

As at 31 December 2012, the Group was in the process of applying for the title certificate for the following fixed assets:

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.	19,740	Unsettled	December 2013

As at 31 December 2012, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of RMB19,740,000 (31 December 2011: RMB20,317,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The Company's management is also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2012.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. Construction in progress

	31 December 2012			31 December 2011		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Nigeria Equipment Installation Project of China Civil Engineering Construction Ltd.	212,684	—	212,684	75,695	—	75,695
Office Building of Electrification Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	—	—	—	195,450	—	195,450
Office Building of No.1 Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	86,233	—	86,233	43,029	—	43,029
Tianjin Office building of China Railway 13 th Bureau Group Co., Ltd.	143,509	—	143,509	53,441	—	53,441
TBM in construction of Changzhutan of China Railway 14 th Bureau Group., Ltd.	234,080	—	234,080	3,604	—	3,604
Slurry Balance TBM of China Railway 14 th Bureau Group Co., Ltd. (Herrenknecht)	—	—	—	102,380	—	102,380
9-meter Slurry Balance TBM 623 of China Railway 15 th Bureau Group Co., Ltd.	—	—	—	126,646	—	126,646
9-meter Slurry Balance TBM 624 of China Railway 15 th Bureau Group Co., Ltd.	—	—	—	126,646	—	126,646
Slurry Treatment Equipment of China Railway 15 th Bureau Group Co., Ltd. for Guangshenggang Railway Project	—	—	—	46,350	—	46,350
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16 th Bureau Group Co., Ltd. (Herrenknecht)	—	—	—	89,147	—	89,147
Hi-Tech and Originality Science Plaza of China Railway 17 th Bureau Group Co., Ltd.	76,404	—	76,404	34,766	—	34,766
Compound TBM of Tunnel Engineering Co., Ltd. of China Railway 18 th Bureau Group Co., Ltd.	—	—	—	80,042	—	80,042
Yinhan Jiwei Qinling Tunnel TBM of China Railway 18 th Bureau Group Co., Ltd.	68,770	—	68,770	—	—	—
Earth Pressure Balance-6410 of China Railway 19 th Bureau Group Co., Ltd.	96,750	—	96,750	—	—	—
Office building of No.3 Engineering Co., Ltd. of China Railway 19 th Bureau Group Co., Ltd.	50,967	—	50,967	—	—	—
Comprehensive Base of China Railway 21 st Bureau Group Co., Ltd.	50,537	—	50,537	—	—	—
The Office Building of No. 6 Engineering Corporation Ltd. of China Railway 21 st Bureau Group Co., Ltd.	—	—	—	75,196	—	75,196

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. Construction in progress (continued)

	31 December 2012			31 December 2011		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Earth Pressure Balance TBM of China Railway 23 rd Bureau Group Co., Ltd.	—	—	—	53,630	—	53,630
Office Building of China Railway 25 th Bureau Group Co., Ltd.	79,329	—	79,329	—	—	—
Research Building in Kunming of China Railway Siyuan Survey and Design Group, Ltd.	108,485	—	108,485	150	—	150
Kunming Industrial Base of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	—	—	—	49,746	—	49,746
Plant, Office Building and Science Research Center of China Railway Construction Heavy Industry Co., Ltd.	—	—	—	32,363	—	32,363
Equipment Installation Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	51,064	—	51,064	35,051	—	35,051
Second-stage Housing Construction Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	226,352	—	226,352	173,386	—	173,386
Plant Construction project of Lanzhou Tunnel Equipment Company of China Railway Construction Heavy Industry Co., Ltd.	152,201	—	152,201	3,762	—	3,762
Others	706,844	(9,563)	697,281	663,752	—	663,752
	2,344,209	(9,563)	2,334,646	2,064,232	—	2,064,232



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. Construction in progress (continued)

For the year ended 31 December 2012

	Budget	Opening balance	Additions	Transferred out	Disposals	Closing balance	Source of funds	Proportion of investment to budget %
Nigeria Equipment Installation Project of China Civil Engineering Construction Ltd.	407,818	75,695	299,498	(161,431)	(1,078)	212,684	Self-funding	92
Office Building of Electrification Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	218,211	195,450	22,761	(218,211)	—	—	Self-funding	100
Office Building of No.1 Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	300,000	43,029	43,204	—	—	86,233	Self-funding	29
Tianjin Office building of China Railway 13 th Bureau Group Co., Ltd.	250,000	53,441	90,068	—	—	143,509	Self-funding	57
TBM in construction of Changzhutan of China Railway 14 th Bureau Group, Ltd.	362,506	3,604	351,311	(120,835)	—	234,080	Loan	98
Slurry Balance TBM of China Railway 14 th Bureau Group Co., Ltd. (Herrenknecht)	169,869	102,380	67,489	(169,869)	—	—	Loan	100
9-meter Slurry Balance TBM 623 of China Railway 15 th Bureau Group Co., Ltd.	220,000	126,646	54,916	(181,562)	—	—	Self-funding	83
9-meter Slurry Balance TBM 624 of China Railway 15 th Bureau Group Co., Ltd.	220,000	126,646	54,916	(181,562)	—	—	Self-funding	83
Slurry Treatment Equipment of China Railway 15 th Bureau Group Co., Ltd. for Guangshenggang Railway Project	46,350	46,350	—	(46,350)	—	—	Self-funding	100
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16 th Bureau Group Co., Ltd. (Herrenknecht)	101,194	89,147	12,047	(101,194)	—	—	Self-funding	100
Hi-Tech and Originality Science Plaza of China Railway 17 th Bureau Group Co., Ltd.	80,000	34,766	41,638	—	—	76,404	Self-funding	96
Compound TBM of Tunnel Engineering Co., Ltd. of China Railway 18 th Bureau Group Co., Ltd.	170,000	80,042	89,702	(169,744)	—	—	Loan	100
Yinhan Jiwei Qinling Tunnel TBM of China Railway 18 th Bureau Group Co., Ltd.	236,000	—	68,770	—	—	68,770	Loan	29
Earth Pressure Balance-6410 of China Railway 19 th Bureau Group Co., Ltd.	96,750	—	96,750	—	—	96,750	Self-funding	100
Office Building of No.3 Engineering Co., Ltd of China Railway 19 th Bureau Group Co., Ltd.	150,000	—	50,967	—	—	50,967	Loan	34
Comprehensive Base of China Railway 21 st Bureau Group Co., Ltd.	210,000	—	50,537	—	—	50,537	Self-funding	24

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. Construction in progress (continued)

For the year ended 31 December 2012 (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 21 st Bureau Group Co., Ltd.	75,196	75,196	—	(54,999)	(20,197)	—	Self-funding	100
Earth Pressure Balance TBM of China Railway 23 rd Bureau Group Co., Ltd.	91,807	53,630	38,177	(91,807)	—	—	Self-funding	100
Office Building of China Railway 25 th Bureau Group Co., Ltd.	79,329	—	79,329	—	—	79,329	Self-funding	100
Research Building in Kunming of China Railway Siyuan Survey and Design Group., Ltd.	135,000	150	108,335	—	—	108,485	Self-funding	80
Kunming Industrial Base of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	124,904	49,746	75,158	(124,904)	—	—	Loan	100
Plant, Office Building and Science Research Center of China Railway Construction Heavy Industry Co., Ltd.	32,363	32,363	—	(31,485)	(878)	—	Self-funding	100
Equipment Installation Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	110,000	35,051	16,500	(487)	—	51,064	Self-funding	47
Second-stage Housing Construction Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	226,352	173,386	52,966	—	—	226,352	Self-funding	100
Plant Construction project of Lanzhou Tunnel Equipment Company of China Railway Construction Heavy Industry Co., Ltd.	250,000	3,762	148,745	(306)	—	152,201	Self-funding	61
Others		663,752	963,588	(824,889)	(95,607)	706,844		
Total		2,064,232	2,877,372	(2,479,635)	(117,760)	2,344,209		
Provision for impairment (Note a)		—	(9,563)	—	—	(9,563)		
Carrying amount		2,064,232	2,867,809	(2,479,635)	(117,760)	2,334,646		

(Note b)



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. 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 11 th Bureau Group Co., Ltd.	52,579	44,030	8,549	(52,579)	—	—	Loan	100
Office Building of No.1 Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	300,000	—	43,029	—	—	43,029	Self-funding	14
Office Building of Electrification Engineering Co., Ltd. of China Railway 12 th Bureau Group Co., Ltd.	200,000	—	195,450	—	—	195,450	Self-funding	98
Tianjin Office building of China Railway 13 th Bureau Group Co., Ltd.	250,000	—	53,441	—	—	53,441	Self-funding	21
Slurry Balance TBM of China Railway 14 th Bureau Group Co., Ltd. (Herrenknecht) 10DECCRCC14MIX001	120,000	—	102,380	—	—	102,380	Self-funding	85
9-meter Slurry Balance TBM 623 of China Railway 15 th Bureau Group Co., Ltd.	220,000	70,721	55,925	—	—	126,646	Self-funding	58
9-meter Slurry Balance TBM 624 of China Railway 15 th Bureau Group Co., Ltd.	220,000	70,721	55,925	—	—	126,646	Self-funding	58
Slurry Treatment Equipment of China Railway 15 th Bureau Group Co., Ltd. for Guangshengang Railway Project	80,000	15,450	30,900	—	—	46,350	Self-funding	58
Coking Plant Project of Jiaodianjixian Corp. of China Railway 15 th Bureau Group Co., Ltd.	357,000	145,330	—	—	(145,330)	—	Self-funding	41
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16 th Bureau Group Co., Ltd. (Herrenknecht)	192,755	109,531	80,810	(101,194)	—	89,147	Self-funding	99
Two sets of Earth Pressure Balance TBM EPB8800 of China Railway 16 th Bureau Group Co., Ltd. (Japan AOCUN)	182,404	72,154	110,250	(182,404)	—	—	Self-funding	100
Two sets of Earth Pressure Balance TBM EPB6250 Tunnel Boring Machines for construction of Kunming subway	70,900	14,398	55,360	(69,758)	—	—	Self-funding	98

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. Construction in progress (continued)

2011 (continued)

	Budget	Opening balance	Additions	Transferred out	Disposals	Closing balance	Source of funds	Proportion of investment to budget %
Two sets of Earth Pressure Balance TBM EPB6410 Tunnel Boring Machines for construction of Kunming subway	90,286	31,600	58,686	(90,286)	—	—	Self-funding	100
Compound TBM of China Railway 18 th Bureau Group Co., Ltd.	128,000	—	80,042	—	—	80,042	Self-funding	63
Hard Rock TBM of China Railway 18 th Bureau Group Co., Ltd.	289,874	231,197	56,096	(287,293)	—	—	Self-funding	99
The Office Building of No. 6 Engineering Corporation Ltd. of China Railway 20 th Bureau Group Co., Ltd.	36,159	33,593	—	(33,593)	—	—	Self-funding	93
The Office Building of No. 6 Engineering Corporation Ltd. of China Railway 21 th Bureau Group Co., Ltd.	75,196	—	75,196	—	—	75,196	Self-funding	100
Technological Transformation Project of 2500T/D New Dry Clinker Cement Production Line of China Railway 23 rd Bureau Group Co., Ltd.	324,550	323,213	1,337	(324,550)	—	—	Self-funding	100
Earth Pressure Balance TBM of China Railway 23 rd Bureau Group Co., Ltd.	92,867	—	53,630	—	—	53,630	Self-funding	58
Kunming Industrial Base of Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	578,640	206,050	193,505	(349,809)	—	49,746	Self-funding	69
Plant, Office Building and Science Research Center of China Railway Construction Heavy Industry Co., Ltd.	125,000	32,363	—	—	—	32,363	Self-funding	26
Equipment Installation Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	110,000	51,468	32,239	(45,776)	(2,880)	35,051	Self-funding	76
Second-stage Housing Construction Project of Equipment Branch of China Railway Construction Heavy Industry Co., Ltd.	216,733	20,914	152,472	—	—	173,386	Self-funding	80
Others		595,436	771,416	(584,744)	(76,074)	706,034		
		2,324,951	2,600,908	(2,637,343)	(224,284)	2,064,232		
Provision for impairment		(132,912)	—	—	132,912	—		
Carrying amount		2,192,039	2,600,908	(2,637,343)	(91,372)	2,064,232		
				(Note b)				



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. Construction in progress (continued)

Note (a): Other additions during the year included the carrying amount of impairment provisions made by Hangsheng before the acquisition of Hangsheng by China Railway Construction Waterway Bureau Co., Ltd., a subsidiary of the Company.

Note (b): In the year of 2012, the construction in progress with a carrying amount of RMB2,350,097,000 (2011: RMB2,607,996,000) was transferred to fixed assets; RMB129,538,000 (2011: RMB19,363,000) was transferred to intangible assets and there was no amount transferred to properties held for sale (2011: RMB9,984,000).

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

2012

	Progress %	Accumulated amount of interest capitalized	Interest capitalized during the year	Capitalization rate during the year %
Office Building of No.3 Engineering Co., Ltd of China Railway 19 th Bureau Group Co., Ltd.	34	508	508	6.18
Yinhan Jiwei Qinling Tunnel TBM of China Railway 18 th Bureau Group Co., Ltd.	29	7	7	6.60
Slurry Balance TBM of China Railway 14 th Bureau Group Co., Ltd. (Herrenknecht)	100	—	3,806	6.72
TBM in construction of Changzhutan of China Railway 14 th Bureau Group., Ltd.	98	10,171	10,171	6.72
Others		8,584	1,319	
		19,270	15,811	

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. Construction in progress (continued)

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

2011

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

14. Intangible assets

2012

	Opening balance	Additions	Acquisition of subsidiary (Note IV (4))	Disposals	Closing balance
Gross carrying amount:					
Land use rights	5,676,495	367,745	162,205	(180,536)	6,025,909
Concession assets	1,532,908	1,208,963	—	—	2,741,871
Mining rights	176,127	—	—	—	176,127
Others	142,298	29,905	—	(3,582)	168,621
	7,527,828	1,606,613	162,205	(184,118)	9,112,528
Accumulated amortization:					
Land use rights	(538,579)	(126,397)	(9,724)	14,518	(660,182)
Concession assets	(113,274)	(27,284)	—	—	(140,558)
Mining rights	(10,888)	(5,547)	—	—	(16,435)
Others	(64,798)	(20,194)	—	2,519	(82,473)
	(727,539)	(179,422)	(9,724)	17,037	(899,648)
Net carrying amount:					
Land use rights	5,137,916	241,348	152,481	(166,018)	5,365,727
Concession assets	1,419,634	1,181,679	—	—	2,601,313
Mining rights	165,239	(5,547)	—	—	159,692
Others	77,500	9,711	—	(1,063)	86,148
	6,800,289	1,427,191	152,481	(167,081)	8,212,880
Provision for impairment:					
Land use rights	(9,044)	—	—	—	(9,044)
Concession assets	—	—	—	—	—
Mining rights	—	—	—	—	—
Others	—	—	—	—	—
	(9,044)	—	—	—	(9,044)
Carrying amount:					
Land use rights	5,128,872	241,348	152,481	(166,018)	5,356,683
Concession assets	1,419,634	1,181,679	—	—	2,601,313
Mining rights	165,239	(5,547)	—	—	159,692
Others	77,500	9,711	—	(1,063)	86,148
	6,791,245	1,427,191	152,481	(167,081)	8,203,836

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

14. Intangible assets (continued)

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
	6,948,992	664,875	(86,039)	7,527,828
Accumulated amortization:				
Land use rights	(424,267)	(120,001)	5,689	(538,579)
Concession assets	(85,990)	(27,284)	—	(113,274)
Mining rights	(7,768)	(3,120)	—	(10,888)
Others	(49,311)	(18,675)	3,188	(64,798)
	(567,336)	(169,080)	8,877	(727,539)
Net carrying amount:				
Land use rights	5,109,558	105,067	(76,709)	5,137,916
Concession assets	1,042,215	377,419	—	1,419,634
Mining rights	162,921	2,318	—	165,239
Others	66,962	10,991	(453)	77,500
	6,381,656	495,795	(77,162)	6,800,289
Provision for impairment:				
Land use rights	(9,044)	—	—	(9,044)
Concession assets	—	—	—	—
Mining rights	—	—	—	—
Others	—	—	—	—
	(9,044)	—	—	(9,044)
Carrying amount:				
Land use rights	5,100,514	105,067	(76,709)	5,128,872
Concession assets	1,042,215	377,419	—	1,419,634
Mining rights	162,921	2,318	—	165,239
Others	66,962	10,991	(453)	77,500
	6,372,612	495,795	(77,162)	6,791,245



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

14. Intangible assets (continued)

The remaining lease terms of the Group's land use rights represents in the PRC are analyzed as follows:

	31 December 2012	31 December 2011
Long term of not less than 50 years	494,976	370,776
Medium term of less than 50 years but not less than 10 years	4,522,125	4,689,955
Short term of less than 10 years	339,582	68,141
	5,356,683	5,128,872

As at 31 December 2012, the amortization of land use rights in the next year will be RMB142,160,000 (31 December 2011: RMB128,338,000).

As at 31 December 2012, the Group's concession rights with a carrying amount of RMB417,950,000 (31 December 2011: RMB438,103,000) and the land use rights with a carrying amount of RMB148,678,000 (31 December 2011: RMB86,148,000) were restricted. The amortization of the concession rights for the year ended 31 December 2012 was RMB20,153,000 (2011: RMB20,153,000) and the amortization of these land use rights for the year ended 31 December 2012 was RMB2,838,000 (2011: RMB2,020,000) (Note V.18(e),(f)). There were no other intangible assets whose titles were restricted as at 31 December 2012.

As at 31 December 2012, the Group was in the process of applying for the title certificates of certain parcels of its land in the PRC with an aggregate carrying amount of RMB28,935,000 (31 December 2011: RMB33,853,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2012.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

14. Intangible assets (continued)

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

2012

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

2011

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

15. Goodwill

The Goodwill is generated by the Group's acquisition of Hangsheng in April 2012. Further details of the goodwill are stated in Note IV.4 Business combinations not involving entities under common control.

At 31 December 2012, management has assessed the impairment of goodwill based on the unfinished construction contracts of China Railway Construction and Waterway Bureau Co., Ltd. The recoverable amount has been determined based on the present value of the cash flow projections based on its unfinished construction contracts' and a discount rate of 11%. The impairment assessment shows that the Group's goodwill is not impaired; therefore, no provision should be made.



Notes to Financial Statements (continued)

31 December 2012 (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 2012	31 December 2011
Deferred tax assets		
Provision for early retirement benefits	884,355	999,427
Provision for impairment of assets	203,510	183,853
Deductible tax losses	67,774	32,969
Accruals and provisions	77,298	51,621
Available-for-sale financial assets	19,012	2,796
Additional tax deduction on asset revaluation surplus arising from a prior restructuring	570,727	616,892
Others	167,428	99,433
	1,990,104	1,986,991
Deferred tax liabilities		
Recognition of difference on revenue of construction contracts	66,989	100,267
Available-for-sale financial assets	18,181	4,521
Others	173,808	173,228
	258,978	278,016

Unrecognized deferred tax assets are presented as follows:

	31 December 2012	31 December 2011
Deductible tax losses	195,253	169,204

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

16. *Deferred tax assets and liabilities* (continued)

Deductible tax losses that are not recognized as deferred tax assets will expire in the following years:

	31 December 2012
2013	48,223
2014	86,182
2015	254,677
2016	195,830
2017	210,969
	795,881
	31 December 2011
2012	5,012
2013	60,566
2014	86,182
2015	290,532
2016	289,684
	731,976



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

17. Provision for impairment of assets

2012

	Opening balance	Provision	Other additions	Reversal	Write-off	Closing balance
Provision for bad debts	807,811	325,011	100,537	(172,081)	(35,577)	1,025,701
Provision for decline in value of inventories	183,668	197,451	1,114	(19,766)	(63,311)	299,156
Provision for impairment of long-term equity investments	25,886	1,254	—	—	(4,022)	23,118
Provision for impairment of fixed assets	597,679	—	—	—	(9,682)	587,997
Provision for impairment of construction in progress	—	—	9,563	—	—	9,563
Provision for impairment of intangible assets	9,044	—	—	—	—	9,044
	1,624,088	523,716	111,214	(191,847)	(112,592)	1,954,579

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	189,942	55,341	(17,862)	(43,753)	183,668
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 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

18. Assets with title restrictions

2012

	Opening balance	Increase	Decrease	Closing balance	
Pledged assets:					
Cash	—	25,000	—	25,000	Note (a)
Accounts receivable	4,718,929	1,626,033	(4,718,929)	1,626,033	Note (b)
Bills receivable	394,130	474,667	(394,130)	474,667	Note (c)
Inventories	12,821,131	17,426,349	(15,032,718)	15,214,762	Note (d)
Fixed assets	79,446	—	(17,999)	61,447	Note (e)
Intangible assets - land use rights	86,148	148,678	(86,148)	148,678	Note (e)
Intangible assets - concession rights	438,103	—	(20,153)	417,950	Note (f)
Assets whose titles are restricted for other reasons:					
Cash - security deposit for acceptance bills	2,101,221	10,041,742	(8,419,579)	3,723,384	
Cash - security deposit for letters of credit	102,343	193,259	(77,295)	218,307	
Cash - security deposit for performance bonds	22,971	143,095	(162,911)	3,155	
Cash - security deposit for letters of guarantee	166,544	165,874	(141,625)	190,793	
Cash - others	190,909	439,698	(153,837)	476,770	
	2,583,988	10,983,668	(8,955,247)	4,612,409	
	21,121,875	30,684,395	(29,225,324)	22,580,946	



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

18. Assets with title restrictions (continued)

2011

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

Notes:

- (a) As at 31 December 2012, the Group's deposits of RMB25,000,000 (31 December 2011: nil) were pledged to obtain short-term loans of RMB15,000,000 (31 December 2011: nil) (Note V.19(a)).
- (b) As at 31 December 2012, the Group's accounts receivable of RMB1,626,033,000 (31 December 2011: RMB4,718,929,000) were pledged to obtain short-term loans of RMB1,334,813,000 (31 December 2011: RMB2,909,790,000) (Note V.19 (a)).
- (c) As at 31 December 2012, the Group's bills receivable of RMB474,667,000 (31 December 2011: RMB394,130,000) pledged to obtain short-term loans of RMB320,000,000 (31 December 2011: RMB357,630,000) (Note V.19 (a)).

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

18. Assets with title restrictions (continued)

Notes: (continued)

- (d) As at 31 December 2012, the Group's inventories of RMB15,214,762,000 (31 December 2011: RMB12,821,131,000) were mortgaged to obtain long-term loans of RMB8,124,793,000 (31 December 2011: RMB5,844,458,000) (Notes V.29 and 31(c)).
- (e) As at 31 December 2012, Group's buildings of RMB61,447,000 (31 December 2011: RMB79,446,000) and land use rights of RMB148,678,000 (31 December 2011: RMB86,148,000) were mortgaged to obtain short-term loans of RMB115,500,000 (31 December 2011: RMB103,500,000) and long-term loans of RMB7,558,000 (31 December 2011: RMB7,884,000). The amortization of these land use rights for the year ended 31 December 2012 was RMB2,838,000 (2011: RMB2,020,000) (Notes V.19(b) and 31(a)).
- (f) As at 31 December 2012, the Group's concession assets of RMB417,950,000 (31 December 2011: RMB438,103,000) were pledged to obtain a long-term loan of RMB149,770,000 (31 December 2011: RMB174,530,000). The amortization of these concession assets for the year ended 31 December 2012 was RMB20,153,000 (2011: RMB20,153,000) (Note V.31 (b)).

19. Short-term loans

	31 December 2012	31 December 2011	
Pledged loans	1,669,813	3,267,420	Note (a)
Mortgaged loans	115,500	103,500	Note (b)
Guaranteed loans	5,532,000	5,650,575	Note (c)
Loans on credit	31,379,380	25,138,499	
	38,696,693	34,159,994	

Notes:

- (a) As at 31 December 2012, certain short-term loans with the carrying amount of RMB15,000,000 (31 December 2011: nil) were secured by the pledge of the Group's fixed deposit with the amount of RMB25,000,000 (31 December 2011: nil) (Note V.18(a)).

As at 31 December 2012, certain short-term loans with the carrying amount of RMB1,334,813,000 (31 December 2011: RMB2,909,790,000) were secured by the pledge of the Group's accounts receivable with the amount of RMB1,626,033,000 (31 December 2011: RMB4,718,929,000) (Note V.18(b)).

As at 31 December 2012, certain short-term loans with the carrying amount of RMB320,000,000 (31 December 2011: RMB357,630,000) were secured by the pledge of the Group's bills receivable with the amount of RMB474,667,000 (31 December 2011: RMB394,130,000) (Note V.18(c)).



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

19. Short-term loans (continued)

Notes:(continued)

- (b) As at 31 December 2012, certain short-term loans with the carrying amount of RMB115,500,000 (31 December 2011: RMB103,500,000) were secured by the mortgages of the Group's buildings with the amount of RMB41,990,000 (31 December 2011: RMB59,989,000) and land use rights with the amount of RMB148,678,000 (31 December 2011: RMB86,148,000) (Note V.18(e)).
- (c) As at 31 December 2012, all guaranteed loans were guaranteed by the entities comprising the Group.

As at 31 December 2012, interest rates for the above loans ranged from 3.02% to 9.81% per annum (31 December 2011: from 3.02% to 9.84%).

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

20. Due to customers

	31 December 2012	31 December 2011
Current deposits from customers	1,738,943	—

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

	31 December 2012	31 December 2011
CRCCG	1,590,697	—

Further details of deposits from other related parties are stated in Note VI.6.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

21. Bills payable

	31 December 2012	31 December 2011
Commercial acceptance bills	807,016	386,132
Bank acceptance bills	21,206,179	10,586,322
	22,013,195	10,972,454

As at 31 December 2012, bills with an amount of RMB22,013,195,000 will be due in the next accounting year (31 December 2011: RMB10,972,454,000).

22. Accounts payable

Accounts payable are non-interest-bearing, and are usually paid within the agreed period

	31 December 2012	31 December 2011
Within 1 year	153,735,553	143,150,129
1 to 2 years	3,761,825	4,864,240
2 to 3 years	545,216	848,547
More than 3 years	819,840	536,057
	158,862,434	149,398,973

As at 31 December 2012, significant accounts payable aged over one year were as follows:

	Relationship with the Group	31 December 2012	Reasons for payables not being settled
Company 1	Third party	45,250	Material procurement costs unsettled
Company 2	Third party	44,786	Construction costs unsettled
Company 3	Third party	38,339	Construction costs unsettled
Company 4	Third party	38,195	Construction costs unsettled
Company 5	Third party	33,370	Construction costs unsettled
		199,940	



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

22. Accounts payable (continued)

As at 31 December 2012, 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	

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

Further details of accounts payable due to other related parties are stated in Note VI.6.

23. Advances from customers

	31 December 2012	31 December 2011
Advances for construction contracts	24,016,078	21,619,808
Gross amount due to contract customers (Note V.7 (3))	13,661,414	14,065,816
Advances for sale of properties (Note)	11,044,401	8,234,212
Advances for sale of materials	5,633,272	2,964,818
Advances for sale of goods	301,433	1,231,619
Others	7,441,158	5,298,037
	62,097,756	53,414,310

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

23. Advances from customers (continued)

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

Property name	31 December 2012	Percentage of accumulated pre-sales in advance	Estimated completion date
Beijing Wutong Yuan Project	2,680,010	97	August 2015
CRCC Liwan International City Project	1,211,599	37	May 2014
Tianjin CRCC International City Project I	874,220	39	May 2013
CRCC Haixi Project	732,190	95	January 2013
CRCC Wutong Garden Project	649,018	76	August 2014
Beijing CRCC International City Project	645,528	90	December 2015
CRCC Lingxiu City Project	474,855	60	December 2017
Jinan CRCC International City Project	289,687	33	December 2014
CRCC Jingnan Yipin Project II	273,640	80	December 2012
Hefei CRCC International City Project II	263,290	53	December 2015
CRCC Lucky Garden Project	217,533	23	June 2013
River Palace Project	203,341	85	April 2013
Tiantian Garden IV Project	196,196	36	June 2016
Hangzhou CRCC International City Project	176,020	6	August 2013
CRCC Bei Cheng Hua Fu Project	164,207	49	December 2012
Chongqing Cha Yuan New Zone Tongjing International City Q Group Project	150,233	82	December 2012
Huatie Everyday Project	120,902	45	May 2013
Wuhan 1818 Center Project	116,447	47	December 2014
CRCC Mingshan Xiushui Project I	110,043	25	May 2014
Liuzhou CRCC Golden Landing Project	106,355	44	December 2013
Others	1,389,087		
	11,044,401		



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

23. Advances from customers (continued)

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

Property name	31 December 2011	Percentage of accumulated pre-sales in advance	Estimated completion date
Xinran Jiayuan Project	2,651,079	100	October 2012
Beijing Wutong Yuan Project	840,536	56	May 2013
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
River Palace Project	257,284	100	December 2012
Chongqing Cha Yuan New Zone Tongjing International City Q Group 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 II	158,245	28	October 2012
CRCC Fengling Shanyu City Project III	154,952	42	September 2012
Chengdu CRCC Qingxiu City Project	153,489	35	August 2012
Tangshan Fengrun Shiliu Jiayuan Project	126,130	100	May 2012
CRCC Fengling Shanyu City Project II	107,211	78	November 2011
Tianfang Garden Project 3	106,493	97	April 2012
CRCC Anzhi Tinglan Project	98,492	100	December 2013
CRCC East City Project I	92,665	98	July 2012
CRCC Qingxiu City Project	81,141	45	March 2012
Others	725,007		
	8,234,212		

Notes to Financial Statements (continued)

31 December 2012 (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 2012, significant advances from customers aged over one year were as follows:

Relationship with the Group		31 December 2012	Reasons for being outstanding
Company 1	Third party	3,009,768	Work performed not billed
Company 2	Third party	631,087	Work performed not billed
Company 3	Third party	243,410	Work performed not billed
Company 4	Third party	65,134	Work performed not billed
Company 5	Third party	39,444	Work performed not billed
		3,988,843	

As at 31 December 2011, significant advances from customers 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 2012, there were no advanced from customers due to shareholders that held 5% or more of the Company's voting rights (31 December 2011: nil).

Further details of advanced from customers due to other related parties are stated in Note VI.6.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

24. Employee benefits payable

2012

	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	4,185,112	17,811,444	(17,509,411)	4,487,145
Staff welfare	—	839,224	(839,224)	—
Social insurance	2,884,551	4,499,058	(4,328,587)	3,055,022
Including:				
Medical insurance	1,179,481	1,281,403	(1,414,858)	1,046,026
Basic pension	1,296,000	2,502,417	(2,204,393)	1,594,024
Contribution to pension annuity	138,575	344,502	(332,300)	150,777
Unemployment insurance	142,410	177,228	(186,274)	133,364
Work injury insurance	89,614	126,816	(125,285)	91,145
Maternity insurance	38,471	66,692	(65,477)	39,686
Early retirement benefits (current portion)	867,267	866,830	(920,750)	813,347
Housing funds	948,616	1,262,407	(1,215,881)	995,142
Union fund and employee education fund	553,783	490,190	(499,530)	544,443
Others	147,188	778,764	(830,459)	95,493
	9,586,517	26,547,917	(26,143,842)	9,990,592

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 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

24. Employee benefits payable (continued)

	31 December 2012	31 December 2011
Early retirement benefits obligations (Note)	3,983,961	4,611,052
Less: current portion	(813,347)	(867,267)
Non-current portion	3,170,614	3,743,785

Note: Certain employees of the Group had completed their respective early retirement plan applications. Early retirement benefits were recognized in the period in which the relevant entities of the Group have entered into agreements with the employees specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The specific terms vary among the terminated and early retired employees depending on various factors including their positions, length of service, and 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 Watson Management Consulting (Shenzhen) Co., Ltd. which is a member of the Society of Actuaries of the United States of America, using the projected unit cost method.

As at 31 December 2012, there was no employee benefits payable in arrears (31 December 2011: nil).

25. Taxes payable

	31 December 2012	31 December 2011
Value-added tax	128,731	(90,585)
Business tax	4,526,242	4,368,033
Corporate income tax	1,956,629	1,429,113
Individual income tax	685,249	631,123
City maintenance and construction tax	314,717	279,498
Resource tax	7,207	4,868
Others	186,454	191,344
	7,805,229	6,813,394



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

26. Interest payables

	Note V	31 December 2012	31 December 2011
Interest payables for corporate bonds	29,32	192,820	277,136
Interest payables for short-term loans		43,316	36,727
Interest payables for long-term loans		467	150
		236,603	314,013

27. Dividends payable

	31 December 2012	31 December 2011	Reasons for not been settled over one year
Beijing Modasi Investment Co., Ltd.	39,971	39,971	Short of fund
Beijing Zhongjiaweiye Real Estate Co., Ltd.	25,528	—	
Taiyuan Locomotive and Rolling Stock Factory	8,158	2,190	
Jinan Railway Bureau	8,158	2,190	
Zhengzhou Railway Bureau	8,158	2,190	
Others	18,415	10,948	
	108,388	57,489	

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

28. Other payables

	31 December 2012	31 December 2011
Guarantees and deposits	11,338,894	10,319,331
Payables for advances	8,766,887	7,687,238
Accrued business taxes and surcharges	4,168,353	3,313,828
Rental expenses payable	1,267,428	1,164,787
Payables for acquisition of fixed assets and construction in progress	485,025	389,843
Land expropriation and relocation compensation payable	467,932	339,733
Repair and maintenance payable	222,697	229,870
Transportation fees	197,152	180,230
Fees for property management and utilities	81,598	78,355
Others (Note)	7,859,038	8,829,362
	34,855,004	32,532,577

Note: In accordance with the Notice Relating to the Allocation of State-owned Capital Operating Budget to CRCCG for 2008 (Cai Qi [2008] No. 260) [(財政部關於下達中國鐵道建築總公司2008年中央國有資本經營預算(撥款)的通知)(財企[2008]260號)] and the Notice Relating to the Allocation of the Wenchuan Earthquake Reconstruction Funds to State-owned Enterprises for 2008 (Cai Qi [2008] No. 399) [(財政部關於撥付2008年中央企業汶川地震災後恢復重建基金的通知)(財企[2008]399號)] issued by the Ministry of Finance, the Ministry of Finance injected an amount of RMB189,660,000 to CRCCG for the reconstruction work in relation to the earthquake in Wenchuan County of Sichuan Province in the PRC in 2008. Thereafter, CRCCG contributed the fund received from the Ministry of Finance into the Company and the Company has recorded this amount in other payables- payables for CRCCG as at 31 December 2012 and 31 December 2011, accordingly. (Note VI.6(f)).

Amounts due to shareholders that held 5% or more of the Company's voting rights were as follows:

	31 December 2012	31 December 2011
CRCCG	194,840	202,275

Further details of other payables due to other related parties are stated in Note VI.6.



Notes to Financial Statements (continued)

31 December 2012 (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 2012	Reasons for not being settled
Company 1	Third party	251,616	Payables not settled
CRCCG	Ultimate holding company	189,660	Reconstruction funds not settled
Company 2	Third party	74,421	Deposit not due
Company 3	Third party	40,435	Payables not settled
Company 4	Third party	18,212	Payables not settled
		574,344	

Among the significant other payables aged over one year as at 31 December 2012, an aggregate amount of RMB3,812,000 has been repaid after the balance sheet date.

	Relationship with the Group	31 December 2011	Reasons for not being settled
CRCCG	Ultimate holding company	189,660	Reconstruction funds not settled
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.

Notes to Financial Statements (continued)

31 December 2012 (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 2012	31 December 2011
Current portion of long-term loans	9,704,426	3,473,980
Current portion of long-term payables	727,838	499,216
Current portion of bonds payable	—	9,988,064
	10,432,264	13,961,260

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

	31 December 2012	31 December 2011
Pledged loans (Note V.31(b))	27,670	24,760
Mortgaged loans (Note V.31(c))	2,811,548	678,000
Guaranteed loans	2,655,092	693,918
Loans on credit	4,210,116	2,077,302
	9,704,426	3,473,980

As at 31 December 2012, the top five largest balances in the current portion of long-term loans were as follows:

Term		Currency	Interest rate %	31 December 2012 Foreign amounts RMB equivalent	
Company 1	From 2010-2-4 to 2013-2-3	RMB	4.86	—	1,754,608
Company 2	From 2011-6-30 to 2013-6-27	USD	3.90	250,000	1,571,375
Company 3	From 2011-12-8 to 2013-12-7	RMB	10.25	—	1,494,000
Company 4	From 2011-6-24 to 2013-6-24	USD	5.34	136,000	854,828
Company 5	From 2011-6-29 to 2013-6-29	RMB	11.50	—	500,000
					6,174,811



Notes to Financial Statements (continued)

31 December 2012 (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 2011, the top five largest balances in the current portion of long-term loans were as follows:

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

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

As at 31 December 2012, the top five largest balances in the current portion of long-term payables were as follows:

	Term	Initial amount	Annual interest rate %	Accrued interest	Closing balance	Conditions and terms
Company 1	From 2011-7-15 to 2018-7-15	552,045	Benchmark rate of over-five-year bank loans	34,094	92,007	Nil
Company 2	From 2012-6-8 to 2017-6-8	500,000	Benchmark rate of five-year bank loans	27,481	90,461	Nil
Company 3	From 2011-1-27 to 2013-9-30	114,000	Benchmark rate of three-year bank loans	1,231	67,212	Nil
Company 4	From 2011-5-26 to 2016-5-26	291,355	Benchmark rate of five-year bank loans floating 10%	9,336	48,000	Nil
Company 5	From 2011-6-29 to 2018-6-29	311,015	Benchmark rate of over-five-year bank loans	15,119	44,431	Nil
		1,768,415		87,261	342,111	

Notes to Financial Statements (continued)

31 December 2012 (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 2011, the top five largest balances in the current portion of long-term payables were as follows:

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

As at 31 December 2012, there was no current portion of bonds payable.

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

	Face value	Issuing date	Maturity	Amount issued	Annual interest rate %	Interest accrued in the year	Interest payable at year end (Note V.26)	Closing balance
First issue of medium-term Notes in 2009	10,000,000	2009-8-24	Three years	10,000,000	3.4	338,742	118,907	9,988,064

30. Other current liabilities

Other current liabilities represent short-term unsecured financing bonds and private placement note with a fixed interest rate issued by the Group and its subsidiaries. The principal and the interests will be repaid at the end of the term.

	Opening balance	Increase	Decrease	Closing balance
2012	7,504,783	22,292,167	(7,844,881)	21,952,069
2011	—	7,504,783	—	7,504,783



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

30 Other current liabilities (continued)

Bond	Principle	Issuing date	Interest rate per annum	Maturity	Accrued interest	Closing balance
China Railway Co., Ltd. — 2012 first tranche	10,000,000	18 Jul 2012	3.60%	365 days	162,740	10,162,740
China Railway Co., Ltd. — 2012 first tranche SCP	1,000,000	18 Oct 2012	4.05%	180 days	8,100	1,008,100
China Railway Co., Ltd. — 2012 second tranche SCP	5,000,000	5 Nov 2012	4.30%	270 days	32,986	5,032,986
China Railway 13th Bureau Group Co., Ltd. — 2012 first tranche	250,000	24 Apr 2012	5.15%	365 days	8,583	258,583
China Railway 14th Bureau Group Co., Ltd. — 2012 first tranche	400,000	20 Jul 2012	4.23%	365 days	7,231	407,231
China Railway 15th Bureau Group Co., Ltd. — 2012 first tranche	250,000	29 Feb 2012	5.88%	365 days	12,324	262,324
China Railway 15th Bureau Group Co., Ltd. — 2012 first tranche	250,000	30 Aug 2012	4.82%	365 days	4,042	254,042
China Railway 17th Bureau Group Co., Ltd. — 2012 first tranche	400,000	11 Jan 2012	6.73%	366 days	25,948	425,948
China Railway 19th Bureau Group Co., Ltd. — 2012 first issue of private placement Note	2,000,000	20 Dec 2012	5.73%	365 days	3,454	2,003,454
China Railway 20th Bureau Group Co., Ltd. — 2012 first tranche	500,000	27 Jun 2012	4.16%	365 days	10,656	510,656
China Railway 21st Bureau Group Co., Ltd. — 2012 first tranche	500,000	14 Dec 2012	5.21%	365 days	1,071	501,071
China Railway 22nd Bureau Group Co., Ltd. — 2012 first tranche	500,000	23 Mar 2012	5.27%	365 days	20,250	520,250
China Railway 25th Bureau Group Co., Ltd. — 2012 first tranche	200,000	28 Feb 2012	5.88%	366 days	9,832	209,832
China Railway Materials Co., Ltd. — 2012 first tranche	380,000	27 Mar 2012	5.27%	365 days	14,852	394,852
	21,630,000				322,069	21,952,069

Bond	Principle	Issuing date	Interest rate per annum	Maturity	Accrued interest	Closing balance
China Railway Co., Ltd. — 2011 first tranche	5,000,000	4 Nov 2011	5.55%	366 days	43,335	5,043,335
China Railway 14th Bureau Group Co., Ltd. — 2011 first tranche	400,000	20 Jan 2011	4.50%	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 Sep 2011	7.11%	366 days	11,236	571,236
China Railway 19th Bureau Group Co., Ltd. — 2011 first tranche	500,000	13 Oct 2011	7.38%	366 days	7,688	507,688
China Railway 21st Bureau Group Co., Ltd. — 2011 first tranche	500,000	11 Oct 2011	7.38%	366 days	8,200	508,200
China Railway 25th Bureau Group Co., Ltd. — 2011 first tranche	200,000	21 Dec 2011	6.82%	366 days	—	200,000
	7,410,000				94,783	7,504,783

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

31. Long-term loans

	31 December 2012	31 December 2011
Pledged loans (<i>Note (b)</i>)	122,100	149,770
Mortgaged loans (<i>Note (a) and Note (c)</i>)	5,320,803	5,174,342
Guaranteed loans (<i>Note (d)</i>)	2,070,703	3,861,146
Loans on credit	9,416,495	9,033,555
	16,930,101	18,218,813

Notes:

- (a) As at 31 December 2012, long-term bank loans with the carrying amount of RMB7,558,000 (31 December 2011: 7,884,000) were secured by mortgages of the Group's buildings with a carrying amount of RMB19,457,000 (31 December 2011: RMB19,457,000) (*Note V.18(e)*).
- (b) As at 31 December 2012, long-term bank loans with the amount of RMB149,770,000, including long-term loans due within one year of RMB27,670,000 (31 December 2011: RMB174,530,000, including long-term loans due within one year of RMB24,760,000) were secured by a pledge of the Group's concession assets of the BOT Project of Jiyang Guest-greeting Yellow River Bridge with a carrying amount of RMB417,950,000 (31 December 2011: RMB438,103,000) (*Note V.18(f)*).
- (c) As at 31 December 2012, long-term bank loans with the amount of RMB8,124,793,000, including long-term loans due within one year of RMB2,811,548,000 (31 December 2011: RMB5,844,458,000, including long-term loans due within one year of RMB678,000,000) were secured by mortgages of the Group's inventories with a carrying amount of RMB15,214,762,000 (31 December 2011: RMB12,821,131,000) (*Note V.18(d)*).
- (d) As at 31 December 2012, the guaranteed long-term loans were all internally guaranteed by the entities comprising the Group.

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

31. Long-term loans (continued)

The maturity profile of the long-term loans as at the end of the reporting period is as follows:

	31 December 2012	31 December 2011
Within one year	9,704,426	3,473,980
In the second year	9,350,930	11,414,809
In the third to fifth years, inclusive	6,271,386	6,256,888
Beyond five years	1,307,785	547,116
	26,634,527	21,692,793

Amount due to shareholder that held 5% or more of the Company's voting rights as follows:

	31 December 2012	31 December 2011
CRCCG	82,110	—

As at 31 December 2012, the top five largest long-term loans were as follows:

	Starting date	Maturity date	Currency	Interest rate %	31 December 2012 Foreign currency	RMB equivalent
Loan 1	2011-09-26	2014-09-26	RMB	4.67	—	1,780,000
Loan 2	2012-08-21	2014-08-21	USD	5.34	200,000	1,257,100
Loan 3	2011-12-08	2014-12-07	RMB	6.77	—	1,000,000
Loan 4	2012-04-29	2015-04-29	RMB	6.00	—	629,426
Loan 5	2012-04-27	2014-04-25	USD	5.05	100,000	628,550
						5,295,076

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

31. Long-term loans (continued)

As at 31 December 2011, the top five largest long-term loans were as follows:

	Starting date	Maturity date	Currency	Interest rate %	31 December 2011 Foreign currency	RMB equivalent
Loan 1	2010-02-04	2013-02-03	RMB	4.86	—	1,802,608
Loan 2	2011-06-30	2013-06-27	USD	3.90	250,000	1,588,075
Loan 3	2011-12-08	2013-12-07	RMB	10.25	—	1,500,000
Loan 4	2011-09-26	2014-09-26	RMB	4.67	—	1,475,000
Loan 5	2011-12-08	2014-12-07	RMB	7.32	—	1,000,000
						7,365,683

32. Bonds payable

Bonds payable represents unsecured medium-term Notes and private placement Notes, with fixed interest rate. Bonds' interest is paid annually whereas the principal are paid at maturity date.

2012

	Opening balance	Additions	Deductions	Closing balance
Medium-term corporate bonds	12,392,517	2,067,463	—	14,459,980

2011

	Opening balance	Additions	Deductions	Closing balance
Medium-term corporate bonds	14,930,359	7,450,222	(9,988,064)	12,392,517



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

32. Bonds payable (continued)

As at 31 December 2012, bonds payable were as follows:

	Principal	Issuing 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	27 Aug 2010	5 years	5,000,000	3.78%	189,175	63,173	4,979,030
First issue of medium-term Notes in 2011	7,500,000	14 Oct 2011	7 years	7,500,000	6.28%	471,261	95,490	7,430,950
China Railway 14th bureau Group Co., Ltd- 2012 first issue of private placement	400,000	27 Aug 2012	5 years	400,000	6.7%	8,933	8,933	400,000
China Railway 15th bureau Group Co., Ltd-2012 first issue of private placement Note	400,000	23 Nov 2012	3 years	400,000	6.5%	2,778	2,778	400,000
China Railway 23rd Bureau Group Co., Ltd. - 2012 first issue of private placement Note	350,000	09 Aug 2012	2 years	350,000	5.9%	8,203	8,203	350,000
China Railway 25th Bureau Group Co., Ltd. - 2012 first issue of private placement Note	400,000	06 Aug 2012	3 years	400,000	6.1%	9,827	9,827	400,000
China Railway 25th Bureau Group Co., Ltd. - 2012 second issue of private placement Note	500,000	09 Nov 2012	2 years	500,000	6.2%	4,416	4,416	500,000
				14,550,000		694,593	192,820	14,459,980
							(Note V.26)	

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

32. Bonds payable (continued)

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

	Principal	Issuing 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	2010-08-27	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	12,392,517
							(Note V.26)	

33. Long-term payables

	31 December 2012	31 December 2011
Retention money payables	139,795	1,472,392
Finance lease payables	3,012,161	1,746,092
Others	144,696	235,342
	3,296,652	3,453,826

The maturity profile of long-term payables as at the end of the reporting period is as follows:

	31 December 2012	31 December 2011
Within one year	727,838	499,216
In the second year	1,041,965	1,712,243
In the third to fifth years, inclusive	2,027,023	1,443,587
Beyond five years	227,664	297,996
	4,024,490	3,953,042



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

33. Long-term payables (continued)

As at 31 December 2012, the top five largest 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	85,594	460,037	Nil
Company 2	From 2012-6-8 to 2017-6-8	500,000	Benchmark rate of five-year bank loans	46,158	366,637	Nil
Company 3	From 2012-7-31 to 2017-7-30	362,000	Benchmark rate of three to five-year bank loans floating 5%	54,165	362,000	Nil
Company 4	From 2011-6-29 to 2018-6-29	311,015	Benchmark rate of over-five-year bank loans	31,539	199,938	Nil
Company 5	From 2011-5-26 to 2016-5-26	291,355	Benchmark rate of five-year bank loans floating 10%	15,254	144,000	Nil
		2,016,415		232,710	1,532,612	

As at 31 December 2011, the top five largest 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 2016-5-26	291,355	Benchmark rate of five-year bank loans floating 10%	27,937	192,000	Nil
Company 4	From 2011-9-2 to 2016-9-2	264,883	Benchmark rate of four-year bank loans floating 5%	25,335	173,327	Nil
Company 5	From 2011-12-12 to 2015-12-12	175,993	Benchmark rate of four-year bank loans floating 20%	15,278	116,717	Nil
		1,595,291		232,248	1,255,456	

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

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

34. Special payables

2012

	Opening balance	Additions	Deductions	Closing balance
Research and development funds	89,867	22,059	(33,720)	78,206
Specific project funds	213,855	188,116	(235,384)	166,587
Others	664	—	(114)	550
	304,386	210,175	(269,218)	245,343

2011

	Opening balance	Additions	Deductions	Closing balance
Research and development funds	49,921	51,296	(11,350)	89,867
Specific project funds	194,836	42,426	(23,407)	213,855
Others	1,318	—	(654)	664
	246,075	93,722	(35,411)	304,386

35. Deferred income

	31 December 2012	31 December 2011
Government grants related to assets	165,558	151,174
Government grants related to income	6,339	5,788
Others	9,261	—
	181,158	156,962
Less: current portion of deferred income	(22,622)	(25,956)
	158,536	131,006



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

36. Share capital

2012

	Opening balance	Movements during the year Restricted shares transferred to ordinary shares	Closing balance
Restricted shares			
— NSSF	245,000	—	245,000
Unrestricted shares			
— RMB ordinary shares (<i>A shares</i>)	10,016,246	—	10,016,246
— Overseas listed foreign shares (<i>H shares</i>)	2,076,296	—	2,076,296
	12,337,542	—	12,337,542

2011

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

37. Capital reserve

2012

	Opening balance	Additions	Deductions	Closing balance
Share premium	34,746,711	—	—	34,746,711
Others	(749,035)	87,733	(137,211)	(798,513)
	33,997,676	87,733	(137,211)	33,948,198

2011

	Opening balance	Additions	Deductions	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

Increase in the capital reserve is due to increase of the fair value of available for sale financial assets and the residual amount of relocation compensation. Decrease in the capital reserve is due to purchasing of non-controlling interests during the year.

38. Special reserve

During 1st January 2010 to 13th February 2012, the Group provided for and utilized safety production expenses at 1% or 1.5% of the installing and construction costs, according to the Interim Measures for the Financial Management of Production Safety Expenses of Enterprises in High-risk Industries (2006. No.478), issued by the Ministry of Finance and the State Administration of Work Safety.

From 14th February 2012, the Group provided for and utilized safety production expenses at 1.5% or 2% of the installing and construction costs, according to the Circular on Printing and Issuing the Management Measures on the Enterprises Production Safety Expense of Enterprises appropriation and utilization (2012. No.16), issued by the Ministry of Finance and the State Administration of Work Safety. Further details are stated in Note II.30.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

39. Surplus reserve

2012

		Opening balance	Additions	Deductions	Closing balance
Statutory surplus reserve	Note	855,536	361,623	—	1,217,159

2011

		Opening balance	Additions	Deductions	Closing balance
Statutory surplus reserve	Note	855,536	—	—	855,536

Note: In accordance with the Company Law and the Company's Articles of Association, the Company appropriated 10% of the net profit to the surplus reserve. Where the accumulated amount of surplus reserve reaches 50% of the Company's registered capital, additional appropriation will not be needed.

The Company and certain of its subsidiaries are authorised to allocate discretionary surplus reserve from profit after tax after the allocation of statutory reserve. Upon the approval of the board, the discretionary surplus reserve can be used to offset previous years' losses or increase the share capital.

40. Retained earnings

		2012	2011
Retained earnings at beginning of the year		17,338,492	10,101,077
Net profit attributable to the owners		8,478,891	7,854,292
Less: Appropriation for surplus reserve		(361,623)	—
ordinary share cash dividends declared	Note	(1,233,754)	(616,877)
Retained earnings at the year end		24,222,006	17,338,492

Note: In accordance with the resolution at the 2011 annual general meeting of shareholders on 12 June 2012, the Company proposed a final cash dividend for the year ended 31 December 2011 of RMB0.10 per share which amounted to RMB1,233,754,000 (31 December 2011: RMB616,877,000) based on the total number of shares of 12,337,541,500 (31 December 2011: 12,337,541,500). This dividend has been paid before 10 August 2012, and has been reflected in this year's financial statements.

In accordance with the resolution of the 20th meeting of the second session of the Board Meeting (Note IX) on 28 March 2013, the board has proposed for a cash dividend of RMB1.1 per 10 shares to all shareholders, based on the total number of shares of 12,337,541,500, which is expected to amount to RMB1,357,130,000 in total. The above-mentioned proposition will be effective only after the approval of the shareholders' meeting. Before the approval, it would not constitute a liability of the Company and therefore would not be reflected in current year's financial statements.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

41. Revenue and cost of sales

Operating revenue represents the invoice value of goods sold that net of returns and trade discounts, which contains appropriate proportion of construction contracts revenue, the value of the service provided and net amount of lease income received.

The operating revenue is as follows:

	2012	2011
Revenue from principal operations	482,728,222	455,503,351
Other operating revenue	1,584,706	1,862,759
	484,312,928	457,366,110

The operating cost is as follows:

	2012	2011
Cost of sales	432,889,011	409,327,413

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

Sectors	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
Construction operations	403,929,265	364,202,581	402,018,106	363,765,029
Real estate operations	18,137,336	13,082,289	13,537,613	9,400,034
Manufacturing operations	8,247,483	6,441,481	7,455,622	5,945,844
Survey, design and consultancy operations	7,260,990	5,037,716	7,462,580	5,193,579
Other business operations	46,737,854	44,124,944	26,892,189	25,022,927
	484,312,928	432,889,011	457,366,110	409,327,413

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

Regions	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
Mainland China	466,885,327	417,347,251	440,166,805	394,006,820
Outside Mainland China	17,427,601	15,541,760	17,199,305	15,320,593
	484,312,928	432,889,011	457,366,110	409,327,413



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

41. Revenue and cost of sales (continued)

For the 2012, operating revenues from the top five customers were as follows:

	Amount	Percentage of total operating revenue
Customer 1	8,018,910	1.65
Customer 2	7,989,821	1.65
Customer 3	5,940,203	1.23
Customer 4	5,550,246	1.15
Customer 5	5,478,710	1.13
	32,977,890	6.81

For the 2011, operating revenues from the top five 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

42. Business tax and surcharges

	2012	2011
Business tax	12,426,804	12,310,534
City maintenance and construction tax	670,419	644,429
Others	1,344,012	1,091,817
	14,441,235	14,046,780

Details of applicable taxes of the Group are stated in to Note III. Taxes for details of applicable tax rates of business tax and surcharges.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

43. Selling and distribution expenses

	2012	2011
Employee compensation costs	597,975	588,283
Transportation expenses	375,666	323,103
Business development expenses	296,419	252,430
Agency service fees	234,571	191,655
Advertising expenses	182,311	163,000
Repair and maintenance expenses	83,510	83,235
Others	175,998	144,215
	1,946,450	1,745,921

44. General and administrative expenses

	2012	2011
Employee compensation costs	8,311,970	7,423,603
Research and development expenses	6,586,253	6,893,619
Depreciation expenses	1,342,001	1,185,730
Entertainment expenses	837,475	877,819
Traveling expenses	808,285	741,824
Office expenses	578,257	595,279
Others	2,241,525	2,133,525
	20,705,766	19,851,399

For the year ended 31 December 2012, the auditors' remuneration included in the general and administrative expenses was RMB38,711,000 (for the year ended 31 December 2011: RMB38,764,000).

45. Finance costs

	2012	2011
Interest expenses	5,839,837	3,682,502
Less: interest income	(2,017,303)	(1,440,377)
capitalized interest	(1,004,606)	(525,042)
Exchange losses/(gains)	193,173	(111,696)
Bank charges and others	489,483	376,360
	3,500,584	1,981,747



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

45. Finance costs (continued)

The Group's interest expenses are as follows:

	2012	2011
Interest on loans wholly repayable within five years	4,007,258	2,721,378
Interest on loans repayable beyond five years	29,859	20,234
Interest on finance leases	201,762	76,172
Interest on discounted bills	125,524	118,682
Interest on corporate bonds	1,475,434	746,036
Total interest expenses	5,839,837	3,682,502

The amount of capitalized interest has been included in the balances of construction in progress (Note V.13) and properties under development (Note V.7(a)).

46. Impairment losses

	2012	2011
Provisions for bad debts	152,930	195,451
Provisions for decline in value of inventories	177,685	37,479
Impairment of long-term equity investments	1,254	—
Impairment of fixed assets	—	391,629
	331,869	624,559

47. Gains/(losses) on fair value changes

	2012	2011
Financial assets held for trading	3,240	(27,109)

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

48. Investment income

	2012	2011
Share of net profits of associates	8,687	16,692
Share of net profits of jointly-controlled entities	24,160	61,114
Losses from disposal of associates	—	(2,589)
Investment income from disposal of other long-term equity investments	119,232	11,011
Gains from holding funds	—	7,043
Investment income gained during the period in which the Company held available-for-sale financial assets	4,577	1,425
Dividend income received from other long-term equity investments	27,345	72,515
Gains from disposal of available-for-sale financial assets	—	156
Others	2,934	1,016
	186,935	168,383

For the year ended 31 December 2012, investment income above was from listed companies and unlisted companies of RMB8,563,000(2011: RMB12,229,000) and RMB178,372,000 (2011: RMB156,154,000), 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:

	2012	2011	Reason for fluctuation
PetroChina-CRCC Petroleum Marketing Co., Ltd.	33,749	501	Profit increased
Chongqing Monorail Transportation Engineering Co., Ltd.	10,095	15,212	Profit decreased
Shekou Xinghua Enterprise Co., Ltd.	2,198	1,712	Profit increased
Zhongxin Diantong Co., Ltd.	526	249	Profit increased
Nanjing Petroleum Company Oil Sales Co., Ltd.	249	—	Profit increased
	46,817	17,674	

As at 31 December 2012, the remittance of the Group's investment income was not subject to significant restrictions.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

49. Non-operating income

	2012	2011
Government grants	406,488	173,148
Gains on disposal of non-current assets	111,033	65,336
Including:		
Gains on disposal of fixed assets	108,781	59,881
Gains on disposal of intangible assets	2,252	5,455
Gains on compensation, penalties and fines	35,962	31,185
Gains on stocktaking	6,711	173
Others	95,670	251,695
	655,864	521,537

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

	2012	2011
Relocation compensation	136,682	32,197
Enterprise development funding	129,203	63,698
Economic and technological cooperation special funds	83,933	—
Equipment funding from the Ministry of Railways	24,495	24,970
Refund of taxes	11,498	28,903
Others	20,677	23,380
	406,488	173,148

50. Non-operating expenses

	2012	2011
Loss on disposal of non-current assets	102,161	212,470
Including:		
Loss on disposal of fixed assets	99,008	209,246
Loss on disposal of intangible assets	3,153	3,224
Loss on compensation, penalties and fines	44,467	63,198
Donations	5,432	4,897
Loss on stocktaking	3,008	83,250
Others	293,125	31,396
	448,193	395,211

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

51. Income tax expenses

	2012	2011
Current tax expenses - Mainland China	2,337,603	2,054,310
Current tax expenses - Hong Kong	2,076	1,874
Current tax expenses - Others	25,852	19,182
Deferred tax expenses	9,708	98,561
	2,375,239	2,173,927

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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:

	2012	2011
Total profit	10,895,859	10,055,891
Income tax at the statutory income tax rate (<i>Note (a)</i>)	2,723,965	2,513,973
Tax effect of lower tax rates for some subsidiaries	(387,217)	(377,445)
Tax effect of share of profits and losses of jointly-controlled entities and associates	5,175	(11,805)
Income not subject to tax	(30,075)	(46,167)
Expenses not deductible for tax purposes	315,458	273,053
Tax losses utilised from previous years	(59,897)	(60,231)
Income tax benefits on research and development expenses	(466,007)	(389,899)
Tax losses not recognized	56,332	71,066
Undeductible loss and impairment from overseas projects	48,156	118,338
Adjustments in respect of current income tax of previous periods	(135,449)	(15,853)
Other	304,798	98,897
Tax expense at the Group's effective tax rate	2,375,239	2,173,927



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

51. Income tax expenses (continued)

Notes:

- (a) The income tax of the Group is calculated based on the estimated taxable profit arising in China and the applicable tax rate. Tax arising from the taxable income in other regions is calculated at the applicable tax rate according to existing laws, interpretations and practices of the country/jurisdiction in which the Group operates.
- (b) The share of tax attributed to jointly-controlled entities and associates amounting to RMB4,061,000 (2011: RMB15,062,000) and RMB2,460,000 (2011: RMB2,903,000), 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.

52. Earnings per share

The basic earnings per share is calculated based on the net profit of the year attributable to the ordinary shareholders of the Company and the weighted average number of outstanding ordinary shares during the year.

	2012	2011
Earnings		
Net profit attributable to ordinary shareholders of the Company	8,478,891	7,854,292
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)	0.69	0.64

Note: As disclosed in Note I to these financial statements, after the issuance of A shares and H shares in 2008, the Company has issued an aggregate of 12,337,541,500 outstanding ordinary shares.

The Company holds no potential ordinary shares that are dilutive.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

53. Other comprehensive income

	2012	2011
Gains/(losses) from available-for-sale financial assets	22,873	(31,634)
Less: tax effects of available-for-sale financial assets	2,556	6,972
	25,429	(24,662)
Exchange differences on foreign currency translation	19,665	96,194
Relocation compensation	60,893	49,515
	105,987	121,047

54. Notes to consolidated statement of cash flows

Cash paid for other operating activities:

(1) Cash received relating to other operating activities:

	2012	2011
Rental income of fixed assets	434,259	480,290
Government grants	394,990	144,245
Sale of raw material	300,792	341,208
Accommodation income	250,643	208,951
Property management income	153,253	120,820
Training income	64,423	70,280
Repair service income	54,164	25,731
Others	820,544	846,752
	2,473,068	2,238,277



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

54. Notes to consolidated statement of cash flows

(2) Cash paid relating to other operating activities:

	2012	2011
Deposits	1,380,481	682,995
Traveling expenses	860,836	755,080
Entertainment expenses	860,139	881,246
Office expenses	688,016	608,879
Transportation costs	435,893	366,281
Repair and maintenance costs	317,286	327,520
Agency service fees	305,298	191,936
Energy costs	281,397	200,557
Business development expenses	249,480	184,607
Consulting fees	207,852	248,009
Insurance fees	78,907	79,441
Others	238,837	119,722
	5,904,422	4,646,273

55. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the consolidated statement of cash flows

	2012	2011
Reconciliation of net profit to cash flows from/(used in) operating activities		
Net profit	8,520,620	7,881,964
Plus:		
Provision for impairment of assets	331,869	624,559
Depreciation of fixed assets	9,509,617	9,218,718
Amortization of intangible assets	179,422	169,080
(Gains)/losses from disposal of fixed assets, intangible assets and other long-term assets	(8,872)	147,134
(Gains)/losses from changes in fair value	(3,240)	27,109
Finance costs	3,011,100	1,605,387
Investment income	(186,935)	(168,383)
Decrease in deferred tax assets	25,963	83,327
(Decrease)/increase in deferred tax liabilities	(16,482)	15,234
Increase in inventories	(34,071,089)	(32,410,349)
Increase in operating receivables	(25,947,837)	(18,158,741)
Increase in operating payables	44,200,835	18,388,650
Net cash flows from/(used in) operating activities	5,544,971	(12,576,311)

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

(1) Supplementary information to the consolidated statement of cash flows (continued)

Changes in cash and cash equivalents:

	2012	2011
Cash at the end of year	81,269,028	60,466,789
Less: opening balance of cash	(60,466,789)	(54,141,998)
Plus: closing balance of cash equivalents	1,077,197	13,700,794
Less: opening balance of cash equivalents	(13,700,794)	(1,781,146)
Net increase in cash and cash equivalents	8,178,642	18,244,439

(2) Cash and cash equivalents

	31 December 2012	31 December 2011
Cash	81,269,028	60,466,789
Including: cash on hand	519,350	518,814
bank deposits on demand	80,749,678	59,947,975
Cash equivalents	1,077,197	13,700,794
Closing balance of cash and cash equivalents	82,346,225	74,167,583



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions

1. Parent

Company name	Nature of enterprise	Place of registration	Legal representative	Business scope	Registered capital	Percentage of ownership interest in the Company	Percentage of voting rights in the Company	Organization code
CRCCG	State-owned enterprise	Beijing	Meng Fengchao	Construction and management	5,969,888	61.33	61.33	10001066-0

2. Subsidiaries

Refer to Note IV - "Consolidation scope of the consolidated financial statements".

3. Jointly-controlled enterprises and associates

Company name	Relationship With the Group	Organization code
Nanchang Railway 2nd Construction Engineering Co., Ltd.	Associate	15826465-5
Chongqing Monorail Transportation Engineering Co., Ltd.	Associate	77846939-5
Nanchang Xinlong Real Estate Co., Ltd.	Associate	78145661-6
Shaanxi Jiuzheng Medical Technology Co., Ltd.	Associate	66411483-6
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	Associate	66268036-7
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
Guangzhou Zhonglu Hangsheng Engineering Co., Ltd.	Associate	77565388-3
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.	Associate	582464912
China Railway Communications International Engineering and Technology Co., Ltd.	Jointly-controlled entity	79748689-5
CRCC-Tongguan Investment Co., Ltd.	Jointly-controlled entity	69896533-X
PetroChina-CRCC Petroleum Marketing Co., Ltd.	Jointly-controlled entity	697727508
Groupement CITIC-CRCC Joint Venture	Jointly-controlled entity	N/A
Hubei Wanjia Real Estate Development Co., Ltd.	Jointly-controlled entity	74179508-2
China-Africa Lekkil Investment Co., Ltd.	Jointly-controlled entity	78550080-5
HK ACE Joint Venture	Jointly-controlled entity	N/A
CLPE-CRCC-HG Joint Venture	Jointly-controlled entity	N/A
Chun Wo-Henryvicy-CRCC Joint Venture	Jointly-controlled entity	N/A
Chun Wo-Henryvicy-CRCC-Queensland Rail Joint Venture	Jointly-controlled entity	N/A
CRCC-HC-CR15G Joint Venture	Jointly-controlled entity	N/A

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

4. Other related parties

Company name	Related party relationship	Organization code
China Civil (Hong Kong) Building Limited	Fellow subsidiary	N/A
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary	76141766-0
Chongqing Tiefa Suiyu Highway Co., Ltd.	Fellow subsidiary	76593295-0
Same Fast Limited	Fellow subsidiary	N/A
Xi'an Tianchuang Real Estate Co., Ltd.	Fellow subsidiary	73506582-5
China Railway Construction (Hong Kong) Co., Ltd.	Fellow subsidiary	N/A
Jinli Assets Management Center	Fellow subsidiary	71093514-2

5. Related party transactions

(1) Construction operations revenue (Note (a))	2012		2011	
	Amount	Percentage	Amount	Percentage
Chongqing Yurong Highway Co., Ltd.	1,904,462	0.47	1,900,784	0.47
Groupement CITIC-CRCC Joint Venture	460,004	0.12	1,051,254	0.26
CRCCG (Note (e))	459,396	0.11	177,481	0.04
Chongqing Monorail Transportation Engineering Co., Ltd.	249,085	0.06	395,255	0.10
CRCC-HC-CR15G Joint Venture	91,022	0.02	—	—
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.	41,906	0.01	—	—
Beijing Tongda Jingcheng Highway Co., Ltd. (Note (e))	21,775	0.01	—	—
Chongqing Tiefa Suiyu Highway Co., Ltd. (Note (e))	765	—	2,578	—
	3,228,415	0.80	3,527,352	0.87

(2) Survey, design and consultancy operations revenue (Note (b))	2012		2011	
	Amount	Percentage	Amount	Percentage
CRCCG (Note (e))	1,807	0.02	402	0.01



Notes to Financial Statements (continued)

31 December 2012 (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))	2012		2011	
	Amount	Percentage	Amount	Percentage
Hubei Wanjia Real Estate Development Co., Ltd.	41,000	0.05	—	—
CRCCG (Note (e))	34,242	0.05	37,829	0.08
Chongqing Monorail Transportation Engineering Co., Ltd.	12,982	0.02	48,921	0.10
Groupement CITIC-CRCC Joint Venture	—	—	13,783	0.03
CRCC-HC-CR15G Joint Venture	—	—	150	—
	88,224	0.12	100,683	0.21

(4) Purchase of goods and rendering of services (Note (d))	2012		2011	
	Amount	Percentage	Amount	Percentage
Petrochina-CRCC Petroleum Marketing Co., Ltd.	502,151	0.12	1,229,030	0.30
Jinli Assets Management Center (Note (e))	63,548	0.01	—	—
Groupement CITIC-CRCC Joint Venture	—	—	71,909	0.02
Wuhan Lvyin Lawn Engineering Co., Ltd.	—	—	7,643	—
	565,699	0.13	1,308,582	0.32

(5) Other expenses (Note (c))	2012		2011	
	Amount	Percentage	Amount	Percentage
CRCCG (Note (e))	39,230	0.01	33,453	0.01
Jinli Assets Management Center (Note (e))	20,070	—	29,721	0.01
China-Africa Lekkil Investment Co., Ltd.	1,320	—	816	—
Chongqing Tiefs Highway Co., Ltd. (Note (e))	33	—	—	—
Beijing Tongda Jingcheng Highway Co., Ltd. (Note (e))	10	—	—	—
China Great Wall Finance Company (Note (f))	—	—	105,916	0.03
	60,663	0.01	169,906	0.05

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

5. Related party transactions (continued)

(6) Related party guarantee

Granted to a related party

31 December 2012

	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 2011

	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	1,067,204	25 May 2010	25 May 2015	No

Notes:

- (a) The terms of the construction service agreements entered into by the Group and related parties were mutually agreed by the parties.
- (b) The terms of the survey, design and consultancy service agreements entered into by the Group and related parties were mutually agreed by the parties.
- (c) The terms of the agreements relating to rendering or receiving other services entered into by the Group and related parties were mutually agreed by the parties. The income are mainly from 11th Bureau, which sold U-beams to Chongqing Monorail Engineering Co., Ltd., and from International Group Corporation, which provided consulting services to the Saudi Ministry of Mecca Light Rail Project controlled by CRCCG.
- (d) The terms of the purchase agreements of goods and services entered into by the Group and related parties were mutually agreed by the parties.
- (e) The above related party transactions also constitute a connected transaction or continuous related party transactions defined in chapter 14A of the "Hong Kong Listing Rules".



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

5. Related party transactions (continued)

(6) Related party guarantee (continued)

- (f) According to the "Proposal in relation to investment in the Finance Company" approved at the 44th meeting of the first session of the Board held on 13 May 2011, and the announcement made to the Hong Kong Exchanges and Clearing Limited and Shanghai Stock Exchange on 19 May 2011 and 20 May 2011, respectively, the Company would participate in the proposed restructuring of China Great Wall Finance Company (changed name to CRCC Finance Company Limited post restricting, hereafter as the "Finance Company") with CRCCG, and would subscribe for RMB1,222 million of the newly registered capital by cash. Upon the completion of the capital increase and restructuring, shareholding of the Company in it will be 94%. The Company undertook the restructuring and performing costs of RMB106 million according to the shareholding. As at 31 December 2011, the Company has made the payment for the capital increase of the Finance Company, but the industrial and commercial registration of the Finance Company has not finished yet, so the investment is disclosed in other receivables. As at 31 December 2012, the industrial and commercial registration of the Finance Company has finished. Finance Company was newly consolidated in this year.

6. Amounts due from/to related parties

	31 December 2012		31 December 2011	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable (Note (a))				
CRCCG (Note (b))	369,840	—	14,486	—
Chongqing Monorail Transportation Engineering Co., Ltd.	57,894	—	45,263	—
CRCC-HC-CR15G Joint Venture	22,759	—	4,976	—
Chongqing Tiefu Suiyu Highway Co., Ltd.	4,803	—	4,243	—
Xi'an Tianchuang Real Estate Co., Ltd.	584	—	584	—
Nanchang Railway 2nd Construction Engineering Co., Ltd.	530	—	530	—
Beijing Tongda Jingcheng Highway Co., Ltd.	30	—	3,405	—
Chongqing Yurong Highway Co., Ltd.	—	—	119,676	—
	456,440	—	193,163	—

Notes to Financial Statements (continued)

31 December 2012 (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 2012		31 December 2011	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Inventories-Accounts due from customers for contract work_ <i>— (Note (a))</i>				
Chongqing Yurong Highway Co., Ltd.	390,185	—	—	—
Chongqing Monorail Transportation Engineering Co., Ltd.	44,876	—	73,330	—
CRCCG (Note (c))	31,579	—	110,719	—
Groupement CITIC-CRCC Joint Venture	15,962	—	192,765	—
	482,602	—	376,814	—
Advance to supplier (Note (a))				
PetroChina-CRCC Petroleum Marketing Co., Ltd.	4,382	—	—	—
Dividends receivable (Note (a))				
Chongqing Monorail Transportation Engineering Co., Ltd.	1,714	—	—	—



Notes to Financial Statements (continued)

31 December 2012 (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 2012		31 December 2011	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Other receivables (Note (a))				
Nanchang Xinlong Real Estate Co., Ltd.	26,599	475	26,599	475
Nanchang Railway 2nd Construction Engineering Co., Ltd.	6,139	31	6,130	31
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	1,828	—	1,828	—
Chongqing Monorail Transportation Engineering Co., Ltd.	939	—	384	—
Shaanxi Jiuzheng Medical Technology Co., Ltd.	917	349	1,360	329
China Great Wall Finance Company (Note (d))	—	—	1,222,000	—
Groupement CITIC-CRCC Joint Venture	—	—	166,295	—
China-Africa Lekkil Investment Co., Ltd.	—	—	137,123	—
Chongqing Yurong Highway Co., Ltd.	—	—	19,536	—
CRCC-Tongguan Investment Co., Ltd.	—	—	2,160	—
	36,422	855	1,583,415	835
Current portion of non-current asset				
CRCCG (Note (e))	500,000	—	500,000	—
Long-term receivable				
CRCCG (Note (e))	500,000	—	1,000,000	—
CRCC-Tongguan Investment Co., Ltd.	169,529	—	—	—
	669,529	—	1,000,000	—

Notes to Financial Statements (continued)

31 December 2012 (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 2012	31 December 2011
Accounts payable (Note (a))		
Guangzhou Zhonglu Hangsheng Engineering Co., Ltd.	38,340	—
PetroChina-CRCC Petroleum Marketing Co., Ltd.	—	25,914
Wuhan Beitong Technology Co., Ltd.	—	1,743
Wuhan Lvyin Lawn Engineering Co., Ltd.	—	88
	38,340	27,745
Advances from Customers (Note (a))		
Chongqing Yurong Highway Co., Ltd.	—	124,512
Groupement CITIC-CRCC Joint Venture	—	110,078
Chongqing Monorail Transportation Engineering Co., Ltd.	—	2,087
	—	236,677
Other payables (Note (a))		
CRCCG (Note (f))	194,840	202,275
Xi'an Tianchuang Real Estate Co., Ltd.	26,548	—
Gansu China Railway Construction and Estate Investment Co., Ltd.	21,193	—
Guangzhou Zhonglu Hangsheng Engineering Co., Ltd.	9,563	—
Jinli Assets Management Center	3,533	2,170
China Railway Communications International Engineering and Technology Co., Ltd.	746	930
Groupement CITIC-CRCC Joint Venture	—	2,017,951
Chongqing Tiefa Suiyu Highway Co., Ltd.	—	200,000
Hubei Wanjia Real Estate Development Limited	—	4,000
Shaanxi Jiuzheng Medical Technology Co., Ltd.	—	450
Nanchang Railway 2nd Construction Engineering Co., Ltd.	—	150
	256,423	2,427,926



Notes to Financial Statements (continued)

31 December 2012 (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 2012	31 December 2011
Due to customers (Note (g))		
CRCCG	1,590,697	—
Jinli Assets Management Center	82,166	—
Chongqing Tiefsa Suiyu Highway Co., Ltd.	5,353	—
Beijing Tongda Jingcheng Highway Co., Ltd.	1,059	—
	1,679,275	—
Long-term loans		
CRCCG (Note (h))	82,110	—

Notes:

- (a) The amounts due from/to the related parties were interest-free, unsecured, and with no fixed terms of repayment.
- (b) 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.
- (c) The accounts receivable from CRCCG mainly arose from China Railway Construction Group Ltd., one of the Group's subsidiaries, which constructed the Research Building for CRCCG.
- (d) Further details are stated in 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 RMB500,000,000 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.
- (g) The amount due to CRCCG and other companies controlled by the same parent company as CRCCG, which are the deposits in the Financial Company.
- (h) According to "The Treasury Department's notification of 2012 central state capital budget about the special funds of safety production", the Treasury Department allocate RMB82,110,000 to CRCCG. According to "Strengthening Corporation Financial Information Management Interim Provisions", CRCCG transferred this amount to the Group by entrusted loans. At the same time, as the contracts state, if the company increases its shares or is listed in financial markets, this amount will transfer from entrusted loans to equity investments.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

VI. Related party relationships and transactions (continued)

7. Parent and subsidiaries

Investment in subsidiaries	31 December 2012	31 December 2011
Unlisted, measured at cost	58,685,699	46,708,615
Loans to subsidiaries	29,324,562	34,357,048
	88,010,261	81,065,663

As at 31 December 2012, the account receivable due from a subsidiary in the current assets of the Company was 108,931,000 (31 December 2011: nil) and the carrying amount of the current debt due to subsidiaries in the current liabilities was RMB6,220,480,000 (31 December 2011: RMB7,802,890,000). Except for the amounts deposited in the company by the subsidiaries which bear the prevailing interest rate in the market stipulated by financial institutes, other current liabilities are unsecured, interest-free and shall be paid on demand or within one year.

The loans included in the investments to subsidiaries are interest bearing at the prevailing interests rate in the market stipulated by financial institutes, unsecured and with no fixed terms of repayment.

VII. Contingencies

- The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.



Notes to Financial Statements (continued)

31 December 2012 (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 2012	31 December 2011
Jointly-controlled entity	1,067,204	1,067,204
An investee of the Group	117,600	117,600
	1,184,804	1,184,804
The Company	31 December 2012	31 December 2011
Subsidiaries	3,453,073	3,011,317
Jointly-controlled entity	1,067,204	1,067,204
An investee of the Company	117,600	117,600
	4,637,877	4,196,121

In addition, certain interest-bearing bank and other loans of the Company of approximately RMB53,305,000 (31 December 2011: RMB58,466,000) were guaranteed by the subsidiaries of the Company as at 31 December 2012.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

VIII. Commitments

	31 December 2012	31 December 2011
Capital commitments		
Contracted, but not provided for	617,794	932,050
Authorized by the board, but not contracted for	48,000	72,672
	665,794	1,004,722
Investment commitments		
Contracted, but not fulfilled	115,000	625,000
Authorized by the board, but not contracted for	800,000	3,000,000
	915,000	3,625,000
Other commitments (<i>Note</i>)		
Authorized by the board, but not contracted for	4,000,000	—

Note: Further details of this commitment are stated in Note IX.1.

IX. Events after the balance sheet date

1. The Company entered into a Build-Transfer Project Contract with Changchun Subway Co., Ltd. ("Changchun Subway") on 18 March 2013, pursuant to which the Company will inject capital in an aggregate amount of RMB4 billion to Changchun Subway, in three tranches. The Company's share of capital contribution in Changchun Subway shall not exceed 20% upon and after each tranche of capital contribution. The State-owned Assets Supervision and Administration Commission of Changchun Municipal Peoples's Government or its designated department will repurchase all capital contributed by the Company at the original value of RMB4 billion according to the schedule as agreed in the contract.
2. In accordance with the resolution of the 20th meeting of the second session of the board meeting on 28 March 2013, the board has voted for a cash dividend of RMB1.1 per 10 shares to all shareholders, based on the total number of shares of 12,337,541,500, which is expected to amount to RMB1,357,130,000 in total. The above-mentioned proposition will be effective only after the approval by the shareholders' meeting.
3. By the approval date of the financial statements, save as aforesaid, no other significant events took place subsequent to 31 December 2012.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events

1. Debt restructuring

On 21 September 2012, China Railway 18th Bureau Group 5th Engineering Co., Ltd. ("18th Bureau 5th Engineering Co."), a subsidiary of the Company, entered into a debt restructuring agreement with Haihe Downstream Development Company Ltd. ("Haihe"). Pursuant to the agreement, Haihe paid off the debt of RMB84,092,000 due to 18th Bureau 5th Engineering Co. with properties developed at a mutually negotiate price of RMB84,092,000. Except for this transaction, the Group has no other significant debt restructuring events.

2. Business combination

See Note IV. 4.

3. Leases

As the lessee

Finance leases: As at 31 December 2012, the balance of unrecognized financing charges was RMB639,641,000 (31 December 2011: RMB431,076,000), which was amortized using the effective interest rate method over the lease terms. The future minimum lease payments under non-cancellable finance leases are as follows:

	31 December 2012	31 December 2011
Less than 1 year (including 1 year)	889,581	623,156
1 to 2 years (including 2 years)	1,087,191	567,524
2 to 5 years (including 5 years)	2,196,596	1,193,758
Over 5 years	181,129	275,214
	4,354,497	2,659,652

Details of fixed assets leased under finance leases are stated in Note V.12.

As the lessee

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 2012	31 December 2011
Less than 1 year (including 1 year)	60,473	68,622
1 to 2 years (including 2 years)	32,586	44,761
2 to 3 years (including 3 years)	11,941	12,537
Over 3 years	14,539	27,928
	119,539	153,848

For the year ended 31 December 2012, payments under operating leases recognized in profit or loss for the year amounted to RMB84,262,000 (2011: RMB103,692,000).

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

4. Assets and liabilities measured at fair value

2012

	Opening balance	Investment additions	Profit from changes in fair value in the year	Accumulated changes in fair value charged to equity	Closing balance
Financial assets					
Financial assets at fair value through profit or loss	46,919	64,866	3,240	—	115,025
Available-for-sale financial assets	242,097	—	—	22,873	264,970
	289,016	64,866	3,240	22,873	379,995

2011

	Opening balance	Investment additions	Profit from changes in fair value in the year	Accumulated changes in fair value charged to equity	Closing balance
Financial assets					
Financial assets at fair value through profit or loss	75,490	(1,462)	(27,109)	—	46,919
Available-for-sale financial assets	273,773	(42)	—	(31,634)	242,097
	349,263	(1,504)	(27,109)	(31,634)	289,016



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

5. Segment reporting

Operating segments

For management purposes, the Group is organized into the following four operating segments based on their products and services:

- (1) The construction operations segment engages in the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- (2) The survey, design and consultancy operations segment engages in the provision of survey, design and consultancy services, as well as technology and equipment research and development services;
- (3) The manufacturing operations segment engages in the design, research and development, production and sale of large track maintenance machinery as well as the manufacturing of components for railway construction;
- (4) The real estate operations segment engages in the development, construction and sale of real estate; and
- (5) 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 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

5. Segment reporting (continued)

Operating segments (continued)

2012

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate operations	Other business operations	Eliminations and adjustments	Total
Revenue from external customers	403,929,265	7,260,990	8,247,483	18,137,336	46,737,854	—	484,312,928
Inter-segment sales	3,671,762	25,795	1,736,831	—	5,980,243	(11,414,631)	—
	407,601,027	7,286,785	9,984,314	18,137,336	52,718,097	(11,414,631)	484,312,928
Share of profits and losses of jointly-controlled entities and associates	3,278	(1,161)	—	(540)	31,270	—	32,847
Impairment losses recognized/(reversed)	296,531	1,759	(6,123)	33,037	6,665	—	331,869
Depreciation and amortization	9,020,244	185,841	290,389	26,962	165,603	—	9,689,039
Profit before tax	5,228,410	960,424	727,200	2,867,650	1,193,337	(81,162)	10,895,859
Segment assets (i)	341,597,030	14,516,180	15,330,937	89,041,942	55,793,211	(35,617,997)	480,661,303
Segment liabilities (ii)	293,259,343	11,128,377	11,012,022	78,571,956	48,752,791	(35,392,493)	407,331,996
Other segment information							
Investments in jointly-controlled entities and associates	2,909,629	10,333	33,117	57,684	83,058		3,093,821
Increase in non-current assets other than long-term equity investments	9,383,573	247,302	1,052,898	109,306	1,508,654	—	12,301,733



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

5. Segment reporting (continued)

Operating segments (continued)

2011

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate operations	Other business operations	Eliminations and adjustments	Total
Revenue from external customers	402,018,106	7,462,580	7,455,622	13,537,613	26,892,189	—	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	13,537,613	32,921,536	(13,012,607)	457,366,110
Share of profits and losses of jointly-controlled entities and associates	72,254	(100)	—	5,657	(5)	—	77,806
Impairment losses recognized/ (reversed)	623,696	4,593	(2,563)	3	(1,170)	—	624,559
Depreciation and amortization	8,814,835	162,225	266,132	21,466	123,140	—	9,387,798
Profit before tax	6,089,067	978,683	576,799	2,211,211	474,369	(274,238)	10,055,891
Segment assets (i)	348,305,801	11,947,585	13,171,456	60,083,610	25,282,411	(35,808,022)	422,982,841
Segment liabilities (ii)	306,061,166	8,886,666	9,236,649	49,154,998	20,012,474	(36,087,884)	357,264,069
Other segment information							
Investments in jointly-controlled entities and associates	2,008,858	11,706	7,000	44,678	54,505	—	2,126,747
Increase in non-current assets other than long-term equity investments	13,183,232	209,632	792,791	38,981	575,431	—	14,800,067

(i) Segment assets do not include deferred tax assets of RMB1,990,104,000 (31 December 2011: 1,986,991,000) as the Group does not manage these assets based on operating segments. In addition, inter-segment receivables of RMB37,608,101,000 (31 December 2011: RMB37,795,013,000) are eliminated on consolidation.

(ii) Segment liabilities do not include deferred tax liabilities of RMB258,978,000 (31 December 2011: RMB278,016,000) and corporate income tax payable of RMB1,956,629,000 (31 December 2011: RMB1,429,113,000) as the Group does not manage these liabilities based on operating segments. In addition, inter-segment payables of RMB37,608,101,000 (31 December 2011: RMB37,795,013,000) are eliminated on consolidation.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

5. Segment reporting (continued)

Group Information

Geographical information

Revenue from external customers

	2012	2011
Mainland China	466,885,327	440,166,805
Outside Mainland China	17,427,601	17,199,305
	484,312,928	457,366,110

Non-current assets (i)

	31 December 2012	31 December 2011
Mainland China	49,145,364	47,310,259
Outside Mainland China	2,548,708	2,296,545
	51,694,072	49,606,804

In the geographical information above, revenue from external customers is based on the location of the customers. Non-current asset information above is based on the location of the non-current assets.

- (i) Non-current assets consisted 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 2012 and 2011.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

6. Financial instruments and their risks

Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, deposits from customers, bonds payable, other current liabilities, 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, other receivables and accounts payable, other payables 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 2012.

Financial instruments by category

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

31 December 2012

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	—	—	—	264,970	264,970
Long-term equity investments					
under cost method	—	—	—	2,530,740	2,530,740
Bills receivable	—	—	2,300,570	—	2,300,570
Accounts receivable	—	—	71,711,636	—	71,711,636
Interest receivable	—	—	81,250	—	81,250
Dividends receivable	—	—	12,507	—	12,507
Other receivables	—	—	30,968,057	—	30,968,057
Long-term receivables	—	—	7,693,901	—	7,693,901
Current portion of non-current assets	—	—	13,427,892	—	13,427,892
Financial assets held for trading	115,025	—	—	—	115,025
Cash and bank balances	—	—	92,274,144	—	92,274,144
	115,025	1,269	218,469,957	2,795,710	221,381,961

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

6. Financial instruments and their risks (continued)

Financial instruments by category (continued)

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

31 December 2012 (continued)

Financial liabilities	Financial liabilities at amortized cost
Short-term loans	38,696,693
Due to customers	1,738,943
Bills payable	22,013,195
Accounts payable	158,862,434
Interest payables	236,603
Dividends payable	108,388
Other payables	34,855,004
Current portion of non-current liabilities	10,432,264
Other current liabilities	21,952,069
Long-term loans	16,930,101
Bonds payable	14,459,980
Long-term payables	3,296,652
	323,582,326

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 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

6. Financial instruments and their risks (continued)

Financial instruments by category (continued)

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

31 December 2011 (continued)

Financial liabilities	Financial liabilities at amortized cost
Short-term loans	34,159,994
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
Other current liabilities	7,504,783
Long-term loans	18,218,813
Bonds payable	12,392,517
Long-term payables	3,453,826
	282,966,699

Credit risk

Credit risk is the risk of financial loss on one party of a financial instrument due to the failure of another party to meet its obligations.

The Group trades only with recognized and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

6. Financial instruments and their risks (continued)

Credit risk (continued)

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.

As the Group's major customers are PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

As at 31 December 2012 and 2011, further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable, other receivables and long-term receivables which are neither past due nor impaired or past due but not impaired are disclosed in Notes V.4, 6 and 9, 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 RMB569.6 billion as at 31 December 2012, of which an amount of approximately RMB221.9 billion has been utilized.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

6. Financial instruments and their risks (continued)

Liquidity risk (continued)

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 2012, 69.4% (31 December 2011: 64.3%) of the Group's borrowings would mature in less than one year.

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 2012

	31 December 2012					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	—	38,696,693	—	—	—	38,696,693
Due to customers	1,698,909	40,034	—	—	—	1,738,943
Other current liabilities	—	21,952,069	—	—	—	21,952,069
Bills payable	—	22,013,195	—	—	—	22,013,195
Accounts payable	—	158,862,434	—	—	—	158,862,434
Interest payables	—	236,603	—	—	—	236,603
Dividends payable	—	108,388	—	—	—	108,388
Other payables	—	34,855,004	—	—	—	34,855,004
Current portion of non-current liabilities	—	10,432,264	—	—	—	10,432,264
Long-term loans	—	—	9,350,929	6,271,386	1,307,786	16,930,101
Bonds payable	—	—	850,000	6,179,030	7,430,950	14,459,980
Long-term payables	—	—	1,041,965	2,027,023	227,664	3,296,652
Unrecognized financing charges in connection with finance leases	—	186,886	217,973	219,564	15,218	639,641
Interest payments on financial liabilities	—	2,484,296	906,687	1,950,574	2,101,155	7,442,712
Guarantees given to banks in connection with facilities granted to a jointly-controlled entity, and other investees	1,184,804	—	—	—	—	1,184,804
	2,883,713	289,867,866	12,367,554	16,647,577	11,082,773	332,849,483

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

6. Financial instruments and their risks (continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Group's financial assets and liabilities as at the balance sheet date, based on the undiscounted contractual cash flows (continued):

31 December 2011

	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
Other current liabilities	—	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 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

6. 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.

As at 31 December 2012, floating interest rate loans accounted for about 56.0% of the Group's borrowings, and fixed interest rate loans accounted for approximately 44.0%. Management would adjust the proportion of floating rate assets based on changes in the market interest rates to reduce the significant impact of the interest rate risk.

If there were a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by one percentage point, with all other variables held constant, the consolidated operating results would have decreased/increased by approximately RMB285,867,000 for the year (2011: RMB277,706,000), 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 2012 and the exposure to interest rate risk has been applied to those financial instruments in existence at that date. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period from now until the end of the next annual reporting period.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

6. Financial instruments and their risks (continued)

Market risk (continued)

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 year ended 31 December 2012 and 2011 in order to reduce the Group's exposure to foreign currency risk in this regard.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of United States dollar, Euro, Nigerian naira, Algerian dinar, Hong Kong dollar, Saudi Arabian riyal, Singapore dollar, with all other variables held constant, of the Group's net profit.

Effect on net profit

		2012		2011
Increase in the United States dollar rate	3%	(90,400)	2%	(70,900)
Decrease in the United States dollar rate	(3%)	90,400	(2%)	70,900
Increase in the Euro rate	7%	(35,800)	7%	(46,600)
Decrease in the Euro rate	(7%)	35,800	(7%)	46,600
Increase in the Nigerian naira rate	6%	107,900	4%	20,400
Decrease in the Nigerian naira rate	(6%)	(107,900)	(4%)	(20,400)
Increase in the Algerian dinar rate	6%	4,100	4%	9,700
Decrease in the Algerian dinar rate	(6%)	(4,100)	(4%)	(9,700)
Increase in the Hong Kong dollar rate	3%	700	2%	1,900
Decrease in the Hong Kong dollar rate	(3%)	(700)	(2%)	(1,900)
Increase in the Saudi Arabian riyal rate	4%	800	3%	2,400
Decrease in the Saudi Arabian riyal rate	(4%)	(800)	(3%)	(2,400)
Increase in the Singapore dollar rate	4%	(7,100)	—	—
Decrease in the Singapore dollar rate	(4%)	7,100	—	—



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

6. Financial instruments and their risks (continued)

Market risk (continued)

Foreign currency risk (continued)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2012 and the exposure to foreign currency risk has been applied to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the period from now until the end of the next annual reporting period.

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 year ended 31 December 2012 and 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes short-term loans, long-term loans, deposits from customers, other current liabilities, bills payable, accounts payable, employee benefits payable (excluding the provision for early retirement benefits), interest payables, dividends payable, other payables, current portion of non-current liabilities, bonds payable and long-term payables less cash and bank balances. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position.

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios at the end of the reporting periods were presented are as follows:

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

6. Financial instruments and their risks (continued)

Market risk (continued)

Capital management (continued)

	31 December 2012	31 December 2011
Short-term loans	38,696,693	34,159,994
Long-term loans	16,930,101	18,218,813
Due to customers	1,738,943	—
Other current liabilities	21,952,069	7,504,783
Bills payable	22,013,195	10,972,454
Accounts payable	158,862,434	149,398,973
Employee benefits payable (excluded provision for early retirement benefits) (Note V.24)	9,177,245	8,719,250
Interest payables	236,603	314,013
Dividends payable	108,388	57,489
Other payables	34,855,004	32,532,577
Current portion of non-current liabilities	10,432,264	13,961,260
Bonds payable	14,459,980	12,392,517
Long-term payables	3,296,652	3,453,826
Less: cash and bank balances	(92,274,144)	(83,057,641)
Net debt	240,485,427	208,628,308
Total equity	73,329,307	65,718,772
Total equity and net debt	313,814,734	274,347,080
Gearing ratio	77%	76%

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The following methods and assumptions were used to estimate fair values:

The fair values of cash and bank balances, bills receivable, accounts receivable, due to customers, bills payable, accounts payable and similar instruments are approximate to their carrying amounts due to the short term maturities of these instruments.

The fair values of unlisted held-to-maturity investments, long-term receivables, long-term and short-term loans, and other current liabilities, 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.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

6. Financial instruments and their risks (continued)

Fair value (continued)

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:

	Carrying amounts		Fair values	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Financial assets				
Held-to-maturity investments	1,269	1,269	1,269	1,269
Available-for-sale financial assets	264,970	242,097	264,970	242,097
Long-term equity investments				
under the cost method	2,530,740	2,317,472	2,530,740	2,317,472
Bills receivable	2,300,570	2,014,619	2,300,570	2,014,619
Accounts receivable	71,711,636	62,918,831	71,711,636	62,918,831
Interest receivable	81,250	60,370	81,250	60,370
Dividends receivable	12,507	46,844	12,507	46,844
Other receivables	30,968,057	25,335,878	30,968,057	25,335,878
Current portion of				
non-current assets	13,427,892	10,546,813	13,427,892	10,546,813
Long-term receivables	7,693,901	8,504,060	7,693,901	8,504,060
Financial assets held for trading	115,025	46,919	115,025	46,919
Cash and bank balances	92,274,144	83,057,641	92,274,144	83,057,641
	221,381,961	195,092,813	221,381,961	195,092,813
Financial liabilities				
Short-term loans	38,696,693	34,159,994	38,696,693	34,159,994
Due to customers	1,738,943	—	1,738,943	—
Other current liabilities	21,952,069	7,504,783	21,952,069	7,504,783
Bills payable	22,013,195	10,972,454	22,013,195	10,972,454
Accounts payable	158,862,434	149,398,973	158,862,434	149,398,973
Interest payables	236,603	314,013	236,603	314,013
Dividends payable	108,388	57,489	108,388	57,489
Other payables	34,855,004	32,532,577	34,855,004	32,532,577
Current portion of				
non-current liabilities	10,432,264	13,961,260	10,432,264	13,961,260
Long-term loans	16,930,101	18,218,813	16,830,843	18,162,902
Bonds payable	14,459,980	12,392,517	14,459,980	12,392,517
Long-term payables	3,296,652	3,453,826	3,289,852	3,444,660
	323,582,326	282,966,699	323,476,268	282,901,622

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

7. Other financial information

- (i) Supplementary information to the balance sheet

Group

Net current assets

	31 December 2012	31 December 2011
Current assets	416,286,859	360,324,148
Less: current liabilities	(368,811,792)	(318,741,720)
Net current assets	47,475,067	41,582,428

Total assets less current liabilities

	31 December 2012	31 December 2011
Total assets	480,661,303	422,982,841
Less: current liabilities	(368,811,792)	(318,741,720)
Total assets less current liabilities	111,849,511	104,241,121

Company

Net current assets

	31 December 2012	31 December 2011
Current assets	43,756,990	60,094,271
Less: current liabilities	(29,480,446)	(34,381,420)
Net current assets	14,276,544	25,712,851



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

7. Other financial information (continued)

(i) Supplementary information to the balance sheet (continued)

Company (continued)

Total assets less current liabilities

	31 December 2012	31 December 2011
Total assets	103,787,177	110,762,169
Less: current liabilities	(29,480,446)	(34,381,420)
Total assets less current liabilities	74,306,731	76,380,749

(ii) Pension scheme contributions

	2012	2011
Pension scheme contributions (defined contribution plans)	2,846,919	2,616,972
Pension scheme costs (defined benefits plans)	293,659	275,946

As at 31 December 2012, there were no forfeited contributions available to reduce the Group's contribution to its pension scheme in the next year (31 December 2011: Nil).

(iii) Directors' and supervisors' remuneration and five highest paid employees

Directors' and supervisors' remuneration

	2012	2011
Fees	—	—
Other emoluments:		
Salaries, housing benefits, other allowances and benefits in kind	2,383	3,048
Performance-related bonuses	3,050	1,802
Pension scheme contributions	241	234
	5,674	5,084

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

7. 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 2012					
Executive directors:					
Mr. MENG Fengchao	—	235	635	35	905
Mr. ZHAO Guangfa	—	235	635	35	905
Mr. PENG Shugui	—	200	539	35	774
Mr. HU Zhenyi	—	200	539	35	774
	—	870	2,348	140	3,358
Non-executive directors:					
Mr. ZHU Mingxian	—	156	—	—	156
	—	156	—	—	156
Independent non- executive directors:					
Mr. LI Kecheng	—	156	—	—	156
Mr. ZHAO Guangjie	—	162	—	—	162
Mr. WU Taishi	—	185	—	—	185
Mr. NGAI Wai Fung	—	145	—	—	145
	—	648	—	—	648
Supervisors:					
Mr. QI Xiaofei	—	200	360	34	594
Mr. HUANG Shaojun	—	267	180	34	481
Mr. ZHANG Liangcai	—	242	162	33	437
	—	709	702	101	1,512
	—	2,383	3,050	241	5,674



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

7. Other financial information

(iii) Directors' and supervisors' remuneration and five highest paid employees

The names of the directors and supervisors and their respective remuneration for the year are as follows (continued):

	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 2012 (All amounts in RMB'000 unless otherwise stated)

X. Other significant events (continued)

7. Other financial information

(iii) Directors' and supervisors' remuneration and five highest paid employees

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year (2011: Nil).

Five highest paid employees

An analysis of the five highest paid employees within the Group for the year is as follows:

	2012	2011
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:

	2012	2011
Salaries, housing benefits, other allowances and benefits in kind	2,136	964
Performance-related bonuses	4,596	7,186
Pension scheme contributions	140	157
	6,872	8,307

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	2012	2011
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

8. Comparative amounts

Some comparative amounts have been restated to conform with the current year's presentation.



Notes to Financial Statements (continued)

31 December 2012 (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 2012	31 December 2011
Within 1 year	388,483	666,357
1 to 2 years	150,892	—
	539,375	666,357

Accounts receivable by category are as follows:

	31 December 2012			
	Amount	Percentage	Provision for bad debts	Percentage
Individually significant and subject to separate provision for bad debts	537,478	99.65	—	—
Individually not significant but subject to separate provision for bad debts	1,897	0.35	—	—
	539,375	100.00	—	—

	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	—	—

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

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

1. *Accounts receivable* (continued)

As at 31 December 2012, significant accounts receivable were as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total accounts receivable %
Company 1	Third party	386,586	Within 1 year	71.67
Company 2	Third party	75,446	1 to 2 years	13.99
Company 3	Third party	75,446	1 to 2 years	13.99
Others		1,897	Within 1 year	0.35
		539,375		100.00

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

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

2. *Other receivables*

An ageing analysis of other receivables is as follows:

	31 December 2012	31 December 2011
Within 1 year	11,425,388	37,998,155
1 to 2 years	18,518,816	6,812
2 to 3 years	8	115,129
Over 3 years	165,587	138,858
	30,109,799	38,258,954



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

2 Other receivables (continued)

Other receivables by category are as follows:

	31 December 2012			
	Amount	Percentage	Provision for bad debts	Percentage
Individually significant and subject to separate provision for bad debts	29,968,355	99.53	—	—
Individually not significant but subject to separate provision for bad debts	141,444	0.47	—	—
	30,109,799	100.00	—	—

	31 December 2011			
	Amount	Percentage	Provision for bad debts	Percentage
Individually significant and subject to separate provision for bad debts	38,043,194	99.44	—	—
Individually not significant but subject to separate provision for bad debts	215,760	0.56	—	—
	38,258,954	100.00	—	—

As at 31 December 2012, 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	1 to 2 years	61.49
Company 2	Subsidiary	4,141,994	Within 1 year	13.76
Company 3	Subsidiary	1,068,894	Within 1 year	3.55
Company 4	Subsidiary	1,033,000	Within 1 year	3.43
Company 5	Subsidiary	750,000	Within 1 year	2.49
		25,508,888		84.72

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

2 Other receivables (continued)

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

As at 31 December 2012, other receivables from related parties were as follows:

	31 December 2012	31 December 2011
Subsidiaries	30,034,497	36,805,765
Fellow subsidiary (Note)	—	1,222,000
Jointly-controlled entities	—	174,789
	30,034,497	38,202,554

Note: Further details are stated in Note VI.5 (Note f).

3. Long-term equity investments

		31 December 2012	31 December 2011
Cost method			
Equity investment in entities with no joint control or significant influence	(i)	8,652	1,508,652
Subsidiaries	(ii)	58,685,699	46,708,615
Equity method			
Jointly-controlled entities	(iii)	651,163	1,277,739
		59,345,514	49,495,006

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



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

3. Long-term equity investments (continued)

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

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

(ii) Subsidiaries

Company name	31 December 2012 Percentage of equity interest attributable to the Company	31 December 2012 Carrying amount	31 December 2011 Carrying amount
China Civil Engineering Construction Ltd.	100.00	2,254,969	2,265,071
China Railway 11th Bureau Group Co., Ltd.	100.00	1,893,912	1,893,912
China Railway 12th Bureau Group Co., Ltd.	100.00	2,075,868	2,075,868
China Railway 13th Bureau Group Co., Ltd.	100.00	1,396,621	1,396,621
China Railway 14th Bureau Group Co., Ltd.	100.00	2,130,105	2,130,105
China Railway 15th Bureau Group Co., Ltd.	100.00	1,446,941	1,446,941
China Railway 16th Bureau Group Co., Ltd.	100.00	1,405,744	1,405,744
China Railway 17th Bureau Group Co., Ltd.	100.00	1,714,582	1,653,322
China Railway 18th Bureau Group Co., Ltd.	100.00	1,103,234	1,103,234
China Railway 19th Bureau Group Co., Ltd.	100.00	1,454,638	1,454,638
China Railway 20th Bureau Group Co., Ltd.	100.00	1,615,144	1,594,294
China Railway 21st Bureau Group Co., Ltd.	100.00	1,557,251	1,357,251
China Railway 22nd Bureau Group Co., Ltd.	100.00	1,387,558	1,256,558
China Railway 23rd Bureau Group Co., Ltd.	100.00	1,476,847	1,411,847
China Railway 24th Bureau Group Co., Ltd.	100.00	1,424,517	1,424,517
China Railway 25th Bureau Group Co., Ltd.	100.00	1,107,177	1,107,177
China Railway Construction Group Ltd.	100.00	2,340,101	2,340,101
China Railway Electrification Bureau Group Co., Ltd.	100.00	1,105,530	1,105,530
China Railway Real Estate Group Co., Ltd.	100.00	7,062,941	7,062,941

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

3. Long-term equity investments (continued)

(ii) Subsidiaries (continued)

Company name	31 December 2012 Percentage of equity interest attributable to the Company	31 December 2012 Carrying amount	31 December 2011 Carrying amount
China Railway First Survey and Design Institute Group Co., Ltd.	100.00	623,730	623,730
China Railway Fourth Survey and Design Institute Group Co., Ltd.	100.00	1,015,309	1,015,309
China Railway Fifth Survey and Design Institute Group Co., Ltd.	100.00	291,811	291,811
China Railway Shanghai Design Institute Group Co., Ltd.	100.00	267,624	267,624
China Railway Goods and Materials Group Co., Ltd.	100.00	1,314,805	1,314,805
Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	100.00	1,349,792	1,349,792
China Railway Construction Heavy Industry Co., Ltd.	100.00	1,234,810	1,234,810
Beijing Tiecheng Construction Supervision Co., Ltd.	80.02	26,385	26,385
China Railway Construction (HK) Limited (Note)	100.00	—	5,898
Chenghe Insurance Broker Co., Ltd.	100.00	53,290	53,290
China Railway Construction (Beijing) Business Management Co., Ltd.	100.00	28,313	18,313
China Railway Construction (Caribbean) Co., Ltd. (Note)	100.00	—	1,168
CRCC China-Africa Construction Limited	100.00	1,000,000	1,000,000
China Railway Construction USA Co., Ltd. (Note)	100.00	—	20,008
China Railway Construction Investment Co., Ltd.	100.00	10,000,000	3,000,000
China Railway Construction and Waterway Bureau Co., Ltd.	100.00	1,304,048	1,000,000
CRCC Finance Company Limited	94.00	1,222,000	—
CRCC International Group Co., Ltd.	100.00	3,000,102	—
		58,685,699	46,708,615

Note: Further details are stated in Note IV.1 (Note m).



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

XI. Notes to key items of the Company's financial statements (continued)

3. Long-term equity investments (continued)

(iii) Investments in jointly-controlled entities

2012

Company name	Investment cost	Opening balance	Movements			Closing balance	Percentage of equity %	Percentage of voting rights %
			Share of the profits/ (losses)	Distribution of cash dividends	Transfer out			
CRCC-Tongguan Investment Co., Ltd.	—	1,200,000	—	—	(1,200,000)	—	—	—
China-Africa Lekkil Investment Co., Ltd.	654,930	69,083	584,930	(2,850)	—	651,163	57.29	57.29
Others	—	8,656	—	2,288	(130)	(10,814)	—	—
		1,277,739	584,930	(562)	(130)	651,163		

2011

Company name	Investment cost	Opening balance	Movements		Closing balance	Percentage of equity %	Percentage of voting rights %
			Share of the profit	Distribution of cash dividends			
CRCC-Tongguan Investment Co., Ltd.	1,200,000	1,200,000	—	—	1,200,000	50	50
China-Africa Lekkil Investment Co., Ltd.	49,554	49,554	19,529	—	69,083	35	35
Others	—	912	13,862	(6,118)	8,656		
		1,250,466	33,391	(6,118)	1,277,739		

4. Revenue and cost of sales

The operating revenue is as follows:

	2012	2011
Operating revenue from principal operations	1,682,681	5,537,079
Other operating revenue	1,236	8,300
	1,683,917	5,545,379

The operating cost is as follows:

	2012	2011
Operating cost	2,151,016	5,252,391

XI. Notes to key items of the Company's financial statements (continued)

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

4. Revenue and cost of sales (continued)

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

Sectors	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
Construction operations	1,657,099	2,141,350	5,518,621	5,241,134
Others	26,818	9,666	26,758	11,257
	1,683,917	2,151,016	5,545,379	5,252,391

For year ended 31 December 2012, operating revenues from the five highest amounts of customers were as follows:

	Amount	Percentage of total operating revenue
Customer 1	1,149,022	68.23
Customer 2	271,150	16.10
Customer 3	222,058	13.19
Customer 4	22,489	1.34
Customer 5	14,869	0.88
	1,679,588	99.74

For the year ended 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

XI. Notes to key items of the Company's financial statements (continued)



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

5. Investment income

	2012	2011
Share of net (Loss)/profit of the jointly-controlled entities	(562)	33,391
Investment income received from long-term equity investments under cost method	3,682,128	760
Gains on fund holding	—	7,043
Other	2,523	459
	3,684,089	41,653

For the year ended 31 December 2012, the investment income were composed of investment income of RMB2,523,000 (2011: RMB7,502,000) from listed companies and RMB3,681,566,000 from unlisted companies (2011: RMB34,151,000).

As at 31 December 2012, the remittance of the Company's investment income was not subject to significant restriction.

6. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	2012	2011
Reconciliation of net profit/(loss) to cash flows from/(used in) operating activities		
Net profit/(loss)	3,616,228	(140,262)
Plus:		
Impairment for assets	123,193	—
Depreciation of fixed assets	20,046	13,363
Amortization of intangible assets	59	47
(Gains)/losses from disposal of fixed assets	(10)	31
(Gains)/losses from changes in fair value	(3,619)	12,758
Finance cost	(825,207)	(57,668)
Investment income	(3,684,089)	(41,653)
Decrease/(increase) in deferred tax assets	2,117	(2,730)
Increase in deferred tax liabilities	—	79
Decrease in inventories	1,589,166	621,514
Decrease/(increase) in operating receivables	4,322,852	(6,160,595)
Decrease/(increase) in operating payables	(90,600)	2,911,604
Net cash flows from/(used in) operating activities	5,070,136	(2,843,512)

XI. Notes to key items of the Company's financial statements (continued)

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

6. **Supplementary information to the statement of cash flows** (continued)

(1) Supplementary information to the statement of cash flows (continued)

Significant investing and financing activities not involving cash:

	2012	2011
Dividend income from subsidiaries transferred into capital	—	3,780,848

(2) Cash and cash equivalents

	31 December 2012	31 December 2011
Cash	571,231	1,519,849
Including: Cash on hand	268	1,634
Bank deposits on demand	570,963	1,518,215
Cash equivalents	9,513,605	12,383,403
Closing balance of cash and cash equivalents	10,084,836	13,903,252



Notes to Financial Statements

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

1. Summary of non-recurring profit or loss

	2012	2011
Gains/(losses) from disposal of fixed assets, intangible assets and other long-term assets	8,872	(147,134)
Gains from disposal of long-term equity investments	119,232	8,422
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)	386,188	152,848
Net gains from debt restructuring	2,666	6,177
Gains/(losses) from changes in fair value of held-for-trading financial assets	3,240	(27,109)
Investment gains from disposal of held-for-trading financial assets and available-for-sale financial assets	—	7,814
Reversal of impairment for accounts receivable	172,081	114,091
Losses from non-monetary assets transaction	(30)	—
Other non-operating income and expenses other than the above items	(210,325)	175,857
Impact on income tax	(120,481)	(72,742)
Impact on non-controlling interests (after tax)	(1,770)	(766)
Non-recurring profit or loss, net	359,673	217,458

Non-recurring profit or loss items included in non-operating income and non-operating expenses for the year ended 31 December 2012 and 31 December 2011 were as follows:

Non-operating income

	2012	2011
Gains on disposal of non-current assets	111,033	65,336
Including:		
Gains on disposal of fixed assets	108,781	59,881
Gains on disposal of intangible assets	2,252	5,455
Government grants	386,188	152,848
Gains on compensation, penalties and fines	35,962	31,185
Gains on stock taking	6,711	173
Others	95,670	251,695
	635,564	501,237

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

1. Summary of non-recurring profit or loss (continued)

Non-recurring profit or loss items included in non-operating income and non-operating expenses for the year ended 31 December 2012 and 31 December 2011 were as follows (continued):

Non-operating expenses

	2012	2011
Loss on disposal of non-current assets	102,161	212,470
Including:		
Loss on disposal of fixed assets	99,008	209,246
Loss on disposal of intangible assets	3,153	3,224
Loss on compensation, penalties and fines	44,467	63,198
Donations	5,432	4,897
Loss on stocktaking	3,008	83,250
Others	293,125	31,396
	448,193	395,211

2. Return on net assets and earnings per share ("EPS")

Group

2012	Weighted average return on net assets %	EPS (RMB)	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	12.47	0.69	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	11.94	0.66	N/A
2011	Weighted average return on net assets %	EPS (RMB)	
		Basic	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

The Company holds no potential ordinary shares that are dilutive.

The above weighted average 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).



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

3. Variance analysis on major items in the consolidated financial statements

An analysis for the financial statement items (a) with fluctuation over 30% compared with the comparative period, (b) or with the amount over 5% of the total assets as at the balance sheet date, (c) representing 10% of profit before tax for the reporting period, (d) that are accounts not designated by the Accounting Standards for Business Enterprises, or (e) with names not reflecting their nature or contents, is as follows:

- (1) As at 31 December 2012, cash and bank balances increased by 11.1% to RMB92,274,144,000 as compared to 31 December 2011, which was mainly due to the increase in loans and short-term financing bills issued by the Group to finance its business operations.
- (2) As at 31 December 2012, held-for-trading financial assets increased by 145.2% to RMB115,025,000 as compared to 31 December 2011, which was mainly due to increase in investments in the stock of listed company in 2012.
- (3) As at 31 December 2012, accounts receivable increased by 14.0% to RMB71,711,636,000 as compared to 31 December 2011, which was mainly due to the expansion in operations.
- (4) As at 31 December 2012, advances to suppliers increased by 28.7% to RMB33,560,698,000 as compared to 31 December 2011, which was mainly due to the increase in prepayments to suppliers for purchase of materials and services to ensure the progress of major infrastructure construction projects.
- (5) As at 31 December 2012, interest receivables increased by 34.6% to RMB81,250,000 as compared to 31 December 2011, which was mainly due to accrued interest for fixed bank deposits during the year.
- (6) As at 31 December 2012, dividends receivable decreased by 73.3% to RMB12,507,000 as compared to 31 December 2011, which was mainly due to receipt of dividends during the year.
- (7) As at 31 December 2012, other receivables increased by 22.2% to RMB30,968,075,000 as compared to 31 December 2011, which was mainly due to the increase in rental and purchase deposits, various other deposits and performance bonds paid for construction projects during the year.
- (8) As at 31 December 2012, inventories increased by 14.1% to RMB171,336,940,000 as compared to 31 December 2011, which was mainly due to the increase in completed properties held for sale and increase in gross amount due from contract customers.
- (9) As at 31 December 2012, other current assets increased by 1,174.3% to RMB498,140,000 as compared to 31 December 2011, which was mainly due to the increase of deductible input VAT, as a result of the increase of logistics businesses.
- (10) As at 30 December 2012, fixed assets decreased by 1.5% to RMB37,935,943,000 as compared to 31 December 2011, which was mainly due to less purchase of fixed assets in current year compared with 2011.

Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

3. Analysis on changes of major items in the consolidated financial statements (continued)

- (11) As at 31 December 2012, short-term loans increased by 13.3% to RMB38,696,693,000 as compared to 31 December 2011, which was mainly due to that more loans were withdrawn by the Group to finance its daily operations during the year.
- (12) As at 31 December 2012, bills payable increased by 100.6% to RMB22,013,195,000 as compared to 31 December 2011, which was mainly due to that the Group used more bills payable to finance the purchase of construction materials during the year.
- (13) As at 31 December 2012, accounts payable increased by 6.3% to RMB158,862,434,000 as compared to 31 December 2011, which was mainly due to the fact that the Group deferred payment to suppliers in order to maintain sufficient cash level in funding its daily operations.
- (14) As at 31 December 2012, advances from customers increased by 16.3% to RMB62,097,756,000 as compared to 31 December 2011, which was mainly due to the increase in progress payments received by the Group as government required the contract parties to make payment for the major railway projects construction on a more timely basis in order to ensure the smooth progress of the major on-going construction projects.
- (15) As at 31 December 2012, dividends payable increased by 88.5% to RMB108,388,000 as compared to 31 December 2011, which was mainly due to that certain subsidiaries had declared dividends during the year but not paid by the end of the year.
- (16) As at 31 December 2012, other payables increased by 7.1% to RMB34,855,004,000 as compared to 31 December 2011, which was mainly due to the increase in payables for advances, guarantees and deposits.
- (17) As at 31 December 2012, other current liabilities increased by 192.5% to RMB21,952,069,000 as compared to 31 December 2011, which was mainly due to that more short-term bonds were issued by the Group to finance its construction operations during the year.
- (18) As at 31 December 2012, non-controlling interest increased by 40.7% to RMB 1,365,640,000 as compared to 31 December 2011, which was mainly due to the increase of capital investments by subsidiaries' minority shareholders.
- (19) For the year ended 31 December 2012, revenue increased by 5.9% to RMB 484,312,928,000 as compared to 2011. Despite the slight decrease of construction operations revenue, the revenue of logistics increased due to the recovery of construction market and increasing demand on construction materials, which resulted in the increase of total revenue.
- (20) For the year ended 31 December 2012, cost of sales increased by 5.8% to RMB 432,889,011,000 as compared to 2011, which was in line with the increase in revenue.



Notes to Financial Statements (continued)

31 December 2012 (All amounts in RMB'000 unless otherwise stated)

3. Analysis on changes of major items in the consolidated financial statements (continued)

- (21) For the year ended 31 December 2012, business tax and surcharges increased by 2.8% to RMB14,441,235,000 as compared to 2011, which was mainly due to the increase in revenue.
- (22) For the year ended 31 December 2012, selling and distribution expenses increased by 11.5% to RMB1,946,450,000 as compared to 2011, which was mainly due to the increase in transportation expenses related to logistics business.
- (23) For the year ended 31 December 2012, general and administrative expenses increased by 4.3% to RMB20,705,766,000 as compared to 2011, which was mainly due to the increase in employee compensation for the managerial department and depreciation expenses.
- (24) For the year ended 31 December 2012, finance costs increased by 76.6% to RMB3,500,584,000 as compared to 2011, which was mainly due to the increase in interest on loans and other borrowings.
- (25) For the year ended 31 December 2012, impairment losses decreased by 46.9% to RMB331,869,000 as compared to 2011, which was mainly due to the impairment provision of RMB391,629,000 for the damaged fixed assets in Libya caused by the civil war in Libya outburst in 2011. No such significant impairment losses have been made in current year.
- (26) As at 31 December 2012, gains on fair value changes was RMB3,240,000, whereas losses on fair value changes in 2011 was RMB27,109,000, which was mainly due to the increase of the fair value of held-for-trading financial assets in 2012.
- (27) For the year ended 31 December 2012, income tax expenses increased by 9.3% to RMB2,375,239,000, which was mainly due to the increase in the income before tax.

Business Highlights For The Previous Five Years

CONSOLIDATED INCOME STATEMENT

Unit: million

Item	2012	2011	2010	2009	2008
Revenue	484,312.93	457,366.11	470,158.79	355,520.77	226,140.71
Cost of sales	432,889.01	409,327.41	428,647.12	322,427.81	203,607.08
Taxes and surcharges	14,441.24	14,046.78	13,971.61	10,544.54	6,730.52
Selling and distribution expenses	1,946.45	1,745.92	1,530.99	1,016.38	848.89
General and administration expenses	20,705.77	19,851.40	19,159.24	13,408.95	8,724.93
Financial expenses	3,500.58	1,981.75	511.16	365.60	1,061.51
Impairment losses of assets	331.87	624.56	614.01	-268.26	610.08
Gain arising from fair value changes	3.24	-27.11	-20.41	11.91	-90.50
Investment income	186.94	168.39	135.37	155.87	234.54
Operating profit	10,688.19	9,929.57	5,839.62	8,193.53	4,701.74
Non-operating income	655.86	521.54	409.63	300.26	265.16
Non-operating expenses	448.19	395.22	160.49	186.39	398.07
Non-operating income, net	207.67	126.32	249.14	113.87	-132.91
Total profit	10,895.86	10,055.89	6,088.76	8,307.40	4,568.83
Income tax	2,375.24	2,173.93	1,772.12	1,575.69	862.55
Net profit	8,520.62	7,881.96	4,316.64	6,731.71	3,706.28
Attributable to owners of the Company	8,478.89	7,854.29	4,246.22	6,599.07	3,643.84
Minority interest	41.73	27.67	70.42	132.64	62.44
Basic earnings per share	0.69	0.64	0.34	0.53	0.32
Diluted earnings per share	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE

Unit: million

Item	2012	2011	2010	2009	2008
Total assets	480,661.30	422,982.84	350,265.20	282,990.27	220,101.54
Total liabilities	407,332.00	357,264.07	292,033.78	228,911.03	171,800.27
Equity	73,329.30	65,718.77	58,231.42	54,079.24	48,301.27



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 LLP 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 2012 Self-evaluation Report on Internal Control; and
5. CRCC 2012 Social Responsibility Report.

By order of the Board
China Railway Construction Corporation Limited
Chairman
MENG Fengchao

Beijing, PRC
28 March 2013

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. 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).