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中國中鐵股份有限公司  
**CHINA RAILWAY GROUP LIMITED**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 390)**

**RESULTS ANNOUNCEMENT FOR THE YEAR OF 2011**

The Board of Directors of China Railway Group Limited (the “**Company**” or “**China Railway**”) is pleased to announce the annual audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2011.

**1 CORPORATE INFORMATION**

**Basic Information**

Stock name:	China Railway (A Share)	China Railway (H Share)
Stock code:	601390	390
Stock exchange on which shares are listed:	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered address:	No. 1, Xinghuo Road, Fengtai District, Beijing, People's Republic of China	
Postal code:	100070	
Website:	www.crec.cn	
E-mail:	ir@crec.cn	

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## 2 SUMMARY OF ACCOUNTING DATA

### 2.1 Key Accounting Data Prepared under International Financial Reporting Standard (“IFRS”)

#### 2.1.1 Summary of statement of comprehensive income

	For the year ended 31 December					Change 2011 vs 2010 (%)
	2011	2010	2009	2008	2007	
	RMB million					
<b>Revenue</b>						
Infrastructure Construction	<b>392,540</b>	416,513	314,106	211,406	168,562	-5.8
Survey, Design and Consulting Services	<b>8,926</b>	9,279	7,007	4,745	3,394	-3.8
Engineering Equipment and Component Manufacturing	<b>11,147</b>	12,210	9,236	7,169	5,193	-8.7
Property Development	<b>17,135</b>	11,945	5,535	3,966	3,282	43.4
Other Businesses	<b>42,211</b>	32,535	17,676	11,429	8,122	29.7
Inter-segment Eliminations and Adjustments	<b>(29,743)</b>	(26,320)	(19,515)	(13,686)	(11,162)	13.0
<b>Total</b>	<b>442,216</b>	456,162	334,045	225,029	173,391	-3.1
<b>Gross Profit</b>	<b>32,253</b>	27,143	20,442	16,495	12,732	18.8
<b>Profit before Taxation</b>	<b>9,998</b>	10,548	8,682	2,300	3,384	-5.2
<b>Profit for the Year</b>	<b>7,240</b>	8,211	7,396	1,669	2,835	-11.8
<b>Profit for the Year Attributable to Owners of the Company</b>	<b>6,690</b>	7,398	6,875	1,350	2,488	-9.6
<b>Basic Earnings per Share (RMB)</b>	<b>0.314</b>	0.347	0.323	0.063	0.186	-9.5

## 2.1.2 Summary of statement of financial position

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

## 2.2 Differences Between Chinese Accounting Standard (“CAS”) and IFRS

	Net assets as at 31 December 2011 RMB million	Net profit for 2011 RMB million
Amount stated in the financial statements prepared in accordance with CAS	72,020	6,690
Adjustments as required by IFRS:		
– Recognition of loss on shares conversion scheme of a subsidiary	(171)	–
Amount stated in the financial statements prepared in accordance with IFRS	71,849	6,690

### 3 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

#### 3.1 Changes in Share Capital

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

Unit: Shares

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

## 3.2 Number of Shareholders and Their Shareholdings

As at the end of the reporting period, the Company had a total of 772,580 shareholders, of which 745,046 were holders of A Shares (including China Railway Engineering Corporation (“CRECG”)) and 27,534 were holders of H Shares. The total number of shareholders as at the end of the month preceding the publication of this announcement was 768,700.

### 3.2.1 Shareholdings of the top ten shareholders

Unit: Shares

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

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

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

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

### 3.2.2 Shareholding of the top ten shareholders without selling restrictions

Unit: Shares

Number	Name of shareholder	Number of shares held without selling restrictions	Type of shares
1	CRECG	11,950,010,000	RMB-denominated ordinary shares
2	HKSCC Nominees Limited (Note1)	4,135,963,217	Overseas listed foreign shares
3	China Construction Bank Co., Ltd. – Changsheng Tongqing Separately Traded Equity Securities Investment Fund	49,999,933	RMB-dominated ordinary shares
4	Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund	28,058,651	RMB-dominated ordinary shares
5	Bill and Melinda Gates Foundation Trust	25,000,090	RMB-dominated ordinary shares
6	Maanshan City Changtai Investment Centre (general partner)	22,104,600	RMB-dominated ordinary shares
7	Guotai Junan Securities Co., Ltd. – Client Credit Trading Guarantee Securities Account	18,060,987	RMB-dominated ordinary shares
8	UBS AG	18,038,127	RMB-dominated ordinary shares
9	Guotai Jun'an – CCB – HSBC	17,554,624	RMB-dominated ordinary shares
10	Founder Securities Co., Ltd. – Client Credit Trading Guarantee Securities Account	17,006,758	RMB-dominated ordinary shares

Statement on the connected relations and concerted actions between the shareholders above

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

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

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

3.2.3 Number of shares held by and selling restriction of the top ten shareholders with selling restrictions

Unit: Shares

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

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

**3.3 Substantial Shareholders and Holders of Interests or Short Positions Required to be Disclosed under Divisions 2 and 3 of Part XV of the Securities and Furthers Ordinance**

As at 31 December 2011, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

*Holder of A Shares*

Name of substantial Shareholders	Capacity	Number of A Shares held (Shares)	Nature of interest	Approximate percentage of issued A Shares (%)	Approximate percentage of total issued Shares (%)
CRECG	Beneficial owner	11,950,010,000	Long position	69.91	56.10

## Holders of H Shares

Name of substantial Shareholders	Capacity	Number of H Shares held (Shares)	Nature of interest	Approximate percentage of issued H Shares (%)	Approximate percentage of total issued Shares (%)
National Council for Social Security Fund of the PRC	Beneficial owner	382,490,000	Long position	9.09	1.80
Lehman/Brothers Holdings Inc. (Note1)	Interest of controlled corporations	210,186,560	Long position	5.00	0.99
	Interest of controlled corporations	94,560,550	Short position	2.25	0.44
Blackrock, Inc. (Note 2)	Interest of controlled corporations	143,991,204	Long position	3.42	0.68
	Interest of controlled corporations	12,803,741	Short position	0.30	0.06

### Note:

- According to the Corporate Substantial Shareholder Notice filed by Lehman Brothers Holdings Inc. with the Hong Kong Stock Exchange dated 18 September 2008, Lehman Brothers Holdings Inc. wholly owns Lehman Brothers Holdings Plc. which in turn wholly owns Lehman Brothers International (Europe) (which held 59,870,550 H Shares of the Company and 67,870,550 short position in H Shares of the Company); Lehman Brothers Holdings Inc. wholly owns Lehman Brothers Inc (which held 26,551,000 H Shares of the Company and 26,551,000 short position in H Shares of the Company) and Lehman Brothers Finance S.A. (which held 123,652,010 H Shares of the Company and 60,000 short position in H Shares of the Company) as well. Lehman Brothers Holdings Inc. also controls LBCCA Holdings I LLC. and LBCCA Holdings II LLC, both of which in turn jointly wholly own Lehman Brothers Commercial Corporation Asia Limited (which held 113,000 H Shares of the Company and 79,000 short position in H Shares of the Company). Accordingly, Lehman Brothers Holdings Inc. is deemed interested in the long positions and short positions held by each of the entities as set out above.
- According to the Corporate Substantial Shareholder Notice filed by Blackrock, Inc. with the Hong Kong Stock Exchange dated 20 September 2011, Blackrock, Inc. indirectly wholly owns BlackRock Investment Management, LLC (which held 2,740,753 H Shares of the Company) and BlackRock Institutional Trust Company, N.A. (which held 102,637,114 H Shares of the Company), while BlackRock Institutional Trust Company, N.A. wholly owns BlackRock Fund Advisors (which held 37,198,000 H Shares of the Company). Blackrock, Inc. also indirectly wholly owns BR Jersey International LP which in turn wholly owns Blackrock Asset Management Australia Limited (which held 63,000 H Shares of the Company), Blackrock Asset Management Canada Limited (which held 314,000 H Shares of the Company) and BlackRock Asset Management North Asia Limited (which held 5,178,386 H Shares of the Company and 3,901,136 short position in H Shares of the Company). BR Jersey International LP also indirectly wholly owns BlackRock Group Limited which in turn wholly owns Blackrock Asset Management Ireland Ltd (which held 6,377,000 H Shares of the Company), Blackrock Advisors UK Ltd (which held 11,538,605 H Shares of the Company and 8,902,605 short position in H Shares of the Company), BlackRock International Ltd.(which held 5,216,595 H Shares of the Company), as well as BlackRock Fund Managers Ltd(which held 322,000 H Shares of the Company). Accordingly, Blackrock, Inc. is deemed interested in the long positions and short positions held by each of the entities as set out above.

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

### **3.4 Information on Controlling Shareholder and the Ultimate Controller**

#### *3.4.1 Details of controlling shareholder and ultimate controller*

Controlling shareholder – China Railway Engineering Corporation

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

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

State-owned Assets Supervision and Administration Commission of the State Council is the ministry-level organization directly under the State Council which was set up in accordance with the Institutional Reform Plan of the State Council and the Notice of the State Council on Establishment of Institutions passed at the First Session of the 10th National People's Congress. Under authorization of the State Council, State-owned Assets Supervision and Administration Commission of the State Council performs its duties as an investor on behalf of the State. The scope of supervision of State-owned Assets Supervision and Administration Commission of the State Council extends to the state-owned assets of central government owned enterprises (excluding financial enterprises). Currently, State-owned Assets Supervision and Administration Commission of the State Council is holding 100% of the shareholding of CRECG.

### 3.4.2 Controlling shareholder

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

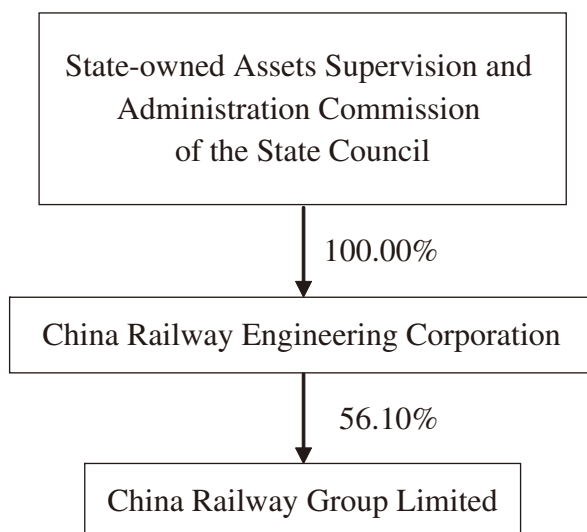
### 3.4.3 Ultimate controller

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

### 3.4.4 Changes in the controlling shareholder and the ultimate controller

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

### 3.4.5 The interests and controlling relationships between the Company and the ultimate controller



## 4 DIRECTORS AND SUPERVISORS

### 4.1 Brief Particulars of Directors and Supervisors

#### 4.1.1 Directors of the Company

Name	Position	Gender	Age	Commencement date of appointment (Note 1)	Termination date of appointment	Shares held at the beginning of year	Shares held at year end	Reasons for changes	Total remuneration received from the Company during the year (before tax, in RMB0'000) (Note 2)	Whether received remuneration from the shareholder entities or other connected entities
LI Changjin	Chairman, Executive Director	Male	53	27 January 2011	27 January 2014	105,700 (A share)	105,700 (A share)	-	80.49	No
BAI Zhongren	President, Executive Director	Male	51	27 January 2011	27 January 2014	100,000 (A share)	100,000 (A share)	-	78.95	No
YAO Guiqing	Vice Chairman, Executive Director	Male	57	27 January 2011	27 January 2014	100,112 (A share)	100,112 (A share)	-	70.55	No
HAN Xiuguo	Non-executive Director	Male	66	27 January 2011	27 January 2014	0	0	-	10.60	Yes
HE Gong	Independent Non-executive Director	Male	68	27 January 2011	27 January 2014	0	0	-	14.80	Yes
GONG Huazhang	Independent Non-executive Director	Male	66	27 January 2011	27 January 2014	0	0	-	15.60	Yes
WANG Taiwen	Independent Non-executive Director	Male	65	27 January 2011	27 January 2014	0	0	-	14.20	Yes
SUN Patrick	Independent Non-executive Director	Male	53	27 January 2011	27 January 2014	0	0	-	13.80	Yes

*Note 1: At the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, Mr. LI Changjin, Mr. BAI Zhongren and Mr. YAO Guiqing were re-elected as Executive Directors, Mr. HE Gong, Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick were re-elected as Independent Non-executive Directors, Mr. HAN Xiuguo was elected as a Non-executive Director. These directors comprise the second session of the Board of the Company. Furthermore, at the first meeting of the second session of the Board of the Company held on the same date, Mr. LI Changjin was elected as Chairman of the Board, Mr. YAO Guiqing was elected as Vice Chairman of the Board and Mr. BAI Zhongren was appointed as President.*

*Note 2: During the reporting period, the remuneration of Directors (excluding non-executive and independent non-executive Directors) received from the Company included basic salary, performance-linked bonus, other allowances and several types of social insurance made by the Company on their behalf.*

#### 4.1.2 Supervisors of the Company

Name	Position	Gender	Age	Commencement date of appointment (Note 1)	Termination date of appointment	Shares held at the beginning of year	Shares held at year end	Reasons for changes	Total remuneration received from the Company during the year (before tax, in RMB0'000) (Note 2)	Whether received remuneration from the shareholder entities or other connected entities
WANG Qiuming	Chairman of Supervisory Committee	Male	59	27 January 2011	27 January 2014	50,000 (A share)	50,000 (A share)	–	69.70	No
LIU Jianyuan	Supervisor	Female	50	27 January 2011	27 January 2014	1,200 (A share)	1,200 (A share)	–	44.26	No
ZHANG Xixue	Supervisor	Male	59	27 January 2011	27 January 2014	0	0	–	47.15	No
LIN Longbiao	Supervisor	Male	54	27 January 2011	27 January 2014	0	0	–	42.90	No
CHEN Wenxin	Supervisor	Male	48	27 January 2011	27 January 2014	0	0	–	45.23	No
JI Zhihua (Note 3)	Supervisor	Male	50	12 September 2007	27 January 2011	0	0	–	3.80	No
ZHOU Yuqing (Note 3)	Supervisor	Male	61	12 September 2007	27 January 2011	0	0	–	0.84	No

*Note 1: At the second meeting of the first session of the employee representatives general meeting of the Company held on 22 January 2011, Ms. LIU Jianyuan, Mr. ZHANG Xixue and Mr. LIN Longbiao were elected as employee representative Supervisors. At the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, Mr. WANG Qiuming was re-elected as a shareholder representative Supervisor and Mr. CHEN Wenxin was elected as a shareholder representative Supervisor. Therefore, Mr. JI Zhihua and Mr. ZHOU Yuqing ceased to be supervisors of the Company from 22 January 2011. Furthermore, at the first meeting of the second session of the Supervisory Committee of the Company held on 27 January 2011, Mr. WANG Qiuming was elected as Chairman of the Supervisory Committee.*

*Note 2: During the reporting period, the remuneration of Supervisors received from the Company included basic salary, performance-linked bonus, other allowances and several types of social insurance made by the Company on their behalf.*

*Note 3: Mr. JI Zhihua and Mr. ZHOU Yuqing ceased to be a Supervisor from 22 January 2011.*

#### 4.2 Remuneration Policy for Directors

The annual remuneration of executive directors of the Company consists of a basic salary and a performance-linked bonus. The remuneration of the non-executive and independent non-executive directors is fixed on a pre-determined basis by virtue of their position. Remuneration of the directors is determined with reference to the prevailing market conditions and in accordance with applicable regulations.

## 5 MANAGEMENT DISCUSSION AND ANALYSIS

### 5.1 Review and Outlook

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

#### *Financial Results*

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

#### *Business Development*

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

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

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

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

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

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

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

#### *Corporate Governance*

During the reporting period, the Group continued to be in strict compliance with relevant laws and regulations such as the Company Law and the Securities Law as well as the regulations of relevant authorities in Hong Kong and the PRC in its operation, enabling it to be more coordinated, orderly and effective. Shareholders' general meetings, board of directors meetings and supervisory committee meetings of the Group were carried out in accordance with relevant laws and regulations. Furthermore, the Board endeavored to execute internal control construction and genuinely carried out its duties in information disclosure by actively developing

an investor relation relations platform. All these initiatives have contributed to the effective protection of the Group's corporate image in terms of compliance, integrity and transparency in the capital markets. In 2011, the Company was honored with various prestigious awards and accolades within the investment community, such as "Excellent Board of Directors", "Top 100 Listed Companies in China", "2011 Best Corporate Governance", "Golden Bull Award", "Golden Tripod Award", "Corporate Governance Award of Greater China", "China investor relations website award", "Best Management Team" and "the Listed Company mostly welcomed by investors in China and Hong Kong". The Group was also voted a "World 500 Green Enterprises" for the first time. In addition, it was ranked No. 1 among the world's 200 largest construction companies according to International Construction (UK), and No. 9 on the 2011 Social Responsibility Ranking of China State-owned Listed Enterprises.

### *Outlook*

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

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

## 5.2 Overview

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

In 2011, the value of new contracts entered into by the Group was RMB570.8 billion, representing a decrease of 22.4% year-on-year. As at 31 December 2011, contract backlog increased by 9.5% year-on-year to RMB1,058.079 billion.

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

## 5.3 Consolidated Results of Operations

### *Revenue*

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

### *Cost of sales and gross profit*

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

### *Other income*

The Group's other income primarily consists of profits from sundry operations supplemental to our principal revenue-generating activities, such as sales of materials, dividend income, relocation compensation, subsidies from government and other income. In 2011, the Group's other income increased by 101.4% year-on-year from RMB1.198 billion to RMB2.413 billion. The increase of other income was primarily due to the increase of government subsidies and income from sales of materials.

### *Other expense*

The Group's other expense primarily includes expenditures on research and development. In 2011, other expenses increased by 156.0% from RMB2.088 billion of last year to RMB5.345 billion, mainly due to the fact that the Group further improved its technological self-development and innovation capacities and enhanced energy saving and emission reduction efforts.

### *Other gains and losses*

The Group's other gains and losses mainly include impairment loss on trade and other receivables, foreign exchange gains/losses, increase/decrease in the fair value of available-for-sale financial assets, gains/losses on disposal of interests in fixed assets and subsidiaries. There were other losses of RMB0.388 billion in 2011 whereas there were other gains of RMB0.532 billion in 2010, primarily due to the decrease in net exchange gain and gain on sale of investment.

### *Selling and marketing expenses*

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

### *Administrative expenses*

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

### *Interest income*

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

### *Interest expenses*

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

### *Profit before taxation*

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

### *Income tax expense*

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

### *Minority interests*

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

### *Profit for the year attributable to owners of the Company*

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

## 5.4 Segment Results

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

Business Segments	Segment Revenue RMB million	Growth Rate (%)	Profit	Growth Rate (%)	Profit	Segment Revenue as a Percentage of Total (%)	Profit Before
			Before Taxation RMB million		Before Taxation RMB million		Before Taxation as a Percentage of Total (%)
Infrastructure Construction	392,540	-5.8	4,971	-40.0	1.3	83.2	45.5
Survey, Design and Consulting	8,926	-3.8	803	-0.7	9.0	1.9	7.4
Engineering Equipment and Component Manufacturing	11,147	-8.7	602	-6.1	5.4	2.4	5.5
Property Development	17,135	43.4	2,750	101.0	16.0	3.6	25.2
Other Businesses	42,211	29.7	1,794	36.5	4.3	8.9	16.4
Inter-segment Elimination and Adjustments	(29,743)		(922)				
<b>Total</b>	<b>442,216</b>	<b>-3.1</b>	<b>9,998</b>	<b>-5.2</b>	<b>2.3</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Profit before taxation margin is the profit before taxation divided by the segment revenue.

### *Infrastructure construction business*

Revenue from the operation of the Group's infrastructure construction business is mainly derived from railway, highway and municipal works construction. Revenue from the operation of the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In 2011, the revenue from the infrastructure construction business accounted for 83.2% of the total revenue of the Group (2010: 86.3%). In 2011, segment revenue from the Group's infrastructure construction business decreased by 5.8% year-on-year to RMB392.540 billion. Profit before taxation margin of the infrastructure construction segment was 1.3% (2010: 2.0%). The decrease in profit before taxation margin was primarily due to the increase in the expenditure on research and development and interest expenses.

An explanatory note of the dispute between the consortium established by China Overseas Engineering Group Co., Ltd., China Railway Tunnel Group Co., Ltd., (both of which are subsidiaries of the Company) and two other third party companies (the "Consortium") and General Directorate of National Roads and Motorways of Poland (the "Project Owner"), in relation to the Section A and C of the A2 Motorway Project in Poland (the "Poland A2 Project") in which the Consortium won the bid, is set out in the 2011 Interim Report of China Railway Group Limited published on 31 August 2011 and the Third Quarterly Report of China Railway Group Limited published on 31 October 2011. The contract of Poland A2 Project has been terminated before 30 June 2011. The Warsaw District Court has issued an order of payment demanding China Overseas Engineering

Group Co., Ltd. and a third party company of the Consortium to pay, jointly or severally, Zloty 128,913,670.98 (equivalent to RMB238 million using the exchange rate as at the 2011 balance sheet date) as damages for breach of contract plus statutory interest. We raised objection against the order of payment and filed a response to the Warsaw District Court. The Warsaw District Court accepted our objection and the order of payment automatically became null and void. The case now continue as normal civil litigation. The case was heard at the Warsaw District Court on 8 February 2012. The judge decided to adjourn the hearing to April 2012 in four times after hearing to the statements of the plaintiff and the defendant. The case is still pending.

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

#### *Survey, design and consulting services business*

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

#### *Engineering equipment and component manufacturing business*

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

### *Property development business*

Revenue from the Group's property development business primarily derives from the development, sale and management of a wide range of residential properties targeting middle and upper-middle income purchasers and commercial properties in the PRC. In 2011, revenue from property development business increased by 43.4% to RMB17.135 billion from RMB11.945 billion for 2010. Profit before taxation margin increased from 11.5% for 2010 to 16.0% for 2011. The increase in profit before taxation margin for 2011 is primarily due to the significant improvement on number, geographical location and quality of property projects as compared to last year as well as the effect from economies of scale.

### *Other businesses*

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

## **5.5 Cash Flow**

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

### *Capital expenditure*

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group's production facilities. The Group's total capital expenditure for 2011 was RMB12.772 billion (2010: RMB14.452 billion).

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

For the year ended 31 December 2011	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering	Property development RMB million	Other businesses RMB million	Total RMB million
			equipment and component manufacturing RMB million			
Property, plant and equipment	5,740	453	1,275	112	3,297	10,877
Lease prepayments	277	120	81	–	372	850
Investment properties	15	–	–	7	39	61
Intangible assets	30	20	–	1	850	901
Mining assets	–	–	–	–	83	83
<b>Total</b>	<b>6,062</b>	<b>593</b>	<b>1,356</b>	<b>120</b>	<b>4,641</b>	<b>12,772</b>

### *Working capital*

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

The Group's inventories and properties under development for sale increased by 21.0% and 38.0% respectively from RMB30.026 billion and RMB38.411 billion as at the end of 2010 to RMB36.329 billion and RMB52.995 billion as at the end of 2011. The increase was primarily due to the increase in investment of property under development as a result of growth of the Group's property development business. The Group's inventory turnover days was 29 days in 2011, a slight increase from 23 days in 2010. The Group's trade and bills receivables increased by 19.1% from RMB83.194 billion as at the end of 2010 to RMB99.094 billion as at the end of 2011, among which, the balance of retention receivables as at the

end of 2011 increased by 21.5% from RMB34.917 billion as at the end of 2010 to RMB42.433 billion as at the end of 2011. At the same time, the trade and bills receivables turnover days increased to 74 days in 2011 from 60 days in 2010. In 2011, the increase in balance and turnover days of trade and bills receivables was mainly due to the slow repayment of project settlement money from the project owners who have funding pressure as a result of tightened credit policy.

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

*Trade and bills receivables*

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

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

*Trade and bills payables*

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

## 5.6 Borrowings

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

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

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

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

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

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

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 31 December 2011 and 2010. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars and Euros.

	<b>Borrowings in U.S. dollars</b> RMB million	<b>Borrowings in Euros</b> RMB million	<b>Borrowings in other currencies</b> RMB million
<b>As at 31 December 2011</b>	<b>2,874</b>	<b>389</b>	<b>20</b>
As at 31 December 2010	740	349	42

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

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

## 5.7 Contingent Liabilities

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

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

Notes:

- (1) *The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for these pending lawsuits where the management considered that the claims will not be successful. The aggregate sum of these unprovided claims is disclosed in the table above.*
- (2) *Two subsidiaries of the Company, China Overseas Engineering Group Co., Ltd. (“COVEC”) and China Railway Tunnel Group Co., Ltd., established a consortium (the “Consortium”) with two independent parties in 2009 for the design and construction of certain sections of the A2 motorway Stryków – Konotopa, which is owned by the Polish General Directorate for National Roads and Motorways in Poland (“PGDNRM”). The Group’s share of the total contract amount and performance bond are approximately Polish Zloty (“Zloty”) 1,160 million (approximately USD402 million or RMB2,741 million) and Zloty 116 million (approximately USD40 million or RMB274 million), respectively. During the construction work, the construction contract incurred losses due to various factors. The Consortium sent termination notices dated 3 June 2011 to PGDNRM and PGDNRM sent termination notices dated 13 June 2011 to the Consortium. Up to 31 December 2011, the accumulated losses identified by the Group in respect of this project is about RMB632 million, resulting in the Group’s profit before tax for the year ended 31 December 2011 being decreased by RMB632 million.*

*On 29 September 2011, PGDNRM applied to the Poland Warsaw District Court for a payment order demanding COVEC, Poland branch of COVEC and another independent party in the Consortium collectively or individually for penalties of an aggregate amount of Zloty 129 million (approximately USD38 million or RMB238 million) and interests, whereas all parties in the Consortium bear jointly liabilities. The lawyer of the Consortium then raised an objection to the payment order and the payment order became null and void under Polish law. The relevant parties commenced to resolve the matter in dispute under litigation procedures. On 8 February 2012, the Poland Warsaw District Court opened a court session for this case according to the civil procedure and the Court proposed this case to be heard in April 2012 to testify the witness statement of supervision engineer. The Consortium is actively preparing the defence. Since the case is pending, the directors consider it impracticable to assess the outcome of this case.*

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

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

In addition to the above, as at 31 December 2011, Yichang Hongming Real Estate Co., Ltd., a subsidiary acquired by the Group in 2010, undertook to settle certain liabilities of Yichang Sanxia Hongming Tourism Property Development Co., Ltd. (“Yichang Sanxia”) amounted to RMB181 million (2010: RMB303 million) (being the amount of liabilities of Yichang Sanxia on the date it was spun off from Yichang Hongming Real Estate Co., Ltd.) if Yichang Sanxia failed to repay those liabilities in future.

## 5.8 Business Risks

The Group is exposed to a variety of business risks, including market risk, operation risk, management risk, policy risk, financial risk, investment risk, interest rate risk and foreign exchange risk arising in the ordinary course of business.

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

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

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

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

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

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

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

## 6 SIGNIFICANT EVENTS

### 6.1 Material litigation and arbitration

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

### 6.2 Events regarding bankruptcy and restructuring

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

## 6.3 Shares issued by other listed companies and financial institutions held by the Company

### 6.3.1 Securities investments

Unit: RMB

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

### 6.3.2 Shares issued by other listed companies held by the Company

Unit: RMB

Stock Code	Simplified stock name	Cost of initial investment (RMB)	Percentage of interests in the investee company (%)	Carrying value at the end of the period (RMB)	Gain/loss in the reporting period (RMB)	Changes in equity of owners in the reporting period (RMB)	Accounting item	Source of shares
601328	Bank of Communications	87,039,950.40	0.072	199,882,363.52	826,532.66	-26,587,585.32	Available-for-sale financial assets	Purchase from market
HK00061	North Asia Resources	67,826,518.36	4.450	9,122,992.28	-58,703,526.08	35,838,147.76	Available-for-sale financial assets	Share exchange
601601	CPIC	7,481,091.07	0.068	112,803,578.88	2,055,244.80	-21,668,152.32	Available-for-sale financial assets	Purchase from market
600999	China Merchants Securities	4,233,267.00	0.004	1,807,194.32	-740,959.30	-	Available-for-sale financial assets	Purchase from market
601169	Bank of Beijing	2,000.00	0.00085	2,000.00	10,649.78	-	Long-term equity investment	Original issue stock
Total		166,582,826.83	/	323,618,129.00	-56,552,058.14	-12,417,589.88	/	/

### 6.3.3 Shares issued by non-listed financial institutions held by the Company

Name of investee	Cost of initial Investment (RMB)	Number of shares held (share)	Percentage of interests in the investee company (%)	Carrying value at the end of the period (RMB)	Gain/loss in the reporting period (RMB)	Changes in equity of owners in the reporting period (RMB)	Accounting item	Source of shares
Greatwall Securities Co., Ltd.	102,000,000.00	17,000,000	0.820	96,457,687.47	2,401,548.14	-	Long-term equity investment	Purchase
China Golden Valley International Trust & Investment Co., Ltd.	17,500,000.00	-	1.460	16,850,500.00	-	-	Long-term equity investment	Establishment
Western Securities Co., Ltd.	10,000,000.00	10,000,000	1.000	10,000,000.00	-	-	Long-term equity investment	Purchase
Western Trust Co., Ltd.	9,094,630.00	9,094,630	1.390	9,094,630.00	604,447.74	-	Long-term equity investment	Purchase
Sichuan Trust Investment Co. Ltd.	5,452,204.94	-	0.420	5,452,204.94	-	-	Long-term equity investment	Transfer debt to equity
Bank of Chengdu Company Limited	3,002,000.00	3,731,600	0.125	3,002,000.00	559,740.00	-	Long-term equity investment	Purchase
Hubei Pengcheng Insurance Brokers Co., Ltd.	200,000.00	-	4.000	200,000.00	-	-	Long-term equity investment	Purchase
Total	<u>147,248,834.94</u>	<u>39,826,230</u>	/	<u>141,057,022.41</u>	<u>3,565,735.88</u>	/ /	/	/

### 6.3.4 Details of dealings in shares of other listed companies

Stock name	Number of shares held at the beginning of the period (share)	Number of shares purchased in the reporting period (share)	Total amount of funds utilized (RMB)	Number of shares sold in the reporting period (share)	Amount received for shares sold (RMB)	Number of shares held at the end of the period (share)	Gain on investment (RMB)
Sihuan Bioengineering	8,574,375	-	5,000,000.00	8,574,375	76,162,223.11	-	71,162,223.11
Orient Enterprise	-	60,000	619,200.00	60,000	647,155.49	-	27,955.49
Tianjin Printronics	-	121,400	1,006,463.15	121,400	1,153,339.59	-	146,876.44
ANJUBAO	500	-	24,500.00	500	23,861.76	-	-638.24
TANLI GROUP	500	-	29,000.00	500	32,952.19	-	3,952.19
Zhendong Pharmaceutical	500	-	19,400.00	500	19,548.67	-	148.67
HSF	5,000	-	29,950.00	5,000	47,918.20	-	17,968.20
Xixia Automobile Water Pump	-	500	18,000.00	500	19,373.95	-	1,373.95
Haili Metal One	-	500	20,000.00	500	20,040.37	-	40.37
Sinovel	-	3,000	270,000.00	3,000	255,540.48	-	-14,459.52
Shindoo Chemi-industry	-	500	16,940.00	500	14,976.00	-	-1,964.00
Soochow Securities	-	500	13,000.00	500	16,092.21	-	3,092.21
New China Life	-	500	69,750.00	500	74,906.95	-	5,156.95

#### Notes:

1. The total investment gain from disposal of the newly subscribed shares during the reporting period amounted to RMB14,670.78.
2. Implementation of purchase/disposal of new shares by the Company during the reporting period was carried out by China Railway Trust Co., Ltd.

## 6.4 Asset transactions

### 6.4.1 Acquisition of assets

Unit: Thousand Currency: RMB

Counterparty or ultimate controlling party	Assets acquired	Date of acquisition	Price of assets acquired	Contribution to the net profit of the listed company from the date of acquisition to the end of the year	Contribution to the net profit of the listed company from the beginning of the year to the end of the year (appropriate for the merge of enterprises under common control)	Related party transaction?	Pricing principle of assets acquired	Are all the property rights transferred to the other party?	Are all the claims and liabilities of concerning assets transferred to the other party?	Contribution to the net profit as a percentage of total net profit of the listed company (%)	Related party relationship
CRECG	Henan Pingzheng Expressway Development Co., Ltd	11 November 2011	302,935	-12,073	-88,976	Yes	Asset valuation	Yes	Yes	N/A	Parent company
Hainan Lihu Holiday Tourism Investment Co., Ltd.	Hainan Meijie Investment Co., Ltd.	25 May 2011	7,000	0	N/A	No	Asset valuation	Yes	Yes	0	N/A
Baotou Longpeng Real Estate Development Co., Ltd.	Baotou Times Jinke Real Estate Development Co., Ltd.	3 January 2011	20,000	8	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A
Beijing China Railway Xinda Trade Co., Ltd.	Beijing Electric Lighthouse Ltd., Co	31 December 2011	1,500	92	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A
Beijing Yuanyi Zefeng, Beijing Jini Hefeng Company	Tianjin Seaside Tourist Resort Construction and Development Co., Ltd.	1 September 2011	311,031	-15,262	N/A	No	Asset valuation	Yes	Yes	N/A	N/A
Beijing Zhongguancun Science and Technology Investment Co., Ltd.	Nanjing Zhongguancun Real Estate Development Co., Ltd.	23 November 2011	97,500	-13,566	N/A	No	Asset valuation	Yes	Yes	N/A	N/A
Chengdu Jinruifu Properties Limited, Mou Xin	Chengdu Hongjin Properties Limited	30 September 2011	22,950	-1,114	N/A	No	Asset valuation	Yes	Yes	N/A	N/A
Dalian Huatong Kailu Industrial Co., Ltd.	Dalian Zijin Development Co., Ltd.	14 July 2011	555,396	3	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A
Dalian Huatong Kailu Industrial Co., Ltd.	Dalian Ziyuan Development Co., Ltd.	14 July 2011	164,184	3	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A

## 6.4.2 Disposal of assets

Unit: Thousand Currency: RMB

Counterparty	Asset sold	Date of sale	Selling Price	Contribution to the net profit of the listed company from the beginning of the year to the date of sale	Gains and losses arising from the sales	Related party transaction? (if yes, specify pricing method)	Pricing method of assets sold	Are all the property rights of concerning assets transferred to the other party?	Are all the liabilities and debts of concerning assets transferred to the other party?	Contribution of the net profit arising from sale of concerning assets as a percentage of the net profit of the listed company (%)	Related party relationship
Chengdu Jinshan Real Estate Development Co., Ltd.	Dayi China Railway Jinshan Real Estate Development Co., Ltd.	27 October 2011	50,090	-4,686	35,004	No	Asset valuation	Yes	Yes	less than 1	N/A
Weiji Construction Group Co., Ltd.	Shaanxi Qiancenglang Real Estate Development Co., Ltd.	29 July 2011	97,455	-	37,455	No	Asset valuation	Yes	Yes	less than 1	N/A

## 6.4.3 Asset swap

During the reporting period, there was no swap of assets by the Company.

## 6.4.4 Merger and acquisition

During the reporting period, there was no merger and acquisition by the Company.

## 6.5 Implementation of share incentive scheme of the Company and its effects

During the reporting period, the Company has not implemented any share incentive scheme.

## 6.6 Significant related party transactions of the Company during the reporting period

According to regulations from the Issue No. 2 of “The Content and Format of Disclosure of Information by Listed Companies – The Content and Format of Annual Report” issued by the China Securities Regulatory Commission (CSRC), “Shanghai Stock Exchange Share Listing Rules” and “Implementation Guidance of Related Party Transactions for Listed Company of Shanghai Stock Exchange”, CRECG, the controlling shareholder, and its controlled entity China Railway Hongda Asset Management Center are the major related parties involved in the related party transactions of the Company, which is slightly different from the definition of related party and related party transaction in the financial report.

### 6.6.1 Related party transaction in ordinary course of business

Unit: Thousand Currency: RMB

Related parties	Related party relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transaction (%)
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease office premises	Contract price	28,530	28,530	less than 1%
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	Receipt of labor services	Receipt of comprehensive services	Contract price	50,733	50,733	less than 1%

*Note: The implementation of the comprehensive services agreement and premises leasing agreement entered into by the Company and CRECG on 26 April 2010 were set out above. The terms of both agreements are three years. The total transaction amount involved was within the decision-making limit of the Board and was approved in the 29th meeting of the first session of the Board, which complied with the relevant requirements of “Shanghai Stock Exchange Share Listing Rules”. Meanwhile, these two transactions were exempt from the requirements of reporting, annual review, announcement and independent shareholders’ approval as the annual caps of these two transactions are within the de minimis exemption under the Listing Rules.*

### 6.6.2 Related party transaction related to acquisition and disposal of assets

Unit: Thousand Currency: RMB

Related parties	Related party relationship	Nature of related party transaction	Particulars of related party transaction	Pricing method of related party transaction	Assessed value of assets transferred	Transfer price
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	Purchase of assets except for goods	Buildings and lands	Valuation pricing, transfer by agreements	177,700	177,700

### 6.6.3 Amounts due from/to related parties

Unit: Thousand Currency: RMB

Related parties	Related party relationship	Balance of funds provided to related party	Balance of funds provided to listed company by related company
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	13,639	56,708
CRECG	Controlling shareholder		4,067

Reason for amounts due from/to related parties      Amounts due from/to related parties between the Company and related parties are operational in nature.

There is no occupied fund and pay-off debt in the Company during the reporting period.

### 6.6.4 Other significant related party transactions

#### Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled?
CRECG (Note 1)	China Railway Group Limited	1,000,000	January 2010	January 2015	No
CRECG (Note 1)	China Railway Group Limited	5,000,000	January 2010	January 2020	No
CRECG (Note 1)	China Railway Group Limited	2,500,000	October 2010	October 2020	No
CRECG (Note 1)	China Railway Group Limited	3,500,000	October 2010	October 2025	No

*Note 1: These are the unconditional and irrevocable joint and several liability guarantees provided by CRECG for the entire amount of the 5-year and 10-year corporate bonds issued by the Company in January 2010 and the 10-year and 15-year corporate bonds issued by the Company in October 2010.*

## 6.7 Material contracts and their performance

### 6.7.1 Trusteeship, contracting and leasing

During the reporting period, the Company had no material trusteeship, contracting or leasing.

### 6.7.2 Guarantee

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed Amount	Guarantee granted by the Company (excluding those to subsidiaries)			Type of guarantee	Guarantee fully fulfilled?	Overdue?	Overdue amount?	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
				Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee							
China Railway Group Limited	The same entity	Lince Railway Co., Ltd.	783,000,000.00	01/08/2008	30/06/2008	20/06/2025	Suretyship of joint and several liability	No	No	-	No	No	
China Railway No.2 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Sinorail Bohai Train Ferry Co., Ltd.	12,683,100.00	24/12/2004	24/12/2004	23/12/2016	Suretyship of joint and several liability	No	No	-	No	No	
Daxian Cuiplingshan Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruicheng Longjun Project	106,065,911.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Chengdu China Railway Badeng Badeng Hot Spring Investment Co., Ltd.	Wholly-owned subsidiary	Property owners of Yueli Bay Phase I Project	12,370,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
New Sichuan – Tibet Road & Bridge Company	Wholly-owned subsidiary	Property owners of China Railway Xinjie Project	526,740,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Hongyuan Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Shujun Project	16,720,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
China Railway Ruicheng Real Estate Co., Ltd. Zigong Tanmulin Branch	Wholly-owned subsidiary	Property owners of Tanmulin Guobinfun Project	177,463,200.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Chengdu China Railway Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruicheng Xijun Yinghua Hongyuan Project	121,139,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Chengdu Yingting Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Yueying Long Beach Project	172,794,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Chengdu Huaxintianyu Industrial Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongshan International New City District H Project	80,532,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Dujiang Yan City Qingcheng Tourism Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Qingcheng 365 Zhaiyuan Project	6,010,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Huinan Yangguangcheng Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Huainan Yangguangcheng Project	11,560,362.69	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
China Railway No.4 Engineering Group Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Rainbow New City Project	17,519,367.07	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Guizhou Tianwei Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Fengdan Bailu	38,740,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Guiyang Tiwujian Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Xinlong Phase II	15,388,300.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	

Guarantor	Relationship between guarantor and listed company	Guarantee	Guarantee granted by the Company (excluding those to subsidiaries)								Guarantee provided to the related parties?	Related party relationship
			Guaranteed Amount	Commencement date of guarantee		Expiry date of guarantee	Type of guarantee	Guarantee				
				(Agreement execution date)	Commencement date of guarantee			fully fulfilled?	Overdue?	Overdue amount?		
Guizhou Tianwei Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhujiang Wan Pan	16,795,700.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
Wuhai City Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Bolin Community Project	4,505,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway No.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Xizi Xianghe Project	622,243,700.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway No.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Longcheng Project	107,693,800.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway No.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Longjun Project	97,869,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
Chengdu Guochuang Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway • Tamiya Project	172,456,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd	Wholly-owned subsidiary	Property owners of China Railway • Ruijing Mingcheng Phase I Project	207,229,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd	Wholly-owned subsidiary	Property owners of China Railway • Ruijing Mingcheng Phase II Project	217,135,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway • Ruijing Lanting Project	193,816,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
Chengdu Tongxin Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Orvilla Project	5,930,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
Chengdu Tongxin Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Lijing Shuxiang Project	21,355,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway No.9 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Yanlanshan Project	36,686,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway No.10 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Jinan "Hua Yang Nian Hua" Project	6,926,650.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway No.10 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongying "Sheng Shi Long Cheng" Project	45,065,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway No.10 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Hui Zhan Project	136,239,800.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway No.10 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Zibo "Dong Hai Chuan Cheng" Project	8,370,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yingwuzhou Bridge Co., Ltd.	60,000,000.00	09/08/2011	09/08/2011	08/08/2012	Suretyship of joint and several liability	No	No	-	No	No
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China SFECO Group	55,447,920.00	30/06/2006	30/06/2006	28/12/2014	Suretyship of joint and several liability	No	No	-	No	No
Lanzhou Huasheng Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Lanzhou North Shore Mansion	5,463,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway Huasheng Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Nobel International Garden Project	48,670,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No
China Railway Jianggong Group Shenzhen Investment Co., Ltd.	Wholly-owned subsidiary	Property owners of Guangzhou Nobel Mingdu Project	94,117,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed Amount	Guarantee granted by the Company (excluding those to subsidiaries)				Guarantee fully fulfilled?	Overdue?	Overdue amount?	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
				Commencement date of guarantee		Expiry date of guarantee	Type of guarantee						
				(Agreement execution date)	Commencement date of guarantee								
China Railway Jiangong Group Shenzhen Investment Co., Ltd.	Wholly-owned subsidiary	Property owners of Nobel Plaza Project	340,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Dailian Famade Project Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Nobel Seashore Garden Project	6,956,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zongjing Shengshi Changan Project	284,932,086.40	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongjing Jiangshanbin Project	192,815,775.22	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongjing Weishanbin Project	70,669,477.72	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Hengshui Jingxu Project Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Tianxi Xiangyuan Project	25,029,718.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
China Railway Hengfeng Real Estate Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of southern square of the Beijing West Railway Station	15,669,096.16	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
China Railway Real Estate Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Beijing Hanlaning Project	268,383,800.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Xi'an China Railway Changfeng Real Estate Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of Xi'an South County Project	614,888,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Hunan Qingzhuo Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Changsha Lakeshore Project	89,329,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Guiyang China Railway Real Estate Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of China Railway Guiyang Yidu	239,868,835.15	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Shenyang China Railway Shengfeng Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Shenyang Renjie Lake Project	164,520,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Chengdu China Railway Rongfeng Real Estate Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of China Railway Xicheng Project	207,698,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Qingdao China Railway Xiangfeng Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Huaxu Town Project	39,323,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Shanghai China Railway City North Investment Development Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of Central Times Square Project	16,010,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
China Railway No.2 (Chengdu) Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Isabella Project	82,978,500.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	1,781,249,150.91
Total balance of guarantee as at the end of the reporting period (excluding those provided to subsidiaries)	6,582,150,099.41
<b>Guarantee provided by the Company to its subsidiaries</b>	
Total guarantee to subsidiaries incurred during the reporting period	2,474,000,000.00
<b>Total balance of guarantee to subsidiaries as at the end of the reporting period</b>	<b>5,512,482,077.80</b>
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee	12,094,632,177.21
Percentage of aggregate guarantee to net assets of the Company (%)	14.90%
Representing:	
Amount of guarantee provided for shareholders, ultimate controller and their related parties	
Amount of guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70%	3,771,124,284.25
Excess amount of aggregate guarantee over 50% of net assets	
Aggregate amount of the above three categories	3,771,124,284.25
Statement on the contingent joint and several liability in connection with unexpired guarantee	

### 6.7.3 Other material contracts

1. Material contracts executed before the reporting period but remained effective during the reporting period:

#### (1) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
<b>Railway</b>						
1	China Railway	Harbin-Dalian Passenger Railway Line Co., Ltd.	Master Construction Contract of Civil Works of Section TJ-1 of the New Harbin-Dalian Passenger Railway Line	2007-09-03	2,187,104	66 months
2	China Railway NO.3 Engineering	Beijing-Shanghai High Speed Railway Line Company	Civil Works of Phase TJ5 of the New Beijing-Shanghai Express Railway	2008-01-31	1,131,577	60 months
3	China Railway NO.1 Engineering	Beijing-Shanghai High Speed Railway Line Company	Civil Works of Phase TJ2 of the New Beijing-Shanghai Express Railway	2008-01-31	1,064,927	60 months
<b>Highway</b>						
1	China Railway NO.5 Engineering	Hunan Li Lian An Shao Expressway Development Co., Ltd.	Section TJ1 of Anhua (Mei Cheng) – Shaoyang highway	2010-4-15	194,906	30 months
2	China Railway Major Bridge Engineering	Shenzhen Expressway Company Limited	Guangshen Coastal Expressway (Shenzhen Section) Project 2nd	2009-03-20	185,165	28 months
3	China Railway Tunnel	Guangdong Guang Le Expressway Co., Ltd.	Civil construction works contract of Section T10 of Lechang-Guangzhou Expressway	2010-05	116,625	24 months
<b>Municipal Works</b>						
1	China Railway	Shenzhen Metro Co., Ltd.	BT Project and related engineering Contract A of Shenzhen Metro Line 5	2008-09	950,000	43 months
2	China Railway	Zhengzhou Rail Transit Co., Ltd.	Zhengzhou City Rail Line 2 Phase I Construction Contract Project	2010-07	342,000	37 months
3	China Railway Southern Company	Shenzhen City Metro Co., Ltd.	Master Construction Contract of Hub Engineering Projects of Shenzhen North Station (Phase B1)	2009-09-26	258,200	40 months

## (2) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Gui-Guang Railway Co., Ltd	Testing and preliminary design of Guiyang-Hezhou section of the new Guiyang-Guangzhou railway	2009-01	67,980	40 months
2	China Railway Eryuan Engineering	The Construction Headquarter of Nanning Railway Bureau for reconstruction works of Hunan-Guangxi Line for speeding up and capacity improvement	Alterations to the Liuzhou Railway Section Yongzhou Capacity Expansion Project	2010-02	50,746	43 months
3	China Railway Eryuan Engineering	Lanyu Railway Co., Ltd	New Lanzhou-Chongqing Railway, Guangyuan to Chongqing survey and design	2010-03	49,800	31 month
4	China Railway Eryuan Engineering	Yuli Railway Co., Ltd	Survey and Design of the New Chongqing-Lichuan Railway	2008-12-28	49,032	96 months
5	China Railway Eryuan Engineering	Ethiopian Railway Corporation	Ethiopia, Addis Ababa – Djibouti Railway Survey and Design Project	2010-08	42,465	19 months

## (3) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
<b>Steel Structures</b>						
1	China Railway Shanhaiguan Bridge	Fujian Xiazhang Bridge Co., Ltd.	Fujian Province Xiazhang Bridge Steel manufacturing contract	2010-08	44,855	22 months
2	China Railway Shanhaiguan Bridge	Zhejiang Jiashao Bridge Investment and Development Co., Ltd.	Contract of section VIII-2 of manufacturing steel box girders and steel anchor boxes for Jiashao Bridge	2010-06	44,468	18 months
3	China Railway Turnout & Bridge	Anhui Province Expressway Holdings Group Limited	Maanshan Yangtze River Highway Bridge Suspansion Bridge in the left tower steel tower production (Contract section of MQ-C02 and MQ-C03)	2010-08-01	43,272	14 months
<b>Turnout</b>						
1	China Railway Shanhaiguan Bridge	Xia Shen Railway (Guangdong) Company	Purchasing contract of turnouts for the Xiamen-Shenzhen Railway Line project	2010-04	32,842	13 months
2	China Railway Turnout & Bridge	Nanjing-Hangzhou Railway Co., Ltd.	High speed turnouts for the new Nanjing-Hangzhou Passenger Railway Line	2010-06	18,627	6 months
3	China Railway Turnout & Bridge	Nanjing-Qidong Line of Shanghai Railway Administration Electrification Engineering Headquarters	Electrification engineering work of Nanjing-Qidong Line	2010-06	12,648	24 months

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
<b>Construction (Track) Machinery</b>						
1	China Railway Turnout & Bridge	Chongqing Monorail Transit Engineering Co., Ltd.	Chongqing Monorail Transit No. 2 Extension Long Line turnout facilities	2010-12	4,136	24 months
2	China Railway Turnout & Bridge	Chongqing Monorail Transit Engineering Co., Ltd.	Purchasing Contract of integrated equipment for domestic turnout system	2010-12	2,882	24 months
3	China Railway Shanhaiguan Bridge	Manzhouli international railway freight yard of Harbin Railway Administration Project command	Manufacturing and Installing Contract of 40T Gantry crane for Harbin Railway Bureau	2010-06	1,999	14 months

#### (4) Property development business

No.	Project Name	Project location	Project type	Planning area ('0,000 sq.m.)
1	China Railway • Yidu International	Guiyang, Guizhou	Residential	230.6
2	Bairuijing	Hubei, Wuhan	Residential	105.54
3	Nobel Mingdu	Shandong, Jinan	Residential	89.34
4	Binfen South County	Xi'an, Shaanxi	Residential	62.7
5	China Railway • Huaxu Town	Qingdao, Shandong	Residential	53.45

#### (5) Other businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB '0,000)	Construction period	Operation (Repurchase) term
<b>BOT</b>							
1	China Railway NO.2 Engineering	Yulin Bureau of communications	BOT Project of Yulin (Shaanxi)- Shenmu Expressway	2007-10-29	517,000	36 months	30 years
2	China Railway	Guangxi Department of communications	BOT Project of the Guangxi Cenxi-Xingye Expressway Project	2005-8-26	516,361	36 months	28 years

## 2. Material contracts signed during the reporting period:

### (1) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
<b>Railway</b>						
1	China Railway NO. 4 Engineering	Preparation Division of Ji Tu Hui Railway Co., Ltd	Master Construction Contract for I Section of New Jilin-Chunhui Railway Project Construction under Key Control	2011-01-09	731,114	12 months
2	China Railway NO.9 Engineering	Preparation Division of Ji Tu Hui Railway Co., Ltd	New Jilin-Huichun Railway Station Other Projects 4 Section	2011-01-09	273,780	12 months
3	China Railway Electrification Engineering	Beijing Railways Bureau	New Railway Container Terminal Project in the north of Xingang Port, Tianjin	2011-01	132,550	24 months
<b>Highway</b>						
1	China Railway NO. 3 Engineering	Shanxi Xiyuan Highway Investment Co., Ltd.	Phase 1 construction of Huozho-Yonghe Guan Highway western section	2011-10	250,000	26 months
2	China Railway NO. 1 Engineering	Xinjiang Transport Bureau	Xinjiang S215 Line Sanchakou-Shache Highway Phase SS-4	2011-06-30	208,669	24 months
3	China Railway Major Bridge Engineering	Hubei Express Exi Expressway Co., Ltd	Phase I Section TJ-6 of Construction Project for Hubei Shien – Laifeng Highway and Xuanen-Xianfeng (E Yu Boarder) Section of Hubei Enshi– Chongqing Qinjiang Highway	2011-06-30	190,775	33 months
<b>Municipal Works</b>						
1	China Railway NO. 4 Engineering	The Republic of Angola Oil and Real Estate Company	Municipal ancilliary work of Phase I Social Housing and 5000 projects of Phase II Social Housing	2011-12	723,956	2012-11
2	China Railway	Shenyang Transport Bureau	Shenyang Fourth Ring Expressway Construction – Transferring (BT) Project	2011-05	650,000	23 months
3	China Railway Major Bridge Engineering	Wuhan Construction Investment & Development Group Co., Ltd.	Wuhan Yingwuzhou Yangtze River Bridge Improvement Project Construction – Transferring (BT) Project	2011-04	247,500	44 months

## (2) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Yuanguai Railway Guangxi Co., Ltd.	The new Yuanguai Railway (Guangxi section) Project Survey and Design	2011-01	45,369	Completion of Performance of Contract
2	China Railway Eryuan Engineering	Shanghai-Kunming Passenger Railway Line Co., Ltd	The new Changsha to Kunming Designated Passenger Railway Line Yunnan Section Project Survey and Design	2011-12	37,438	Completion of Performance of Contract
3	China Railway Eryuan Engineering	China National Machinery and Equipment Import & Export Corporation	Argentina Belgrano Cargo Railway Reconstruction Project Survey and Design	2011-03	26,501	Completion of Performance of Contract
4	China Railway Eryuan Engineering	Shenzhen Metro Co., Ltd.	Master Construction and Design Project of Shenzhen Urban Rail Transit line 11	2011-04	21,000	59 months
5	China Railway Eryuan Engineering	Guiyang City Rail Transit Co., Ltd.	Master Construction and Design Project of Guiyang City Rail Transit 1 (Guiyang North Station Yangba Village)	2011-01	18,000	Completion of Performance of Contract

## (3) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
<b>Steel Structures</b>						
1	China Railway Shanhaiguan Bridge	Liaoning Province Communication Highway Administration Office	China-Korea Yalu River Border Highway Bridge	2011-12	36,340	31 months
2	China Railway Turnout & Bridge	Chongqing Quantung Engineering Management Co. Ltd.	Chongqing Dongshuimen Yangtze River Bridge Steel Box Girders	2011-09-15	24,449	27.5 months
3	China Railway Shanhaiguan Bridge	Tianjin Urban Construction Group Co., Ltd	Purchase Contract of steel box girder and steel tower for No.4 Bridge of Wulanmulun River, Kangbashi District, Erdos	2011-04	23,583	15 months
<b>Turnout</b>						
1	China Railway Turnout & Bridge	Lanyu Railway Co., Ltd	New Lanyu Railway Lanzhou East-Xiaguanying Section and Guangyuan-Chongqing Section	2011-03	28,056	9 months
2	China Railway Shanhaiguan Bridge	Foreign Capital Utilization and Technology Introduction Center, Ministry of Railway	Purchase Contract of Nanguan Railway turnouts	2011-02	27,790	16 months
<b>Construction (Track) Machinery</b>						
1	China Railway Turnout & Bridge	Xian Qujiang Shengtang Material Supply Co. Ltd.	Manufacturing of Qujiang New Area Track Travel Project steel track, pillars, support and base precasts	2011-10-28	7,699	3.5 months
2.	China Railway Shanhaiguan Bridge	Thorn Engineering & Energy Limited	Nigeri Railway oil tank truck	2011-01	1,250	11 months

#### (4) Property development business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	Lushunkou Hupo Bay Project	Dalian, Liaoning	Residential	59
2	Xixian Xinqu	Xian, Shaanxi	Residential	53
3	Dingxiang Lake Chizu Road Project	Shenyang, Liaoning	Residential	37.52
4	China Railway • Lakeside Mansion	Hefei, Anhui	Residential	37.09
5	Beijing Nobel Center	Beijing	Office	24.82

#### (5) Material property information

##### 1. Property held for investment

Building name	Location	Use	Tenure	Interest of the Company and subsidiaries (%)
Mingren Industrial Building	South Renmin Road, Section 1, Chengdu, Sichuang	Commercial	Medium term lease	60
China Railway Ruicheng Building	Mid Renming Road, Section 2, No. 68, 88, Chengdu, Sichuang	Commercial	Medium term lease	60
Tanmulin Hotel	Ziliujing District, Dongxing Temple Road, Xinhua Neighbourhood No. 2	Hotel	Medium term lease	100
Changchun Huaqiao Hotel	Jiling Province Changchun City Chaoyang District No. 1 Binhu Road	Hotel	Medium term lease	60
Huaxi Changan Center Building A1, Floor 1–2	Beijing Haidian District No. 69 Fuxing Road	Commercial	Medium term lease	100
Office Building	Beijing Gongti Building 3/F Section 2 – Restaurant No. 3	Commercial	Medium term lease	100
Huilong Bay Yichulianghua Mall	Chengdu Jinniu District No. 1 Shawan Road	Commercial	Medium term lease	100
Beijing Chaowai Research Building and Ancillary Space	No. 227, Chaowai Road, Chaoyang District, Beijing	Commercial	Medium term lease	100
Tianyu Shopping Center	No. 1 North Part of Yanta Road, Xi'an City	Commercial	Medium term lease	100

##### 2. Properties held for development and/or for sale

Name of building or project	Location	Existing land use	Site area (sq.m.)	Floor area (sq.m.)	Stage of completion	Expected completion date	Interest of the Company and subsidiaries (%)
Bridge Living Capital	No. 586 Wuluo Road, Zhongnanlu Street, Wuchang District, Wuhan City, Hubei Province	Residential	527,721.35	1,055,439.42	Under construction (already pre-sold)	2015	66.67
Xian South County	Xian High-tech zone, south of Jiba Road, west of Zhangba Road	Residential	141,507.37	627,000.00	Under construction (already pre-sold)	2012	100
China Railway Nobel Seashore Garden	Gaoxin District, Dalian	Residential	231,900	520,900	Under construction (already pre-sold)	2014	100
China Railway • Yidu International	Guiyang 1 Jinyang District Jinyang Avenue North Section	Residential	1,060,000.00	2,306,000.00	Under construction (already pre-sold)	2018	80
Rainbow New City	Hefei Yangtze River East Road	Residential	262,000.00	416,000.00	Under construction (already pre-sold)	2013	100

## 6.8 Performance status of undertakings

1. Undertakings by the Company or shareholders with more than 5% of the Company's Shares given or subsisting in the reporting period

<b>Undertaking</b>	<b>Details of undertaking</b>	<b>Performance status</b>
Undertaking made by CRECG upon the issuance of shares	Upon the establishment of China Railway in accordance with the law, CRECG and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or procure the engagement or participation in any businesses that compete, or are likely to compete with the core businesses of China Railway and its subsidiaries. If CRECG or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the principal businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and warrants that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CRECG or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CRECG warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	CRECG has strictly complied with the above undertaking

## 6.9 Appointment and removal of auditors

Unit: Ten Thousand

	Former appointment	Recent appointment
Name of domestic auditors	Deloitte Touche Tohmatsu CPA Ltd.	Deloitte Touche Tohmatsu CPA Ltd.
Pay for domestic auditors	4,050	4,050
Term of domestic auditors	5 years	5 years
Name of international auditors	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
Pay for international auditors	347	347
Term of international auditors	5 years	5 years

During the reporting period, the Company did not change the auditors for the auditing period.

## 6.10 Penalty and rectification order against listed companies and its directors, supervisors, senior management, the Company's shareholders and ultimate controller

During the reporting period, the Company and its Directors, Supervisors, senior management, the Company's controlling shareholders and ultimate controller were not subject to any investigation, administrative penalty, criticisms by CSRC and public reprimand by any stock exchange.

## 6.11 Whether the company is included in the list of polluting enterprises released by environmental protection department

During the reporting period, the Company is not included in the list of polluting enterprises released by environmental protection department.

## 6.12 Statement to other significant events

During the reporting period, the Company has no statement to other significant events.

## 6.13 Major changes in profitability, asset condition and credit status of the underwriter for convertible bonds of the Company

Not applicable

## 7 FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2011**

	<i>NOTES</i>	<b>31/12/2011</b> RMB million	31/12/2010 RMB million (Restated)	1/1/2010 RMB million (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		<b>37,668</b>	34,299	28,791
Deposits for acquisition of property, plant and equipment		<b>773</b>	935	955
Lease prepayments		<b>8,537</b>	7,058	6,269
Deposits for land use rights		<b>173</b>	192	129
Deposits for investment		<b>717</b>	157	46
Investment properties		<b>2,472</b>	1,971	1,666
Intangible assets		<b>33,354</b>	24,784	21,384
Mining assets		<b>4,327</b>	4,287	1,283
Interests in jointly controlled entities		<b>782</b>	751	834
Interests in associates		<b>2,956</b>	4,136	3,780
Goodwill		<b>865</b>	865	836
Available-for-sale financial assets		<b>4,580</b>	4,287	4,537
Other loans and receivables		<b>4,594</b>	4,243	2,080
Deferred tax assets		<b>3,284</b>	2,736	2,819
Other prepayments		<b>43</b>	20	46
Trade and other receivables	<i>11</i>	<b>3,336</b>	2,146	1,313
		<b>108,461</b>	92,867	76,768
<b>Current assets</b>				
Lease prepayments		<b>197</b>	183	178
Properties held for sale		<b>5,628</b>	4,059	2,271
Properties under development for sale		<b>52,995</b>	38,411	25,204
Inventories		<b>36,329</b>	30,026	23,831
Trade and other receivables	<i>11</i>	<b>143,320</b>	121,148	101,696
Amounts due from customers for contract work		<b>56,747</b>	46,472	31,068
Current income tax recoverable		<b>185</b>	–	–
Other loans and receivables		<b>1,055</b>	1,062	1,928
Held-for-trading financial assets		<b>60</b>	153	81
Restricted cash		<b>3,329</b>	2,291	2,344
Cash and cash equivalents		<b>60,254</b>	54,927	49,465
		<b>360,099</b>	298,732	238,066
<b>Total assets</b>		<b>468,560</b>	391,599	314,834

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

*Notes:*

## **1. General Information**

The Company was established in the People's Republic of China (the "PRC") on 12 September 2007 as a joint stock company with limited liability, as part of the group reorganisation ("Reorganisation") of China Railway Engineering Corporation ("CRECG") in preparation for the listing of the Company's A shares on Shanghai Stock Exchange and H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE"). The address of the Company's registered office is No. 1 Xinghuo Road, Fengtai District, Beijing, the PRC. The Company's ultimate holding company is CRECG, incorporated in the PRC.

The consolidated financial statements are presented in Renminbi, the functional currency of the Company and most of its subsidiaries.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development, mining and merchandise trading.

## **2A. Basis of Preparation of the Consolidated Financial Statements**

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

## 2B. Restatements

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

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

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

	<b>As at 31/12/2010</b> (originally stated) RMB million	<b>Adjustment</b> (Note 2A) RMB million	<b>As at 31/12/2010</b> (restated) RMB million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	34,291	8	34,299
Intangible assets	22,407	2,377	24,784
Other non-current assets	33,784	–	33,784
	<u>90,482</u>	<u>2,385</u>	<u>92,867</u>
<b>Current assets</b>			
Trade and other receivables	121,137	11	121,148
Cash and cash equivalents	54,860	67	54,927
Other current assets	122,657	–	122,657
	<u>298,654</u>	<u>78</u>	<u>298,732</u>
<b>Total assets</b>	<u>389,136</u>	<u>2,463</u>	<u>391,599</u>
<b>EQUITY</b>			
Equity attributable to owners of the Company	66,581	397	66,978
Non-controlling interests	7,140	–	7,140
<b>Total equity</b>	<u>73,721</u>	<u>397</u>	<u>74,118</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	42,915	1,479	44,394
Provisions	68	7	75
Other non-current liabilities	8,032	–	8,032
	<u>51,015</u>	<u>1,486</u>	<u>52,501</u>
<b>Current liabilities</b>			
Trade and other payables	209,308	280	209,588
Borrowings	40,444	297	40,741
Provisions	–	3	3
Other current liabilities	14,648	–	14,648
	<u>264,400</u>	<u>580</u>	<u>264,980</u>
<b>Total liabilities</b>	<u>315,415</u>	<u>2,066</u>	<u>317,481</u>
<b>Total equity and liabilities</b>	<u>389,136</u>	<u>2,463</u>	<u>391,599</u>
<b>Net current assets (liabilities)</b>	<u>34,254</u>	<u>(502)</u>	<u>33,752</u>
<b>Total assets less current liabilities</b>	<u>124,736</u>	<u>1,883</u>	<u>126,619</u>

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

	As at 1/1/2010 (originally stated) RMB million	Adjustment (Note 2A) RMB million	As at 1/1/2010 (restated) RMB million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	28,789	2	28,791
Intangible assets	18,991	2,393	21,384
Other non-current assets	26,593	–	26,593
	<u>74,373</u>	<u>2,395</u>	<u>76,768</u>
<b>Current assets</b>			
Trade and other receivables	101,690	6	101,696
Cash and cash equivalents	49,432	33	49,465
Other current assets	86,905	–	86,905
	<u>238,027</u>	<u>39</u>	<u>238,066</u>
<b>Total assets</b>	<u>312,400</u>	<u>2,434</u>	<u>314,834</u>
<b>EQUITY</b>			
Equity attributable to owners of the Company	61,164	381	61,545
Non-controlling interests	5,420	–	5,420
<b>Total equity</b>	<u>66,584</u>	<u>381</u>	<u>66,965</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	27,151	1,080	28,231
Provisions	50	3	53
Other non-current liabilities	8,116	–	8,116
	<u>35,317</u>	<u>1,083</u>	<u>36,400</u>
<b>Current liabilities</b>			
Trade and other payables	161,002	64	161,066
Borrowings	28,712	906	29,618
Other current liabilities	20,785	–	20,785
	<u>210,499</u>	<u>970</u>	<u>211,469</u>
<b>Total liabilities</b>	<u>245,816</u>	<u>2,053</u>	<u>247,869</u>
<b>Total equity and liabilities</b>	<u>312,400</u>	<u>2,434</u>	<u>314,834</u>
<b>Net current assets (liabilities)</b>	<u>27,528</u>	<u>(931)</u>	<u>26,597</u>
<b>Total assets less current liabilities</b>	<u>101,901</u>	<u>1,464</u>	<u>103,365</u>

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

*Impact on basic earnings per share*

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

### 3. Application of New and Revised International Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new and revised Standards, Amendments and Interpretations (“new and revised IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB, which are effective for the Group’s financial year beginning on 1 January 2011.

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

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

*IAS 24 Related Party Disclosures (Revised 2009)*

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

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

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

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 1 (Amendments)	Government Loans at a Below-market Rate of Interest <sup>2</sup>
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>1</sup>
	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
	Mandatory Effective Date of IFRS9 and Transition Disclosures <sup>3</sup>
IFRS 9	Financial Instruments <sup>3</sup>
IFRS 10	Consolidated Financial Statements <sup>2</sup>
IFRS 11	Joint Arrangements <sup>2</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
IFRS 13	Fair Value Measurement <sup>2</sup>
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>5</sup>
IAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets <sup>4</sup>
IAS 19 (Revised 2011)	Employee Benefits <sup>2</sup>
IAS 27 (Revised 2011)	Separate Financial Statements <sup>2</sup>
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>6</sup>
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2014

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

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

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

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

## *IFRS 9 Financial Instruments*

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

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

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

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

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

Key requirements of these five standards are described below.

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

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

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

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

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

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

#### *IFRS 13 Fair Value Measurement*

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

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

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

#### *IAS 19 (Revised 2011) Employee Benefits*

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

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

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

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

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

#### 4. Revenue

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

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

#### 5. Segment Information

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

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

- (i) Construction of railways, highways, bridges, tunnels, metropolitan railways (including subways and light railways), buildings, irrigation works, hydroelectricity projects, ports, docks, airports and other municipal works (“Infrastructure construction”);
- (ii) Survey, design, consulting, research and development, feasibility study and compliance certification services with respect to infrastructure construction projects (“Survey, design and consulting services”);
- (iii) Design, research and development, manufacture and sale of turnouts and other railway related equipment and materials, steel structures and engineering machinery (“Engineering equipment and component manufacturing”);
- (iv) Development, sale and management of residential and commercial properties (“Property development”); and
- (v) Mining, merchandise trading and other ancillary business (“Other businesses”).

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

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

*Segment revenues and results*

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total segments RMB million
<b>Year ended 31 December 2011</b>						
External revenue	385,202	8,357	9,121	16,954	37,132	456,766
Inter-segment revenue	6,090	520	1,693	29	2,603	10,935
Other operating income	1,248	49	333	152	2,172	3,954
Inter-segment other operating income	–	–	–	–	304	304
Segment revenue	<u>392,540</u>	<u>8,926</u>	<u>11,147</u>	<u>17,135</u>	<u>42,211</u>	<u>471,959</u>
Segment results						
Profit before tax	<u>4,971</u>	<u>803</u>	<u>602</u>	<u>2,750</u>	<u>1,794</u>	<u>10,920</u>
Segment results included:						
Share of profits (losses) of jointly controlled entities	109	(7)	1	–	–	103
Share of (losses) profits of associates	(223)	9	1	(1)	–	(214)
Interest income	1,687	31	17	191	196	2,122
Interest expenses	(2,411)	(113)	(107)	(80)	(1,811)	(4,522)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total segments RMB million
<b>Year ended 31 December 2010 (Restated)</b>						
External revenue	411,716	8,330	10,397	11,715	28,697	470,855
Inter-segment revenue	3,379	931	1,427	–	1,496	7,233
Other operating income	1,418	18	386	230	818	2,870
Inter-segment other operating income	–	–	–	–	1,524	1,524
Segment revenue	<u>416,513</u>	<u>9,279</u>	<u>12,210</u>	<u>11,945</u>	<u>32,535</u>	<u>482,482</u>
Segment results						
Profit before tax	<u>8,290</u>	<u>809</u>	<u>641</u>	<u>1,368</u>	<u>1,314</u>	<u>12,422</u>
Segment results included:						
Share of profits (losses) of jointly controlled entities	110	(4)	64	–	–	170
Share of (losses) profits of associates	(182)	5	9	–	(2)	(170)
Interest income	1,271	13	17	120	114	1,535
Interest expenses	(1,468)	(61)	(52)	(244)	(907)	(2,732)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

A reconciliation of the amounts presented for reportable and operating segments to the consolidated financial statements is as follows:

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

Notes:

- (a) Sales tax is included in operating expenses under segment reporting and is classified as a reduction against revenue in the consolidated statement of comprehensive income.
- (b) Other operating income is included in revenue under segment reporting and is classified as other income in the consolidated statement of comprehensive income.
- (c) Land appreciation tax is included in operating expenses under segment reporting and is classified as income tax expense in the consolidated statement of comprehensive income.

*Segment assets and liabilities*

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total segments RMB million
<b>At 31 December 2011</b>						
<b>ASSETS</b>						
Segment assets	<u>313,993</u>	<u>11,092</u>	<u>18,407</u>	<u>81,818</u>	<u>82,407</u>	<u>507,717</u>
Segment assets included:						
Interests in jointly controlled entities	547	58	176	–	1	782
Interests in associates	<u>2,466</u>	<u>26</u>	<u>50</u>	<u>24</u>	<u>390</u>	<u>2,956</u>
<b>LIABILITIES</b>						
Segment liabilities	<u>271,218</u>	<u>6,195</u>	<u>12,411</u>	<u>58,184</u>	<u>64,541</u>	<u>412,549</u>
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total segments RMB million
<b>At 31 December 2010 (Restated)</b>						
<b>ASSETS</b>						
Segment assets	<u>277,288</u>	<u>7,750</u>	<u>16,757</u>	<u>55,433</u>	<u>60,912</u>	<u>418,140</u>
Segment assets included:						
Interests in jointly controlled entities	501	52	197	–	1	751
Interests in associates	<u>3,699</u>	<u>16</u>	<u>41</u>	<u>26</u>	<u>354</u>	<u>4,136</u>
<b>LIABILITIES</b>						
Segment liabilities	<u>236,077</u>	<u>5,163</u>	<u>11,596</u>	<u>37,116</u>	<u>44,208</u>	<u>334,160</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets and current income tax recoverable excluding prepaid land appreciation tax which is allocated to operating segments; and
- all liabilities are allocated to operating segments other than deferred tax liabilities and current income tax liabilities excluding land appreciation tax payable which is allocated to operating segments.

A reconciliation of the amounts presented for reportable and operating segments to the consolidated financial statements is as follows:

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

*Note:*

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

*Other segment information*

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Consolidated RMB million
<b>Year ended 31 December 2011</b>						
Capital expenditure:						
Property, plant and equipment	5,740	453	1,275	112	3,297	10,877
Lease prepayments	277	120	81	–	372	850
Investment properties	15	–	–	7	39	61
Intangible assets	30	20	–	1	850	901
Mining assets	–	–	–	–	83	83
Acquisition of subsidiaries	–	–	–	846	8,112	8,958
<b>Total</b>	<b>6,062</b>	<b>593</b>	<b>1,356</b>	<b>966</b>	<b>12,753</b>	<b>21,730</b>
Depreciation and amortisation:						
Property, plant and equipment	4,791	207	257	76	344	5,675
Lease prepayments	137	8	15	6	16	182
Investment properties	1	3	1	26	114	145
Intangible assets	18	5	4	3	333	363
Mining assets	–	–	–	–	4	4
	<b>4,947</b>	<b>223</b>	<b>277</b>	<b>111</b>	<b>811</b>	<b>6,369</b>
Gain on disposal and/or write- off of property, plant and equipment	(7)	–	–	–	–	(7)
Gain on disposal and/or write- off of lease prepayments	(7)	–	–	–	–	(7)
Allowance for foreseeable loss on construction contracts	171	–	–	–	–	171
Impairment loss on trade and other receivables	266	20	24	(4)	28	334
Impairment loss on other loans and receivables	111	–	–	–	–	111
Impairment loss on inventories	11	–	2	–	(6)	7

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Consolidated RMB million
Year ended 31 December 2010 (Restated)						
Capital expenditure:						
Property, plant and equipment	7,283	491	992	136	560	9,462
Lease prepayments	113	29	33	56	805	1,036
Investment properties	–	–	–	–	104	104
Intangible assets	1,755	7	10	1	1,960	3,733
Mining assets	–	–	–	–	117	117
Acquisition of subsidiaries	258	34	–	–	4,487	4,779
<b>Total</b>	<b>9,409</b>	<b>561</b>	<b>1,035</b>	<b>193</b>	<b>8,033</b>	<b>19,231</b>
Depreciation and amortisation:						
Property, plant and equipment	3,894	159	235	46	248	4,582
Lease prepayments	148	5	14	6	10	183
Investment properties	12	1	1	6	62	82
Intangible assets	52	5	8	2	187	254
Mining assets	–	–	–	–	7	7
	<b>4,106</b>	<b>170</b>	<b>258</b>	<b>60</b>	<b>514</b>	<b>5,108</b>
Gain on disposal and/or write- off of property, plant and equipment	(2)	–	–	–	–	(2)
Gain on disposal and/or write- off of lease prepayments	(54)	–	–	–	–	(54)
Gain on disposal and/or write- off of intangible assets	(30)	–	–	–	–	(30)
Impairment loss on property, plant and equipment	–	–	–	–	9	9
Allowance for foreseeable loss on construction contracts	42	–	–	–	–	42
Impairment loss on trade and other receivables	369	6	18	8	24	425
Impairment loss on other loans and receivables	166	–	–	–	–	166

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

### *Revenue from major customers*

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

## **6. Other Income and Expenses**

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

### *Notes:*

- (a) *Government subsidies related to expenses include various government subsidies received by the group entities from relevant government bodies in connection with enterprise expansion, technology advancement, environmental protection measures enhancement and product development etc. All subsidies were recognised at the time the Group fulfilled the relevant criteria.*

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

- (b) *The amounts mainly represent compensation received from counter-parties who have breached the relevant agreements.*
- (c) *The balances comprise profits from sundry operations incidental to the main revenue-generating activities of the Group including sales of materials, rental income, transportation income and hotel operation income etc.*

## 7. Other Gains and Losses

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

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

## 8. Income Tax Expense

	2011 RMB million	2010 RMB million
Current tax		
Enterprise Income Tax (“EIT”) in Mainland China	2,790	2,026
Land Appreciation Tax (“LAT”)	397	124
Underprovision in prior years	34	51
Deferred tax	(463)	136
	<u>2,758</u>	<u>2,337</u>

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

Pursuant to the relevant laws and regulations in Mainland China, the statutory EIT rate of 25% (2010: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 12.5%, 15%, 20% or 24% (2010:15% or 22%) for the year ended 31 December 2011.

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

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

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

## 9. Earnings per Share

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

No diluted earnings per share are presented as there are no potential ordinary shares outstanding during both years.

## 10. Dividend

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

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

## 11. Trade and Other Receivables

The majority of the Group's revenue is generated through construction projects and settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. For sales of products, a credit period of 180 days is normally granted to large or long-established customers with good repayment history. Receivables from small, new or short-term customers are normally expected to be settled shortly after provision of services or delivery of goods.

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

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

Included in trade and bills receivables are retention receivables of RMB42,433 million (2010: RMB34,917 million). Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts at the reporting date, based on invoice date:

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

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

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

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

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

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

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

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

## 12. Trade and Other Payables

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

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

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

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

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

## **8 AUDIT COMMITTEE**

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2011.

## **9 DIVIDENDS**

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

## **10 REPURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company or any of its subsidiaries did not sell any securities of the Company, nor did it repurchase or redeem any of the securities of the Company during the year ended 31 December 2011.

## **11 COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

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

## **12 PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

The Board of Directors of the Company proposes to make certain amendments to the articles of association of the Company (the “**Articles**”) to reflect, among other matters, certain amendments to the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong and relevant laws and regulations of the PRC. The proposed amendments to the Articles are subject to approval by the shareholders of the Company by way of a special resolution at the 2011 annual general meeting. A circular containing, among other things, details of the proposed amendments to the Articles together with a notice convening the 2011 annual general meeting will be despatched to the shareholders as soon as practicable.

### **13 PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement will be released on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.crec.cn](http://www.crec.cn)). The 2011 Annual Report prepared in accordance with the IFRS will be released on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.crec.cn](http://www.crec.cn)). The 2011 Annual Report and its abstract prepared in accordance with CAS will be released on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the website of the Company ([www.crec.cn](http://www.crec.cn)).

By Order of the Board  
**China Railway Group Limited**  
**Yu Tengqun      Tam Chun Chung**  
*Joint Company Secretaries*

30 March 2012

*As at the date of this announcement, the executive directors of the Company are LI Changjin (Chairman), BAI Zhongren and YAO Guiqing; the non-executive director is HAN Xiuguo; and the independent non-executive directors are HE Gong, GONG Huazhang, WANG Taiwen and SUN Patrick.*