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

ANNUAL REPORT 2014

RAILWAY CONSTRUCTION

Completed a total track laying length of railway main lane of **4,876** kilometers in 2014

MUNICIPAL WORKS

Completed a total laying length of light railways and subway lines construction of **201** kilometers in 2014

HIGHWAY CONSTRUCTION

Completed a total length of highway construction of

1,083 kilometers in 2014

NEW CONTRACTS

New contracts entered into in 2014 reached

RMB934.61 billion

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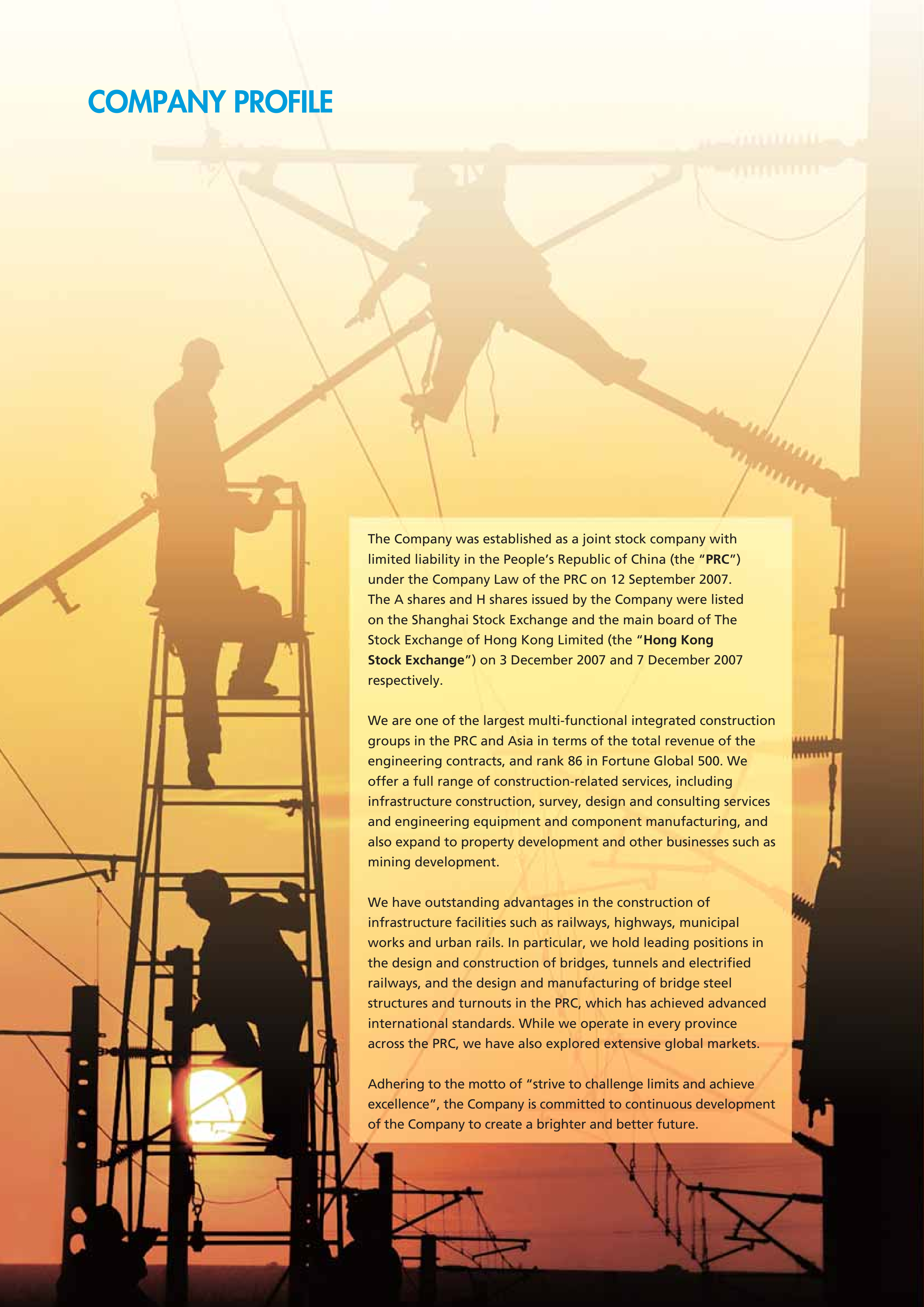
COMPANY PROFILE



The Company was established as a joint stock company with limited liability in the People's Republic of China (the "**PRC**") under the Company Law of the PRC on 12 September 2007. The A shares and H shares issued by the Company were listed on the Shanghai Stock Exchange and the main board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 3 December 2007 and 7 December 2007 respectively.

We are one of the largest multi-functional integrated construction groups in the PRC and Asia in terms of the total revenue of the engineering contracts, and rank 86 in Fortune Global 500. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to property development and other businesses such as mining development.

We have outstanding advantages in the construction of infrastructure facilities such as railways, highways, municipal works and urban rails. In particular, we hold leading positions in the design and construction of bridges, tunnels and electrified railways, and the design and manufacturing of bridge steel structures and turnouts in the PRC, which has achieved advanced international standards. While we operate in every province across the PRC, we have also explored extensive global markets.

Adhering to the motto of "strive to challenge limits and achieve excellence", the Company is committed to continuous development of the Company to create a brighter and better future.

FINANCIAL SUMMARY

Summary of Consolidated Statement of Profit or Loss

	For the year ended 31 December					Change
	2014	2013	2012	2011	2010	2014 vs 2013
	RMB million					(%)
Revenue						
Infrastructure Construction	**518,022**	456,272	396,906	392,540	416,513	13.5
Survey, Design and Consulting Services	**10,265**	9,180	9,069	8,926	9,279	11.8
Engineering Equipment and Component Manufacturing	**14,519**	13,711	11,464	11,147	12,210	5.9
Property Development	**29,255**	27,566	20,175	17,135	11,945	6.1
Other Businesses	**54,963**	68,958	56,432	42,211	32,535	–20.3
Inter-segment Eliminations and Adjustments	**(36,858)**	(35,293)	(28,421)	(29,743)	(26,320)	
Total	**590,166**	540,394	465,625	442,216	456,162	9.2
Gross Profit	**48,515**	40,340	35,561	32,253	27,143	20.3
Profit before Tax	**16,233**	14,819	11,130	10,086	10,548	9.5
Profit for the Year	**10,676**	10,075	8,069	7,310	8,211	6.0
Profit for the Year attributable to Owners of the Company	**10,262**	9,374	7,390	6,760	7,398	9.5
Basic Earnings per Share (RMB)	**0.482**	0.440	0.347	0.317	0.347	9.5

Summary of Consolidated Statement of Financial Position

	As at 31 December					Change
	2014	2013	2012	2011	2010	2014 vs 2013
	RMB million					(%)
Assets						
Current Assets	**545,525**	503,090	434,855	360,099	298,732	8.4
Non-current Assets	**137,353**	124,940	115,806	108,602	92,867	9.9
Total Assets	**682,878**	628,030	550,661	468,701	391,599	8.7
Liabilities						
Current Liabilities	**471,140**	420,242	366,119	305,572	264,980	12.1
Non-current Liabilities	**102,844**	111,158	96,552	82,598	52,501	–7.5
Total Liabilities	**573,984**	531,400	462,671	388,170	317,481	8.0
Total Equity	**108,894**	96,630	87,990	80,531	74,118	12.7
Total Equity and Liabilities	**682,878**	628,030	550,661	468,701	391,599	8.7

STRIVE TO CHALLENGE LIMITS AND CHIEVE EXCELLENCE

As one of the largest integrated construction groups in China and Asia, we are committed to improving construction technique, strengthening quality controls and enhancing the standard of project management to create a brighter prospect for shareholders and a better living environment for the general public.

CHAIRMAN'S REPORT

LI Changjin • *Chairman and Executive Director*

Dear Shareholders,

The Group has committed unyielding efforts to forge ahead through the hardships it faced last year. In 2014, the Group made remarkable achievements driven by the ever-challenging tasks of reform and development by focusing more energy and working at a most intense pace. Looking back at the year 2014, with a grave sense of responsibility and mission, we actively confronted the complicated and ever-changing domestic and global economic situations, standardised our corporate governance, ensured that our operations abide by all relevant laws, deepened reforms, and remained innovation-driven. Corporate governance was restructured to become more highly effective, we enhanced our ability to manage and control our operations, expedite the integration of assets and financing, and constantly made innovations in our modes of business. We have accomplished all these major tasks in production and operations. Our key economic indicators once again suggest that we have achieved historical highs, and have written a new and colorful chapter in our history, with the Company ranking 86th among the top 500 companies in the world by "Fortune" in 2014.

We reap what we sow. In retrospect, 2014 made us particularly proud. For the past year, we firmly grasped opportunities arising from strategic objectives that included the infrastructure construction targets and the central government's implementation of the "One Belt and One Road" policy. We actively sought development by deepening reforms, and promoting industry transformation and upgrade. We also enhanced our efficiency through scientific innovation and detailed management. The synergistic development of construction and production, survey and design, research and development of technology, manufacture of equipment, development of real estates, licensed operations, and finance operations of the Company were implemented in an orderly fashion. A series of significant and challenging construction projects featuring advanced design concepts, complicated structures and forms, complex technology and high levels of difficulty in construction, were completed as scheduled, demonstrating our leading position in the industry. We are sincerely thankful for the recognition from all sectors of society, the considerable support and assistance from all of the Company's shareholders, as well as the dedication and commitment of our staff. In particular, Party and State leaders such as Xi Jinping and Li Keqiang, who paid multiple visits to China Railway, expressed their trust in the Group. Their endorsement provides the utmost encouragement and motivation to us in our future development.

With the courage to leap, we begin a new chapter; with the pursuit for excellence, we made remarkable achievements. This year, which marks the final year of the "12th Five-Year Plan", the new session of board of directors, supervisory committee and management of the Company will maintain its unshakable confidence in deepening reforms and engaging in scientific development, aims to become a stronger world-class company. We will capitalise on the deepening of reforms to grasp valuable opportunities for development. In order to realise our strategic goals, we will follow the guidelines of "understanding the new normal, adjusting to the new normal and developing under the new normal", engage in the strategic deployment of "big four segments" and "three pillars", and focus on the principles of "seizing opportunities while sustaining growth, deepening reforms while accelerating transformation, strengthening management while enhancing efficiency and controlling risks while maintaining stability". In addition, we will continue to work hard to achieve further development and better results so as to serve society, repay our shareholders and care for our employees. Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders and the general public for their concern and support, and to thank our employees for their selfless devotion and hard work in the past year.

LI Changjin
Chairman

Beijing, China
30 March 2015

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Changes in Share Capital

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

II. Issue of Securities and Listing

Not applicable

III. Information of Shareholders and the Ultimate Controller

1. Number of Shareholders

The total number of shareholders as at the end of the reporting period	765,436
The total number of shareholders at the end of the fifth trading day prior to the disclosure date of the A shares annual report	859,594
The total number of shareholders of preference shares with recovered voting rights as at the end of the reporting period	0
The total number of shareholders of preference shares with recovered voting rights at the end of the fifth trading day prior to the disclosure date of the A shares annual report	0

2. Shareholdings of the top ten shareholders, top ten shareholders of tradable shares (or shareholders without selling restrictions)

Unit: Shares

Top ten shareholders							
Name of shareholder (full name)	Increase/ decrease during the reporting period	Total number of shares held	Shareholding percentage (%)	Number of shares with selling restrictions	Number of pledged or frozen shares: Condition of shares	Number of pledged or frozen shares: Quantity	Nature of shareholder
CRECG	0	11,950,010,000	56.1	0	Nil	0	State-owned
HKSCC Nominees Limited *(Note 1)*	+5,962,696	4,148,478,205	19.4	0	Nil	0	Other
No. 3 Transfer Account of National Council for Social Security Fund	0	467,500,000	2.2	0	Nil	0	Other
Hong Kong Securities Clearing Company Limited *(Note 2)*	+49,686,338	49,686,338	0.2	0	Nil	0	Other
CSOP Asset Management Limited – CSOP FTSE China A50 ETF	+44,212,100	44,212,100	0.2	0	Nil	0	Other
Bank of China – Harvest SSE-SZSE 300 Tradable Open-ended Index Securities Investment Fund	+9,735,312	37,323,562	0.2	0	Pledged	267,300	Other
Industrial and Commercial Bank of China Co., Ltd – Huatai Bairui SSE-SZSW 300 Tradable Open-ended Index Securities Investment Fund	+13,545,239	27,766,204	0.1	0	Nil	0	Other
Bill & Melinda Gates Foundation Trust	0	25,000,090	0.1	0	Nil	0	Other
Industrial and Commercial Bank of China – Invesco Great Wall Selected Blue Chip Equity Securities Investment Fund	+24,000,000	24,000,000	0.1	0	Nil	0	Other
Abu Dhabi Investment Authority	+23,364,434	23,364,434	0.1	0	Nil	0	Other

Top ten shareholders of tradable shares without selling restrictions			
Name of shareholder	Number of tradable shares without selling restrictions	Type and quantity of shares Type	Quantity
CRECG	11,950,010,000	RMB-denominated ordinary shares	11,950,010,000
HKSCC Nominees Limited *(Note 1)*	4,148,478,205	Overseas listed foreign shares	4,148,478,205
No. 3 Transfer Account of National Council for Social Security Fund	467,500,000	RMB-denominated ordinary shares	467,500,000
Hong Kong Securities Clearing Company Limited *(Note 2)*	49,686,338	RMB-denominated ordinary shares	49,686,338
CSOP Asset Management Limited – CSOP FTSE China A50 ETF	44,212,100	RMB-denominated ordinary shares	44,212,100
Bank of China – Harvest SSE-SZSE 300 Tradable Open-ended Index Securities Investment Fund	37,323,562	RMB-denominated ordinary shares	37,323,562
Industrial and Commercial Bank of China Co., Ltd – Huatai Bairui SSE-SZSW 300 Tradable Open-ended Index Securities Investment Fund	27,766,204	RMB-denominated ordinary shares	27,766,204
Bill & Melinda Gates Foundation Trust	25,000,090	RMB-denominated ordinary shares	25,000,090
Industrial and Commercial Bank of China – Invesco Great Wall Selected Blue Chip Equity Securities Investment Fund	24,000,000	RMB-denominated ordinary shares	24,000,000
Abu Dhabi Investment Authority	23,364,434	RMB-denominated ordinary shares	23,364,434
Statement on the related relations and concerted actions between the shareholders above:	CRECG, the controlling shareholder, does not have related relations or perform concerted actions with the above other nine shareholders. The Company is not aware of any related 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: A shares held by Hong Kong Securities Clearing Company Limited are held on behalf of its various Southbound Investors of the Company.

Note 3: The numbers shown in the table are based on the register of members of the Company as at 31 December 2014.

As of the end of the reporting period, all of the 21,299,900,000 shares of the Company are tradable without selling restrictions.

3. Strategic investors or general legal persons becoming the top ten shareholders by placing new shares

No strategic investor or general legal person becomes the top ten shareholders by placing new shares during the reporting period.

IV Information on Controlling Shareholder and the Ultimate Controller

1. Details of controlling shareholder

(1) Legal person

Name of controlling shareholder:	China Railway Engineering Corporation
Legal representative:	LI Changjin
Date of establishment:	7 March 1990
Organisation code:	10201654-8
Registered capital:	RMB11,405,415,000
Principal business:	Construction works, related engineering technological research, survey, design, services, manufacturing of specialised equipment and development and operation of real estate.
Future development strategy:	CRECG will conscientiously perform its obligations as an investor, and complete various tasks including equity management and asset management.
Details of controlling interests and investments in other domestic and foreign-listed companies during the reporting period:	Nil
Other information	Nil

(2) Special explanation that the Company does not have any controlling shareholder

Not applicable

(3) Details of the index and the date of changes of the ultimate controller during the reporting period

Not applicable

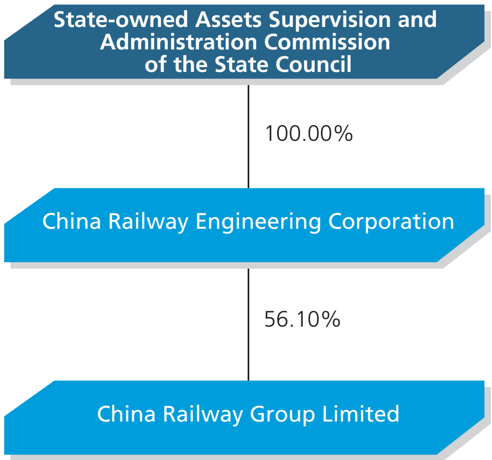
2. Details of ultimate controller

Ultimate controller – State-owned Assets Supervision and Administration Commission of the State Council, which is the ministry level institution directly under the State Council, and 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. The State-owned Assets Supervision and Administration Commission is authorised by the State Council to perform its duties as an investor on behalf of the State. The scope of supervision of the State-owned Assets Supervision and Administration Commission extends to the state-owned assets of central government owned enterprises (excluding financial enterprises). Currently, the State-owned Assets Supervision and Administration Commission is holding 100% of the shares of CRECG.

(1) Details of the index and the date of changes of the ultimate controller during the reporting period

Not applicable

(2) The interests and controlling relationships between the Company and the ultimate controller



(3) The ultimate controller controlled the Company through a trust or other asset management company

Not applicable

3. Other information of the controlling shareholder and the ultimate controller

Not applicable

V. Other Legal Person Shareholders with Shareholding of over 10%

As at the end of the reporting period, save for 10% for HKSCC Nominee Limited, there were no other legal person shareholders of the Company with shareholding of over 10%.

BUSINESS OVERVIEW

DAI Hegen • *Executive Director and President*

The Group is one of the largest multi-functional integrated construction groups both in the PRC and Asia, which enables us to offer a full range of construction, design and industrial products related services to our customers. The Group holds a leading position in fields such as infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing both in the PRC and Asia. Leveraging on our traditional platform in infrastructure construction, the Group further integrated and expanded into other businesses such as property development and mining development in order to increase our profitability.

I. Industry Development Overview

1. Infrastructure Construction

In 2014, the State pushed forward the policies on an inter-connected network of infrastructural facilities, "One Belt and One Road", Beijing and Tianjin regions coordinated development and Yangtze River Economic Belt, continuously improved efficiency and quality of foreign investment and promoted the international development of priority industries. Meanwhile, the State stepped up its efforts in the construction of key projects, and implemented and moved forward the overall planning for a number of key projects in respect of railway in mid-west, urban infrastructure, general aviation airports, water conservancy projects and environment protection in the central and western regions.

In 2014, the State sustained more efforts in fixed asset investment, the investment in railways, highways and waterways for the whole year was approximately RMB2,500 billion, of which the fixed asset investment in railway was RMB808.8 billion, representing a year-on-year increase of 21.8%, new railway operating mileage was 8,427 kilometers. Highway maintained its good momentum with new highway mileage of 93,800 kilometers for the whole year, 7,450 kilometers of which was for expressway. The State continued to promote urbanisation construction through overall enhancement in urban infrastructure construction, in particular the construction of high-capacity public transport such as subway and light rail, which contributed to 409 kilometers for new urban rail transit lines for the whole year.

2. Survey, Design and Consulting Services Business

The increase of China's infrastructure construction investment in 2014 also contributed to the development of survey, design and consulting services industry, which remains in strong developing momentum.

3. Engineering Equipment and Component Manufacturing Business

The added value of large-scale industries recorded a year-on-year increase of 8.3% in 2014, among which added values of railway, ship, aircraft, aerospace and other transportation equipment manufacturers increased by 12.7% (2013: 4.8%).

4. Property Development Business

China's investment in property development was RMB9,503.6 billion in 2014, representing a year-on-year nominal increase of 10.5% (actual increase of 9.9%, net of price factor), and a decrease in growth of 9.3 percentage points as compared with 2013, among which investment in residential buildings was RMB6,435.2 billion, representing a year-on-year increase of 9.2%; the sales area of commodity housing was 1,206.49 million square meters, representing a year-on-year decrease of 7.6%, and the sales of commodity housing was RMB7,629.2 billion, representing a year-on-year decrease of 6.3%.

II. Business Development Overview

In 2014, the management of the Group embraced the opportunity to expand and firmly followed the core notion of "emphasising reforms while changing the mechanism, strengthening management while enhancing efficiency, making refinements to facilitate the implementation, and controlling risks while maintaining stability". With great determination and strong initiatives, the Group conducted an in-depth reform on 16 projects and 60 tasks in full swing, speeded up systematic innovation and mechanism transformation, proactively changed operation philosophy, created a new operating model, increased the quality of its operations, and exercised stringent control on operational risk, thereby pushing forward the harmonious development of three principle businesses, being domestic operation, international operation and industrial investment. Furthermore, the Group achieved an ongoing management improvement due to its full focus on refined project management and increased efforts in the development and reform of its operating personnel, and experienced a new round of internal reorganisation to further optimise the resource allocation. The Group outperformed in respect of every operating indicator for the full year through its strengthened efforts in the integration of different segments with the financial sector, and innovated business operating mode, which drove up its market competitiveness.

The following table sets out the details of new contracts entered into by the Group in 2014:

Unit: '00,000,000 Currency: RMB

	Amount of new contracts		
Business Segment Category	**2014**	2013	Year-on-year Change
Infrastructure construction business	**7,082.1**	7,312.7	–3.2%
– railway	**2,488.8**	2,169.0	14.7%
– highway	**947.2**	1,078.0	–12.1%
– municipal works and others	**3,646.2**	4,065.7	–10.3%
Survey, design and consulting services business	**134.2**	135.3	–0.8%
Engineering equipment and component manufacturing business	**226.9**	185.7	22.2%
Property development business	**317.9**	321.3	–1.1%
Other business	**1,585.0**	1,341.5	18.2%
Total	**9,346.1**	9,296.5	0.5%

In 2014, the Group's new contract value basically maintained at the same level as that of last year. At the same time as capturing the opportunities from infrastructure market firmly, the Group no longer simply pursued for the overall scale of new contracts but placed more emphasis on the quality of new contracts. This helped the Group maintain its development in a healthier and more efficient way. Meanwhile, the Group strengthened its market shares in such fields as railways, highways and urban rail in an active manner, and further extended its reach into the markets in respect of water and electricity, airports, waterways and eco-environment protection with a view to achieving regional operations and increasing its market shares.

As at 31 December 2014, the Group's contract backlog was abundant, amounting to RMB1,801.02 billion, representing a year-on-year increase of 5%, among which infrastructure construction business was RMB1,450.78 billion, representing a year-on-year growth of 4.7%; survey, design and consulting services business was RMB21.69 billion, representing a year-on-year increase of 3.4%; engineering equipment and component manufacturing business was RMB20.77 billion, representing a year-on-year growth of 7.2%.

1. Infrastructure Construction Business

The revenue of infrastructure construction business of the Group was RMB518.022 billion in 2014, representing a year-on-year growth of 13.5%. The value of new contracts amounted to RMB708.21 billion, representing a year-on-year decrease of 3.2%. As of 31 December 2014, the Group's contract backlog of infrastructure construction business was RMB1,450.78 billion, representing a year-on-year increase of 4.7%.

(1) Railway Construction

The value of new contracts of railway construction of the Group amounted to RMB248.88 billion in 2014, representing a year-on-year growth of 14.7%. The market shares of tier-one railway market reached 46%. As at 31 December 2014, the Group's contract backlog of railway construction was RMB530.29 billion. The Group completed track laying of 4,876 kilometers of main railway line (new tracks and double tracks) and 5,961 kilometers of the main line of the electrified railway network in total. A number of key railway projects such as Lanzhou-Xinjiang high speed railway, Guiyang-Guangzhou high speed railway, Nanning-Guangzhou high speed railway and Hangzhou-Changsha high speed railway completed and commissioned, making great contribution to the railway development of our country.

(2) Highway Construction

The value of new contracts of highway construction of the Group amounted to RMB94.72 billion in 2014, representing a year-on-year decrease of 12.1%. As at 31 December 2014, the Group's contract backlog of highway construction was RMB202.88 billion. The Group completed 1,083 kilometers of highway construction in total, of which 703 kilometers was construction of expressway, representing approximately 10% of national completed expressway mileage. A number of highways, such as Guazhou-Dunhuang freeway, Shanghai-Chengdu freeway, Sichuan Suining-Ziyang-Meishan freeway commissioned successively. Hongtushan tunnel, the controlling project of Yushu-Qumalai highway, line S308 in Qinghai Province completed successfully, and Wuhan Yingwuzhou Yangtze River Bridge undertaken by the Group completed and commissioned.

(3) Municipal Works and Other Construction

The value of new contracts of municipal works and other construction of the Group amounted to RMB364.62 billion in 2014, representing a year-on-year decrease of 10.3%, among which the value of new contracts for urban rail construction amounted to RMB129.24 billion, representing a year-on-year growth of 13.8% and a market share of approximately 50%. As at 31 December 2014, the Group's contract backlog of municipal works and other construction reached RMB717.61 billion, among which the contract backlog for urban rail construction amounted to RMB227.95 billion. In 2014, the Group involved in the construction of urban light rail and metro lines, among which civil engineering and laying works accounted for 181 kilometers and 201 kilometers respectively. A number of key and difficult projects, such as Beijing Metro, Shenzhen Metro, Zhengzhou Metro, Chengdu Metro and Shijiazhuang Metro constructed by the Group were in smooth progress.

2. Survey, Design and Consulting Services Business

In 2014, the revenue of survey, design and consulting services business of the Group was RMB10.265 billion, representing a year-on-year increase of 11.8%; the value of new contracts amounted to RMB13.42 billion, substantially the same as last year. As of 31 December 2014, the Group's contract backlog of survey, design and consulting services business was RMB21.69 billion. In 2014, the Group organised and completed 86 pre-planning and the pre-feasibility studies for railway projects such as "13th Five-Year Plan"of railways in Southwest Region, creating favorable conditions for the future implementation of such projects. The Group obtained a major scientific and technical project from China Railway Corporation, which the research on key technologies applied in the construction of Sichuan-Tibet Railway and implemented the mode of "through-train technology and innovation" for major projects such as Chengdu-Lanzhou Railway and Sichuan-Tibet Railway. A series of trial specialised researches were carried out in respect of key technologies such as the "integrated survey technology for railway projects in alpine-cold depopulated zone", high ground stress and soft rock deformation. The Group also participated in the survey and design for a number of projects including Chongqing-Guang'an Section of Beijing-Kunming Expressway Double Track and Duwen Jialing River Bridge of Nanchong etc. Feasibility study with regard to the extended line of Phase I of Changchun Rail Line 3 as well as consultation and valuation for projects such as the review of the construction drawing of the capacity expansion revamping project of Nanping-Longyan Railway was conducted.

3. Engineering Equipment and Component Manufacturing Business

In 2014, the Group's revenue on engineering equipment and component manufacturing business was RMB14.519 billion, representing a year-on-year increase of 5.9%; the value of new contracts amounted to RMB22.69 billion, representing a year-on-year increase of 22.2%. As at 31 December 2014, the Group's contract backlog of engineering equipment and component manufacturing business was RMB20.77 billion. The respective market share of large bridge steel structures and passenger railway and high-speed turnouts was more than 70%. As the country's largest and the world's second largest shield developer and manufacturer, the Group greatly improved its production and operation capacity in shields, and equipped itself with an annual production capacity of 60 units of shields. 43 units of shields were sold and 35 were manufactured in 2014. Meanwhile, while continuing to consolidate the existing domestic shield market, the Group stepped further into the international market, selling its shield products to countries such as Malaysia and Singapore.

4. Property Development Business

In 2014, the Group not only proactively responded to the early adjustment of restrictive policies on real estate purchase and loans, integrated development resources, but also slowed down pace of investment, accelerated construction progress and enhanced sales and marketing efforts. The completed gross floor area for the year was 3.19 million square meters, representing a year-on-year decrease of 8.9%. Sales amounted to RMB26.8 billion, representing a year-on-year decrease of 19.3% while sales area was 2.75 million square meters, representing a year-on-year decrease of 25.1%. RMB29.255 billion of revenue was realised, representing a year-on-year growth of 6.1%. Despite the fact that the national real estate climate index was experiencing a downward trend in general, Beijing Nobel Center Phase II, Guangzhou Panyu Nobel Mingdu, Shenzhen Bantian China Railway Nobel, Wuhan Bairuijing Central Business District, Shanghai Qingpu China Railway Yidu, Tianjin Nobel Center achieved satisfactory sales results. As at 31 December 2014, the Group had a total of 126 property development projects. The project area under development of the Group amounted to 25.68 million square meters with a gross floor area of 47.92 million square meters. Land reserve area and gross floor area available for development was 13.29 million square meters and 20.73 million square meters respectively.

5. Other Businesses

In 2014, the Group's other businesses realised revenue of RMB54.963 billion, representing a year-on-year decrease of 20.3%. Affected by a continuing decline in global commodity prices and demand for energy, mining development faced great challenges. Nevertheless, mining development projects such as MKM Copper-Cobalt Mine, Luishia Copper-Cobalt Mine and Cobalt-Salt Mine in Congo successively entered a better operational state. The overall operation of expressway projects remained satisfactory with continuous increase in revenue. The revenue scale of merchandise trading business decreased as a result of business focus on purchase of commodities for the Group. Type and scale of trust-related products issued increased continuously in view of rapid development in financial business and increasing market demands. The newly established finance company operated smoothly.

III. Technology Research Development and Technological Achievements

In 2014, the Group actively implemented the technology development planning stated in "12th Five-Year Plan". Extensive use of new technologies, new processes, new materials and new equipment played an important role in the Group's business development and the overall improvement of project and product quality. The strategy of development through technology substantially increased the Group's technology innovation capability. In 2014, 957 new research projects were developed by the Group, with support from national funds amounting to RMB28.52 million.

In 2014, the operation and management of the Group's National Engineering Laboratory of High Speed Railway Construction, National Key Laboratory of Shield Tunneling and Drilling Technology, Postdoctoral Work Stations, Corporate Technology Center, BIM Technology Application, Research and Development Center and professional research and development centers of bridges, tunnels, electrification, advanced engineering materials and inspection technology, railways and construction equipment ran smoothly. 578 scientific and technological achievements passed the appraisal, assessment, or acceptance test. New intelligent control technology in train braking response of long-span floating railway cable-stayed bridge was awarded National Technological Invention Prize. 2 scientific achievements, namely, package technology and application for safety risk control of metro construction and upgraded projects of China Railway innovative system, were rewarded National Advanced Science and Technology Prizes. The Group won 283 Provincial Advanced Science and Technology Prizes, including nationally recognised awards organised by the masses, 49 Provincial Surveying and Design Awards, 11 Provincial Consulting Achievement Awards. The Group was granted 904 patents, 197 of which were invention patents and the valid patents ranked first among the front runners among the construction enterprises in China. 39 National-level Engineering Methods and 238 Provincial-level Engineering Methods were obtained. The Group also participated in the preparation of 10 national technical standards and 87 industrial technical standards.

IV. Prospects

The State coordinated and implemented the strategies of "Four developing regions" and "Three supporting belts", which provided new growth and development opportunities for the infrastructure market. In terms of railway construction, the investment in 2015 will stay over RMB800 billion, with newly operated mileage over 8,000 kilometers. The continuously intensified revolution of the investment and financing system gradually perfects the financing platform for railway development funds. At the same time, the Going Out Strategy of China's High Speed Railway provides new opportunities for the Group's expansion in international market. With regard to highway construction, the country will push forward the implementation of National Highway Network Planning, placing emphasis on the actual construction of national highway network with the guidance of investment policy. Meanwhile, more efforts will be put in the reconstruction of national and provincial highways to speed up the construction of roads with dead end and overly narrow width. As for city infrastructure, New Urbanisation Plan (2014-2020) issued by the State clearly states that importance should be attached to pressing onward new urbanisation construction, enhancing comprehensive transportation network support, reconstructing and upgrading the function of urban center, improving urban basic public service, enhancing the construction of municipal utilities and public services, continuing with the construction of large-capacity public transportation system like metro, light rail etc. with scientific and orderly steps, raising the integration level of the comprehensive transportation of city clusters. Meanwhile, with the integration of infrastructures and the emergence of numerous investment opportunities for new technologies, new products, new industrial states and new commercial patterns, the country's investment and financing system of key innovation areas encourages investment from all circles of the society. Guidelines on how to practice Public – Private – Partnership (PPP), as well as many investment projects which encouraged participation from private funds had been introduced to promote the key role of the investment. The aforesaid indicates a positive prospect for infrastructure in 2015, which has created favorable policy environment and business opportunities for the Group's future development.

On the other hand, during the development process, as downward pressure on economy is mounting in the PRC, more and more fundamental conflicts are protruding, and the conflict resulting from excess capacity is ever-increasing. As in-depth adjustment in real estate market and mining market continues, the supply-and-demand conflict is increasing severe due to high inventory and low sales-through rate in real estate market. Though many local governments hold back their active regulation and control over the real estate market, followed by a series of policies in relation to cancelling purchase restrictions and encouraging purchase, conflict between supply and demand and a lack of confidence for house buyers still exist. Meanwhile, the country intensifies its efforts to clear the financing platform of local governments, hitting the development of some leading businesses such as enterprise infrastructure investment and real estate to a certain extent. Moreover, the policy regarding the replacement of business tax with value-added tax for construction industry is about to take effect. All the above mentioned conditions expose the development of enterprises to more difficult challenges.

Generally, the future development of construction market remains substantially the same. The Group is still experiencing a significant period in terms of strategies and opportunities. Therefore, we are confident and determined in the promotion of sustainable development of the Company.

V. Operation Plan

In 2015, the Group plans to achieve total revenue of approximately RMB590.0 billion, costs of operation of approximately RMB525.6 billion, aggregate of selling, administrative and finance expenses of approximately RMB30.0 billion. It is estimated that the amount of new contracts to be entered into will be approximately RMB750.0 billion. The Group will promptly adjust its operation plan to suit market conditions and to reflect the actual implementation of the plan.

In 2015, the Group's estimated that the total fund for investment will be RMB81.5 billion, of which RMB10.1 billion is for capital expenditure, RMB57.1 billion is for industrial investment and RMB14.3 billion is for financial and equity investment. Hence, the Group will strengthen the fund centralisation effort to increase the efficiency and effectiveness of the use of operating fund. Meanwhile, the Group will continue to promote the work on recovery of accounts receivables and inventory that RMB55.0 billion is expected to be recovered and effectively solved part of the funding requirement. Hence, the amount of new fund required for the year will be approximately RMB26.5 billion.

In 2015, in order to ensure the continuous and healthy development of the Group's business and investment projects, the Group will adopt several measures for fund raising. First is continuous effort on recoverability of trade receivables to ensure continuous net cash inflow from operations. Second is active exploration of equity raising from the capital market. In particular, the Group intended to raise equity fund through non-public issuance of new A shares to not more than 10 target investors. Such proposal was approved by the seventh meeting of the third session of the board of directors of the Company (the "**Board of Directors**") on 10 February 2015 with approval from SASAC on non-public issuance of new A shares of the Company obtained on 3 March 2015. Relating works on equity refinancing is progressing steadily. In addition, the Company will choose the right timing to issue the remaining quota of perpetual medium-term note within the registered validity period as well as active exploration on other equity financing options. Third is active exploration of domestic and overseas debt financing channels such as direct or indirect financing through borrowings from financial institutions and issuance of domestic or overseas bonds. Currently, the Group has sufficient unutilised credit facilities that there is room for development for various types of low-cost debentures, including short-term financing bills, private bonds, company bonds and overseas bonds. Fourth is issuance of sector funds and asset-backed securities to raise funds for project investment.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview

In the year of 2014, the Group achieved revenue of RMB590.166 billion, representing a year-on-year increase of 9.2%. Net profit for the year increased by 6.0% year-on-year to RMB10.676 billion while profit for the year attributable to owners of the Company increased by 9.5% year-on-year to RMB10.262 billion.

A comparison of the financial results for 2014 and 2013 is set out below.

II. 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 increased year-on-year by 9.2% to RMB590.166 billion for 2014, which was attributable to the promising growth of railway, highway, building construction and urban rail businesses.

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 amortisation expenses. In 2014, the Group's cost of sales recorded a year-on-year increase of 8.3% to RMB541.651 billion while gross profit of the Group increased year-on-year by 20.3% to RMB48.515 billion. The overall gross profit margin for 2014 was 8.2%, an increase of 0.7 percentage point from 7.5% for 2013. It was mainly due to (1) the promising growth of urban rail business which has relatively higher gross profit margin and (2) the decrease in construction cost as a result of the decrease in price of raw materials.

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 and subsidies from government, and other income. In 2014, the Group's other income was RMB2.220 billion, decreased by 12.4% from RMB2.533 billion of last year. The decrease of other income was primarily due to the decrease in relocation compensation and revenue from sales of materials.

Other expenses

The Group's other expenses primarily includes expenditures on research and development. In 2014, other expenses increased by 14.0% from RMB8.516 billion of last year to RMB9.710 billion, mainly due to the fact that the Group further improved its technological self-development and innovation capabilities 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, gains/losses on disposal of fixed assets and subsidiaries. The other losses of RMB1.247 billion in 2014 (2013: other gains of RMB0.843 billion) primarily included impairment loss on trade and other receivables of RMB2.456 billion and net foreign exchange gain of RMB1.450 billion.

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 2014, the Group's selling and marketing expenses amounted to RMB2.334 billion, representing a year-on-year increase of 0.3%. The selling and marketing expenses as a percentage of the total revenue for 2014 was 0.4%, same as that for 2013.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortisation of its assets related to administration. In 2014, the Group's administrative expenses increased year-on-year by 19.5% to RMB17.195 billion. Administrative expenses as a percentage of revenue for 2014 was 2.9%, remained at a similar level to 2.7% for 2013.

Interest income

In 2014, the interest income was RMB2.516 billion, representing a decrease of 3.3% from 2013.

Interest expenses

In 2014, the interest expenses was RMB6.791 billion, representing an increase of 6.7% from 2013.

Profit before tax

As a result of the foregoing factors, the profit before tax for 2014 increased by RMB1.414 billion, or 9.5% to RMB16.233 billion from RMB14.819 billion for 2013.

Income tax expense

In 2014, the income tax expense increased year-on-year by 17.1% to RMB5.557 billion. By excluding the impact of land appreciation tax, the effective income tax rate of the Group increased from 23.2% for 2013 to 28.6% for 2014, mainly because some subsidiaries of the Company sustained losses, certain of which are expected to be non-recoverable, and impairment losses on assets made by certain enterprises are not deductible against income tax expense.

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 2014 increased by 9.5% to RMB10.262 billion from RMB9.374 billion for 2013.

Profit for the year attributable to holders of perpetual notes

On 1 July 2014, the Company issued the first tranche of perpetual notes with a total principal amount of RMB3 billion. The perpetual notes are recognised as an equity in the consolidated statement of financial position and its coupon rate for the first five years is 6.5% per annum. In 2014, profit for the year attributable to holders of perpetual notes of RMB98 million represents the interest for the period from 1 July 2014 to 31 December 2014.

III. Segment Results

The revenue and results of each segment of the Group's business for the year ended 31 December 2014 are set forth in the table below.

Business Segment	Segment Revenue RMB million	Growth Rate (%)	Profit Before Tax RMB million	Growth Rate (%)	Profit Before Tax Margin[1] (%)	Segment Revenue as a Percentage of Total (%)	Profit Before Tax as a Percentage of Total (%)
Infrastructure Construction	518,022	13.5	11,642	51.5	2.2	82.6	64.7
Survey, Design and Consulting Services	10,265	11.8	1,018	7.7	9.9	1.6	5.7
Engineering Equipment and Component Manufacturing	14,519	5.9	1,089	35.6	7.5	2.3	6.0
Property Development	29,255	6.1	4,373	10.3	14.9	4.7	24.3
Other Businesses	54,963	(20.3)	(121)	(105.9)	(0.2)	8.8	(0.7)
Inter-segment Elimination and Adjustments	(36,858)		(1,768)				
Total	**590,166**	**9.2**	**16,233**	**9.5**	**2.8**	**100.0**	**100.0**

1 *Profit before tax margin is the profit before tax 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 2014, the revenue from the infrastructure construction business accounted for 82.6% of the total revenue of the Group (2013: 79.2%). In 2014, segment revenue from the Group's infrastructure construction business increased by 13.5% year-on-year to RMB518.022 billion. It was mainly due to the smooth progress of the Group's railway projects under construction and the significant growth in highways and urban rail businesses in 2014. Profit before tax margin of the infrastructure construction segment for 2014 was 2.2%, representing an increase from 1.7% of last year. It was mainly due to (1) the promising growth of urban rail business which has relatively higher gross profit margin and (2) the decrease in construction cost as a result of the decrease in price of raw materials.

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 specialised services in the areas of railway electrification, bridge, tunnel and machinery design. In 2014, segment revenue of survey, design and consulting services business increased year-on-year by 11.8% to RMB10.265 billion. The profit before tax margin for the segment for 2014 was 9.9%, representing a decrease from 10.3% for 2013. It was mainly due to (1) the increase in labour cost and expenses resulting from increase in design-driven construction contracts and (2) the increase in outsourcing expenditure as a result of the growth in the Group's design business.

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 2014, due to the increase in sale of turnouts and shields, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 5.9% year-on-year to RMB14.519 billion. Profit before tax margin was 7.5% for 2014, representing an increase from 5.9% for 2013. The increase in profit before tax margin was mainly due to (1) increase in sale of shields and turnouts which have higher gross profit margin and (2) decrease in production cost of shields attributable to the increase in use of domestic key parts.

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 2014, the Group actively responded to the downturn of the national property market by optimising its construction and sales plan of property development projects in order to accelerate sales. Revenue from property development business increased year-on-year by 6.1% to RMB29.255 billion. Profit before tax margin was 14.9% for 2014, similar to 14.4% for 2013.

Other Businesses

The Group has progressively implemented the "limited and interrelated" diversification strategy. Revenue from other businesses decreased year-on-year by 20.3% to RMB54.963 billion in 2014. Among which, (1) revenue from expressway operation was RMB2.195 billion, year-on-year increase of 4.0%; (2) revenue from mining was RMB2.36 billion, year-on-year increase of 25.2%; (3) revenue from merchandise trading was RMB36.857 billion, year-on-year decrease of 30.2% and (4) revenue from financial business was RMB2.231 billion, a year-on-year increase of 35.6%. In 2014, loss before tax of other businesses was RMB121 million, primarily due to the impairment loss on trade and other receivables of RMB1.558 billion made in 2014.

As at 31 December 2014, the Group's mining resources information is shown below.

No.	Project name	Type	Grade	Resource/Reserve Unit	Resource/Reserve Quantity	Group's share (%)	Planned total investment (billion)	Accumulated investment (billion)	Investment for the reporting period (billion)	Planned completion date	Current project status
1	Sunite-ZuoQi Manglai Coal Mine, Inner Mongolia	Lignite	N/A	Billion tonne	0.92	46	1.363	0.542	–	Completed	Commenced production
2	Muli Coal Mine, Haixizhou of Qinghai	Coking Coal	N/A	Billion tonne	0.248	80	2.34	0.443	0.035	2015.11	Construction in progress
3	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	0.09%	Thousand tonne	739.7	83	4.217	4.131	0.055	Completed	Commenced trial production
4	Luishia Copper-Cobalt Mine, Congo	Cooper	2.55%	Thousand tonne	790.9	72	1.657	1.77	0.234	Completed	Commenced production
		Cobalt	0.201%		66.8						
5	MKM Copper-Cobalt Mine, Congo	Cooper	3.36%	Thousand tonne	201.2	80.2	1.195	1.199	–	Completed	Commenced production
		Cobalt	0.22%		19.4						
6	Sicomines Copper-Cobalt Mine, Congo	Cooper	2.55%	Thousand tonne	8,545	41.72	24.915	9.379	0.727	2018.01	Construction in progress
		Cobalt	0.20%		571						
7	Wulan Lead and Zinc Mine, Guoxinxin Company, Inner Mongolia	Lead	1.67%	Thousand tonne	287.9	100	–	–	–	–	Commenced production
		Zinc	4.80%		825.2						
		Silver	80.2g/t	Tonne	1,379						
8	Muhaer Lead and Zinc Mine, Guoxinxin Company, Inner Mongolia	Lead	0.75%	Thousand tonne	81.7	100	–	–	–	–	Exploration and feasibility study in progress
		Zinc	3.50%		382.6						
		Silver	108.33g/t	Tonne	1,184.64						
9	Gold mine, Guoxinxin Eerdesi Company, Inner Mongolia	Gold	3g/t	Tonne	3	100	–	–	–	–	Intended for sale
10	Lead and Zinc Mine, Guoxianglong Company, Inner Mongolia	Lead	6.28%	Thousand tonne	151.6	100	–	–	–	–	Commenced production
		Zinc	3.81%		91.8						
		Silver	234.67g/t	Tonne	566						

Note: Items 7 to 10 in the above table represent new mines acquired in 2014 by China Railway Resources Group Co. Ltd., a subsidiary of the Company.

IV. Cash Flow

In 2014, the net cash inflow from operating activities of the Group amounted to RMB19.447 billion, representing an improvement in net cash inflow from operating activities of RMB7.995 billion for 2013, which was primarily attributable to the significant achievement on the recoverability of trade receivables through the Group's active implementation of management enhancement. In 2014, the net cash outflow from investing activities of the Group amounted to RMB12.332 billion, which was basically the same as RMB12.162 billion for 2013. In 2014, the net cash outflow from financing activities of the Group amounted to RMB14.067 billion while there was a net cash inflow from financing activities of RMB12.164 billion for 2013. It was mainly because (1) repayment of certain bank loans as a result of a significant improvement in operating cashflow and (2) increase in efficiency on fund utilisation through the Group's strengthened effort on fund centralisation.

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 (excluding acquisition of subsidiaries) for 2014 was RMB11.870 billion (2013: RMB10.540 billion).

The following table sets forth the Group's capital expenditure by business segment in 2014.

For the year ended 31 December 2014	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 RMB million
Property, plant and equipment	7,604	173	710	355	1,719	10,561
Lease prepayments	142	9	122	300	352	925
Intangible assets	22	7	7	7	324	367
Mining assets	–	–	–	–	17	17
Total	**7,768**	**189**	**839**	**662**	**2,412**	**11,870**

Working capital

	As at 31 December 2014 RMB million	2013 RMB million
Inventories	**44,955**	46,581
Properties under development for sale	**70,986**	69,211
Trade and bills receivables	**158,515**	133,886
Trade and bills payables	**245,447**	206,292
Turnover of inventory (days)	**30**	32
Turnover of trade and bills receivables (days)	**89**	80
Turnover of trade and bills payables (days)	**150**	139

As of the end of 2014, the balance of the Group's inventories and properties under development for sale was basically the same as that at the end of 2013. The Group's inventory turnover days was 30 days in 2014, basically the same as 32 days for 2013. The Group's trade and bills receivables increased by 18.4% from the end of 2013 to RMB158.515 billion as at the end of 2014, which was mainly due to the increase in receivables from construction projects and increase in retention receivables which are not yet due. Also, the turnover days of trade and bills receivables was 89 days as the end of 2014, an increase of 9 days as compared to that at the end of 2013.

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 33.1% (31 December 2013: 32.0%) of the total receivables, which reflected the sound receivables management capability of the Group.

Trade and bills receivables

	As at 31 December	
	2014	2013
	RMB million	RMB million
Less than six months	**79,673**	70,686
Six months to one year	**26,318**	20,388
One year to two years	**30,220**	24,781
Two years to three years	**12,582**	10,160
More than three years	**9,722**	7,871
Total	**158,515**	133,886

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 19.0% from end of 2013 to RMB245.447 billion as at the end of 2014. It was mainly due to the expansion of the Group's business scale and increase in trade and bills receivables caused the corresponding increase in payables of raw materials and construction projects. The turnover days of trade and bills payables was 150 days in 2014, representing an increase from 139 days in 2013. 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 12.2% (31 December 2013: 11.5%) of the total payables.

Trade and bills payables

	As at 31 December	
	2014	2013
	RMB million	RMB million
Less than one year	**215,448**	182,473
One year to two years	**18,811**	14,308
Two years to three years	**5,764**	5,173
More than three years	**5,424**	4,338
Total	**245,447**	206,292

V. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2014 and 2013. 48.8% of the Group's borrowings were short-term borrowings (31 December 2013: 44.2%). The Group is generally capable of making timely repayments.

	As at 31 December	
	2014	2013
	RMB million	RMB million
Bank borrowings		
Secured	**37,261**	38,571
Unsecured	**93,522**	98,320
	130,783	136,891
Short-term debentures, unsecured	**–**	40
Long-term debentures, unsecured	**36,091**	35,688
Other short-term borrowings, unsecured	**8,348**	4,713
Other short-term borrowings, secured	**500**	295
Other long-term borrowings, unsecured	**7,120**	6,620
Other long-term borrowings, secured	**72**	2,185
Total	**182,914**	186,432
Long-term borrowings	**93,655**	104,084
Short-term borrowings	**89,259**	82,348
Total	**182,914**	186,432

Bank borrowings carry interest rates ranging from 1.53% to 10.0% (2013: 1.97% to 10.0%) per annum. Long-term debentures carry fixed interest rates ranging from 3.85% to 7.2% per annum (2013: 3.85% to 7.2%). Other short-term borrowings carry interest rates ranging from 5.0% to 11.5% (2013: 5.9% to 13.5%) per annum. Other long-term borrowings carry interest rates ranging from 6.15% to 10.5% (2013: 4.39% to 11.5%) per annum.

The following table sets forth the maturity of the Group's borrowings as at 31 December 2014 and 2013.

	As at 31 December	
	2014	2013
	RMB million	RMB million
Less than one year	**89,259**	82,348
One year to two years	**26,946**	31,326
Two years to three years	**9,794**	18,055
Three years to four years	**9,499**	7,177
Four years to five years	**3,576**	9.109
More than five years	**43,840**	38,417
Total	**182,914**	186,432

As at 31 December 2014 and 2013, the Group's bank borrowings comprised fixed-rate bank borrowings amounting to RMB1.310 billion and RMB4.458 billion and floating-rate bank borrowings amounting to RMB129.473 billion and RMB132.433 billion, respectively.

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. The following table sets forth the carrying amounts of the Group's foreign currency borrowings as at 31 December 2014 and 2013.

	As at 31 December	
	2014	2013
	RMB million	RMB million
U.S. dollars	**4,867**	5,312
Euros	**145**	204
Others	**431**	41
Total	**5,443**	5,557

The following table sets forth the details of the Group's secured borrowings as at 31 December 2014 and 2013.

	As at 31 December			
	2014		2013	
	Secured borrowings RMB million	**Carrying value of pledged assets and rights RMB million**	Secured borrowings RMB million	Carrying value of pledged assets and rights RMB million
Property, plant and equipment	**294**	**521**	303	514
Lease prepayments	**275**	**1,912**	–	–
Intangible assets	**19,100**	**31,560**	19,715	32,154
Properties under development for sale	**10,621**	**23,175**	15,313	35,356
Bills receivable	**25**	**25**	323	323
Accounts receivable	**2,241**	**3,129**	4,690	6,246
Rights of return on equity investments	**–**	**–**	370	551
Rights to collect cash flows in relation to certain construction projects	**5,277**	**10,325**	337	1,468
Total	**37,833**	**70,647**	41,051	76,612

As at 31 December 2014, the Group's unused credit line facility from banks was RMB136.139 billion (2013: RMB134.756 billion).

As at 31 December 2014, the Group's gearing ratio (total liabilities/total assets) was 84.1%, representing a decrease of 0.5 percentage point as compared with 84.6% for 2013. The Group has been primarily financing its working capital and other capital requirements through internal funds generated from operations, and mainly through borrowings in case of any deficiencies. In 2014, the Group completed the issue of private placement notes of RMB750 million.

VI. Contingent Liabilities

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

	As at 31 December	
	2014 RMB million	2013 RMB million
Pending lawsuits:		
– arising in the ordinary course of business *(Note 1)*	**680**	840
– overseas lawsuits *(Note 2 & Note 3)*	**854**	1,117
Total	**1,534**	1,957

Note 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 those 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.

*Note 2: Two subsidiaries of the Group, 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 ("**PLN**") 1,160 million (approximately USD402 million or RMB2,741 million) and PLN116 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.*

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 and interests of an aggregate amount of PLN129 million (approximately USD42 million or RMB263 million), 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 void under Polish law. The relevant parties have since commenced to resolve the matter in dispute under litigation procedures.

During the year of 2014, the Consortium began to settle the above case through the negotiation with PGDNRM by coordination of relevant parties. The Consortium withdrew the protective measures of the performance bond and agreed the banks to pay the Group's performance bond of Polish Zloty ("PLN") 1,160 million (equivalent to approximately RMB209 million) to PGDNRM at the beginning of 2015, which loss has been recognised in the Group's consolidated financial statements for the year then ended.

On 25 February 2015, the Poland Warsaw District Court decided to suspend the lawsuit procedure due to the amicable motion of all parties. There is no significant progress up to the date of issuance of these consolidated financial statements. At this stage, the Group considers it premature to assess the outcome of this case.

*Note 3: Exploitations Artisanales Au Congo ("**EXACO**") was a former shareholder of La Miniere De Kalumbwe Myunga sprl ("**MKM**"), an indirectly owned subsidiary of the Company. As at 30 August 2011, EXACO had disposed of its entire interests in MKM. In November 2012, EXACO was of the view that MKM and China Railway Resources Global Holding Limited ("CRRG") (which is also an indirectly owned subsidiary of the Company and the controlling shareholder of MKM) breached relevant terms and other relevant obligations pursuant to the undertakings under the initial agreement signed before the share transfer agreement. EXACO applied to the Congo district court for a compensation of their losses amounting to USD136 million (equivalent to approximately RMB829 million). MKM and CRRG had raised objection to the jurisdiction of the local courts according to the relevant arbitration clause. Until November 2013, although MKM and CRRG did not receive the verdict, MKM and CRRG filed an appeal with the Lubumbashi Court of Appeal on 26 November 2013 due to prudent consideration and the needs to push the case on. And when the Lubumbashi Count of Appeal ordered certiorari from the local court, MKM and CRRG found that the local court made a judgment to MKM and CRRG for a total of USD31 million compensation (equivalent to approximately RMB189 million) on 8 February 2013. MKM and CRRG appealed to the Supreme Court for the fraud of the presiding judge of the local court existing in the above case. On 23 July 2014, the Supreme Court convicted and canceled the above judgment amounting to USD31 million compensation made by the local court on 8 February 2013.*

In addition, on 15 January 2014, EXACO made another request to the Commercial Court of Lubumbashi for not receiving the fee of the previous 43.5% share transfer. EXACO applied to the Court for a compensation from CRRG amounting to USD109 million (equivalent to approximately RMB671 million), and for taking protective measures against MKM. On 20 January 2014, the Commercial Court of Lubumbashi agreed to take the protective measures, but did not hear the request of compensation. MKM and CRRG immediately filed an appeal. The Lubumbashi Court of Appeal ruled the protective measures not be executed on 30 January 2014. As of the date of issuance of these consolidated financial statements, the case has not yet been substantive hearing. MKM and CRRG have appealed to the Supreme Court for the fraud of the presiding judge of the Commercial Court of Lubumbashi in the above case and this appeal process is still on-going.

The Group is of the view that these lawsuits filed by EXACO have violated the arbitration clause, and there is no factual or legal basis about these lawsuits. However, due to the various uncertainties of the case, the Group considers that it is premature to assess the outcome of this case.

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

	As at 31 December			
	2014		2013	
	Amount RMB million	**Expiry period**	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**2,940**	**2015-2025**	2,169	2014-2025
A joint venture	**230**	**2017-2018**	–	–
Other government-related enterprises	**54**	**2015**	55	2014
Property purchasers	**17,149**	**2015-2019**	14,877	2014-2019
An investees of the Group	**12**	**2016**	12	2016
A former subsidiary	**650**	**2021-2023**	758	2022
Total	**21,035**		17,871	

VII. 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 and interest rate risk in the ordinary course of business.

(1) **Market risk:** Various expectations from the government could have adverse impact on the market where the Group operates, such as expectation on growth level of both national and regional economy, 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.

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

(3) **Management risk:** With the Group's incapability to fully control all the actions of its non-wholly owned subsidiaries, plus high risk of the construction industry, and the rapid growth in the business scale of the Group in recent years as well as the gradually wider span of its operation, project management becomes more and more difficult, posing a severe challenge to the safety and quality management for the projects, cadre ethics and enterprise stability, which could result in management risks.

(4) **Policy risk:** Changes in the foreign exchange administration system, preferential taxation policies and policies for real estates industry in the PRC could have certain adverse impacts on the Group.

(5) **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.

(6) **Investment risk:** Investment risk mainly includes relevant advance payments for projects, decrease in investment of infrastructural projects by non-governmental investment institutions resulted from changes in policies, and significant outlay of working capital over extended periods.

(7) **Interest rate risk:** Currently, the Group's size of financing is relatively large, changes in interest rate policies therefore will have an impact on the Group's financial costs and economic benefits.

To guard against the occurrence of various types of risks, the Group taps various types of risks into the business process through the establishment and operation of the internal control system, pursuant to which the Group can decompose and identify the critical control point of business processes, develop specific control measures, establish procedures critical control documents, implement the responsibilities of the various types of risks and critical control point, work closely with the day-to-day management and control, and control risk factors and elements. In addition, the Group strictly supervises the important control aspects of earlier stage of research, planning, reviewing, auditing, approval and decision-making; enhances process control and post-assessment work; and makes measures to deal with risks and contingency plans, aiming to guarantee overall controllability of the Group's various types of risk.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Directors

LI Changjin
(Chairman and Executive Director)

LI Changjin, aged 56, professor-level senior engineer, is an executive director, Chairman, Secretary to the Communist Party Committee, Chairman of the Strategy Committee and Chairman of the Nomination Committee of the Board of the Directors of the Company. Mr. Li is also the Chairman, Deputy Secretary to the Communist Party Committee of CRECG and the Chairman of the Listed Companies Association of Beijing. From July 2002 to September 2006, he was a Deputy General Manager of CRECG. From September 2006 to September 2007, he was a director, General Manager and Deputy Secretary to the Communist Party Committee of CRECG. From September 2007 to June 2010, Mr. Li was a director and Secretary to the Communist Party Committee of CRECG, and an executive director, President and Deputy Secretary to the Communist Party Committee of the Company. Mr. Li has been the General Manager of CRECG from June 2010 to March 2013. He has been the Chairman, Deputy Secretary to the Communist Party Committee of CRECG and the Chairman, an executive director and Secretary to the Communist Party Committee of the Company since June 2010. Mr. Li assumed the responsibilities of the President of the Company from January 2014 to March 2014.

YAO Guiqing
(Vice Chairman and Executive Director)

YAO Guiqing, aged 60, senior economist, is an executive director, Vice Chairman, Deputy Secretary to the Communist Party Committee of the Company. He is also a director, General Manager, Deputy Secretary to the Communist Party Committee of CRECG and an Executive Member of All China Federation of Trade Unions. Mr. Yao was the Chairman of the Labor Union of CRECG from July 2001 to March 2014. He has been the Deputy Secretary to the Communist Party Committee of CRECG and an Executive Member of All China Federation of Trade Unions since 2004. Mr. Yao was the Chairman of China Railway No. 9 Engineering Group Co., Ltd. from April 2006 to March 2008, an employee director of CRECG from September 2006 to September 2007, Vice President of the Company from September 2007 to June 2009, Chairman of the Labor Union of the Company from September 2007 to March 2014, Deputy Secretary to the Communist Party Committee of the Company since September 2007, Chairman of the Company's Supervisory Committee from June 2009 to August 2010, and Vice Chairman and a director of CRECG from June 2010 to March 2013. He has been an executive director and Vice Chairman of the Company since August 2010 and the General Manager and a director of CRECG since March 2013.

DAI Hegen
(Executive Director and President)

DAI Hegen, aged 49, senior economist, is an executive director, President, chairman of the Safety, Health and Environmental Protection Committee of the Board of the Directors of the Company, and is a director and Secretary to the Communist Party Committee of CRECG. Mr. Dai was the General Manager, Vice Chairman and Deputy Secretary to the Communist Party Committee of China Railway No. 4 Engineering Group Co., Ltd. from April 2004 to September 2006. He served as Deputy General Manager of CRECG from September 2006 to September 2007, Vice President of the Company from September 2007 to March 2014, and has been the President of the Company, a director and Secretary to the Communist Party Committee of CRECG since March 2014. Mr. Dai has been an executive director of the Company since June 2014.

GUO Peizhang
(Independent Non-executive Director)

GUO Peizhang, aged 65, senior economist, is an independent non-executive director and Chairman of the Remuneration Committee of the Board of the Directors of the Company, and is also an independent non-executive director of China Shenhua Energy Company Limited and an external director of China Dongfang Electric Corporation. Mr. Guo was a member of the Party Committee and the Head of the Discipline Inspection Group of the Party Committee of China Guodian (Group) Corporation from 2005 to 2010, Chairman of the Supervisory Committee of GD Power Development Co., Ltd. from November 2007 to April 2011, and has been an independent non-executive director of China Shenhua Energy Company Limited since June 2010, an external director of China Dongfang Electric Corporation since December 2010. Mr. Guo has been an independent non-executive director of the Company since June 2014.

WEN Baoman
(Independent Non-executive Director)

WEN Baoman, aged 63, senior administration engineer, is an independent non-executive director of the Company and an external director of China Telecom Group. Mr. Wen was a Standing Committee member of the Party Committee and Chairman of the Labour Union of Anshan Iron and Steel Group Corporation (the "**Ansteel Group**") from November 1996 to May 2005, Deputy Secretary of the Party Committee of Ansteel Group from May 2005 to July 2007, Deputy Secretary of the Party Committee with concurrent position as Headmaster of Party School of Ansteel Group and a Standing Committee Member of Anshan Municipal Committee from July 2005 to July 2007, and Deputy Secretary of the Party Committee with concurrent position as Headmaster of Party School of Ansteel Group, Chairman of Supervisory Committee of Angang Steel Company Limited and a Standing Committee Member of Anshan Municipal Committee from July 2007 to December 2011. Mr. Wen has been an external director of China Telecom Group since March 2012. He has been an independent non-executive director of the Company since June 2014.

ZHENG Qingzhi
(Independent Non-executive Director)

ZHENG Qingzhi, aged 62, senior accountant, is an independent non-executive director of the Company, Chairman of the Audit Committee of the Board of the Directors and Vice Chairman and Secretary-General of China Agriculture Industrialisation Association. Mr. Zheng was a director, General Manager and Deputy Secretary of the Party Committee of China National Agricultural Development Group Co., Ltd. from October 2004 to April 2013 with concurrent position as Chairman of the Board of Directors of China Animal Husbandry (group) General Corporation, and has been the Deputy Chairman and Secretary-General of China Agriculture Industrialisation Association since April 2013. Mr. Zheng has been an independent non-executive director of the Company since June 2014.

NGAI Wai Fung
(Independent Non-executive Director)

NGAI Wai Fung, aged 52, is an independent non-executive director of the Company, and is the chief executive officer of SW Corporate Services Group Limited, a director and General Manager of MNCOR Limited, President of The Hong Kong Institute of Chartered Secretaries, a member of Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants, the Adjunct Professor of Law of Hong Kong Shue Yan University and a member of The Chamber of Hong Kong Listed Companies, a fellow member of the Association of Chartered Certified Accountants, a member of Hong Kong Certified Accountant Association, a senior member of Institute of Chartered Secretaries and Administrators, a senior member of The Hong Kong Institute of Chartered Secretaries, a senior member of Hong Kong Institute of Directors and a member of Hong Kong Securities and Investment Institute. He was appointed by the Chief Executive of The Hong Kong Special Administrative Region as a member of Work Group on Professional Services under the Economic Development Commission, and is an independent director of China Coal Energy Company Limited, as well as the independent non-executive director of the following Hong Kong listed companies, namely BaWang International (Group) Holding Limited, Biostime International Holdings Limited, Bosideng International Holdings Limited, Juda International Holdings Limited, Powerlong Real Estate Holdings Limited, SITC International Holdings Company Limited, Sany Heavy Equipment International Holdings Company Limited, Yangtze Optical Fibre and Cable Joint Stock Limited Company and LDK Solar Co., Ltd. He was the independent non-executive director of Franshion Properties (China) Limited, China Life Insurance Company Limited and China Railway Construction Corporation Limited. Mr. Ngai has been an independent non-executive director of the Company since June 2014.

II. Supervisors

LIU Chengjun
(Chairman of the Supervisory Committee)

LIU Chengjun, aged 52, professor-level senior engineer entitled to government special allowance from State Council, is the Chairman of the Supervisor Committee of the Company. He was the Head of Design Department of CRECG from June 2001 to January 2008; and the Deputy Chief Engineer, Head of Scientific Design Division of the Company from January 2008 to June 2014. He was the General Manager of the design and consulting branch company from December 2001 to July 2014; a shareholder representative and Vice Chairman of China Railway Eryuan Engineering Group Co., Ltd. from December 2006 to October 2007; Chairman of the Supervisory Committee of China Railway South Investment & Development Co., Ltd. from December 2007 to September 2012; and Chairman of China Railway Northwest Research Institute Co., Ltd. from December 2009 to July 2014. He also served as the Chairman of China Railway Major Bridge Survey and Design Institute Group Co., Ltd. from December 2010 to March 2013. Mr. LIU has been Chairman of Supervisory Committee and a shareholder representative supervisor of the Company since June 2014.

LIU Jianyuan
(Supervisor)

LIU Jianyuan, aged 53, senior economist and senior political engineer, is an employee representative supervisor, Chairperson of the Labour Union and Director of Female Staff Committee of the Company, with concurrent position as an employee director and Chairperson of the Labour Union of CRECG. She was Vice Chairperson of the Labour Union, Commander of Central China Command Department and Secretary to the Working Committee of the Communist Party of China Railway Tunnel Group Co., Ltd. from October 2003 to February 2005; Deputy Secretary to the Communist Party Committee, Secretary to the disciplinary committee and supervisor of China Railway No.7 Engineering Group Co., Ltd. from February 2005 to January 2008; and Vice Chairperson of the Labour Union of the Company from January 2008 to June 2014. Ms. LIU has been an employee director of CRECG since August 2012, and Chairperson of the Labour Union and Director of Female Staff Committee of the Company since June 2014. Ms. LIU has been an employee representative supervisor of the Company since January 2011.

WANG Hongguang
(Supervisor)

WANG Hongguang, aged 55, senior lecturer and senior political engineer, is an employee representative supervisor, Vice Secretary to the Disciplinary Committee and Head of Supervision Department of the Company, with concurrent position as Deputy Secretary to the Disciplinary Committee of CRECG. He was General Deputy Headmaster and Deputy Head of School Administration Committee of Party School of CRECG from October 2001 to November 2009. Mr. WANG has been Deputy Secretary to the Disciplinary Committee and Head of Supervision Department of the Company since November 2009 with concurrent position as Deputy Secretary to the Disciplinary Committee of CRECG. Mr. WANG has been an employee representative supervisor of the Company since June 2014.

CHEN Wenxin
(Supervisor)

CHEN Wenxin, aged 51, senior economist, is a shareholder representative supervisor of the Company. Mr. Chen was Deputy Director of audit and supervision division and Deputy Director of legal affair division of China Railway No. 10 Engineering Group Co., Ltd. from January 2004 to January 2008, a supervisor of China Railway Engineering Deshang Expressway Development Co., Ltd. from December 2004 to April 2010. He was a supervisor of China Railway South Investment & Development Co., Ltd. from December 2007 to August 2012. He was Deputy Director of the Office of Board and concurrently Head of Property Representative Management Department of the Company from January 2008 to December 2010. He has been a director of Lince Railway Co., Ltd. since December 2010 as well as a shareholder representative supervisor of the Company since January 2011.

FAN Jinghua
(Supervisor)

FAN Jinghua, aged 49, senior auditor and senior accountant, is an employee representative supervisor and Head of Audit Department of the Company. He was the Chief Accountant of Hong Kong-Shenzhen Western Corridor Project Department and Secretary of Discipline Committee of China Railway Major Bridge Engineering Group Co., Ltd. from December 2003 to February 2005, Deputy Head of Securities Investment Department of China Railway Major Bridge Engineering Group Co., Ltd. from February 2005 to September 2005, a supervisor and Head of Audit Department of China Railway Major Bridge Engineering Group Co., Ltd. from October 2005 to May 2011, a supervisor, Deputy Chief Accountant and Head of Audit Department of China Railway Major Bridge Engineering Group Co., Ltd. from June 2011 to June 2013, Deputy Head of Audit Department of the Company from July 2013 to November 2013. Mr. Fan has been Head of Audit Department of the Company since November 2013 and an employee representative supervisor of the Company since June 2014.

III. Senior Management

The biography of Mr. DAI Hegen, who is a director of the Company and concurrently a member of the senior management, please refer to the above disclosure.

LIU Hui
(Vice President and Chief Engineer)

LIU Hui, aged 55, professor-level senior engineer, is a state registered consulting engineer and first-grade state-registered architect, Vice President and Chief Engineer of the Company and concurrently Vice Chairman of the Third Railway Survey and Design Institute Group Corporation and Vice Chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co.. Mr. Liu was Deputy General Manager and Chief Engineer of CRECG from April 2001 to September 2007, and has been Vice Chairman of the Third Railway Survey and Design Institute Group Corporation since January 2007, Vice Chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co. since June 2011 and the Vice President and Chief Engineer of the Company since September 2007.

MA Li
(Vice President)

MA Li, aged 57, professor-level senior engineer, is a Vice President of the Company. Mr. Ma was General Manager and Secretary to the Communist Party Committee of China National Overseas Engineering Corporation from March 2002 to March 2004, served as Deputy General Manager of CRECG from March 2004 to September 2007. He has been a Vice President of the Company since September 2007.

ZHOU Mengbo
(Vice President)

ZHOU Mengbo, aged 50, professor-level senior engineer, is a Vice President of the Company. Mr. Zhou was Chairman and General Manager of China Railway Major Bridge Engineering Group Co., Ltd. from April 2001 to September 2006. Mr. Zhou served as Deputy General Manager of CRECG from September 2006 to September 2007. He has been a Vice President of the Company since September 2007.

ZHANG Xian
(Vice President)

ZHANG Xian, aged 54, professor-level senior engineer, is a Vice President of the Company. Mr. Zhang was the General Manager, Vice Chairman and Deputy Secretary to the Communist Party Committee of China Railway No. 6 Engineering Group Co., Ltd. from December 2003 to July 2010. He has been a Vice President of the Company since August 2010.

XU Tingwang
(Vice President)

XU Tingwang, aged 59, senior economist, is a Vice President of the Company. Mr. Xu was a Deputy Secretary to the Disciplinary Committee and Head of the Supervisory Department of CRECG from April 1997 to December 2006, Deputy Chief Economist and Director of Division of Cadre of CRECG from December 2006 to January 2008, Deputy Chief Economist and Director of Division of Human Resources (Division of Cadre to the Communist Party Committee) of the Company from January 2008 to July 2010, Chief Economist as well as Director of Division of Human Resources (Division of Cadre to the Communist Party Committee) of the Company from July 2010 to November 2010. He was the Chief Economist of the Company from November 2010 to March 2014. He has been a Vice President of the Company since March 2014.

YANG Liang
(Chief Financial Officer)

YANG Liang, aged 46, senior accountant, is the Chief Financial Officer of the Company. Mr. Yang was Director of the Finance Department of CRECG from June 2004 to September 2007, a supervisor of China Railway Trust Co., Ltd. from June 2005 to November 2013 and a supervisor of China Railway Resources Company Limited from April 2008 and March 2014. Mr. Yang was Director of the Finance Department of the Company from September 2007 to March 2014 and the Director of China Railway Trust Co., Ltd. from November 2013 to March 2014. He has been the Chief Financial Officer of the Company since March 2014.

YU Tengqun
(Secretary to the Board of Directors, General Legal Advisor and Joint Company Secretary)

YU Tengqun, aged 45, senior economist, is the Secretary to the Board of Directors, General Legal Advisor and the spokesperson of the Company. Mr. Yu is also a member of the All-China Youth Federation and the Deputy Secretary of the Listed Companies Association of Beijing. Mr. Yu was the Vice Chairman of China Railway No. 10 Engineering Group Co., Ltd. from March 2005 to August 2007, the Secretary to the Board of Directors of CRECG from November 2006 to September 2007, the Secretary to the Board of Directors of the Company from September 2007 to September 2010, Secretary to the Board of Directors and the spokesperson of the Company from September 2010 to March 2014 and has been the Secretary to the Board of Directors, General Legal Advisor and the spokesperson of the Company since March 2014.

TAM Chun Chung
(Joint Company Secretary and Qualified Accountant)

TAM Chun Chung, aged 42, is the Joint Company Secretary and Qualified Accountant of the Company and also an independent non-executive director of Huiyin Household Appliances (Holdings) Co., Ltd.. Mr. Tam joined the Company in November 2007. Prior to joining the Company, Mr. Tam served as a Qualified Accountant and Joint Company Secretary of an H-share listed company in Hong Kong. He had also held various senior positions including senior manager of internal audit and senior manager of finance department in another Hong Kong listed company previously. From 1994 to 2000, Mr. Tam worked for a large international accounting firm as an assistant manager. Mr. Tam has over 19 years of experience in the accounting and auditing field. He has been a member of the Hong Kong Institute of Certified Public Accountants since December 1997 and a fellow of the Chartered Association of Certified Accountants since November 2002.

REPORT OF THE DIRECTORS

Principal Businesses

We are one of the largest integrated construction groups in the PRC and Asia primarily engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses.

Financial Statements

The profits of the Group for the year ended 31 December 2014 and the financial positions of the Company and the Group as at such date are set out in the Financial Statements on pages 66 to 186.

Dividends

The Board of Directors recommends the payment of a final dividend in the amount of RMB0.078 (including tax), totalling approximately RMB1.661 billion for the financial year ended 31 December 2014 (2013: RMB0.066 per share (including tax) totalling approximately RMB1.406 billion). The distribution plan will be implemented upon approval at the 2014 annual general meeting of the Company.

Donations

Donations made by the Group during the year amounted to RMB1.797 million (2013: RMB2.399 million).

Property, Plant and Equipment

Changes in property, plant and equipment of the Group and the Company during the year are set out in note 16 to the Financial Statements.

Share Capital

Details of the Company's share capital are set out in note 33 to the Financial Statements.

Distributable Reserves

As at 31 December 2014, pursuant to the relevant laws and regulations, the Company's distributable reserves amounted to approximately RMB16.254 billion.

Use of Proceeds from the Initial Public Offering

Save as disclosed below, the proceeds raised from A share offering and H share offering of the Company, being RMB22.440 billion and HK$22.108 billion, respectively, were used in accordance with the purposes disclosed in the A share prospectus of the Company dated 30 November 2007 and the H share prospectus of the Company dated 23 November 2007, respectively.

In accordance with the disclosure in the A share prospectus of the Company in respect of the use of proceeds from the offering, an amount of RMB1.04 billion of the A share proceeds was to be used for a residential property development project of the Company referred to as "An Qing Xin Cheng Dong Yuan". Given the situation of the project, the Company changed the use of an amount of RMB540 million of the proceeds from the A share offering which had not been invested in the project to supplement the Company's working capital, which was approved at the 2008 annual general meeting of the Company held on 25 June 2009.

In addition, given that a substantial amount of proceeds from the H share offering designated for purchase of equipment from abroad remained unused and that the developments of the Company's businesses and equipment manufacturing technology requires a significant amount of working capital, the Company changed the use of the remaining balance of the proceeds from H share offering for the "purchase of equipment from abroad" of RMB3,035,989,900 as at 31 July 2010 to "additional working capital and others", which was approved at the first extraordinary general meeting in 2011 of the Company held on 27 January 2011.

As of 31 December 2012, the proceeds raised from A share offering of the Company had been used up. During this financial year, the Company has not used the proceeds from the A share offering.

During this financial year, approximately RMB174 million raised from the H share offering of the Company was used for additional working capital and for other purposes.

Approximately RMB116 million raised from the H share offering of the Company remains unused, which is deposited in the special bank account of the Company.

Reserves

Changes in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 70 to 71 of this annual report.

Major Customers and Suppliers

The China Railway Corporation, which was founded on 14 March 2013 by the State Council, is the largest customer of the Group. For the year ended 31 December 2014, sales to the China Railway Corporation accounted for approximately 32% of the total revenue of the Group. For the same period, sales to the five largest customers of the Group (including the China Railway Corporation) in aggregate accounted for approximately 34.4% of the total revenue of the Group. At no time during the year have the directors, their associates or any shareholder of the Company (which, to the knowledge of the directors, owns more than 5% of the Company's share capital) had any interest in these five largest customers.

For the year ended 31 December 2014, purchases from the five largest suppliers of the Group in aggregate accounted for approximately 1.8% of the total cost of sales of the Group in 2014.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2014 are set out in note 47 and note 22, respectively, to the Financial Statements.

Directors, Supervisors and Senior Management of the Company

The directors of the Company during the financial year were as follows:

Name	Position
LI Changjin (reappointed on 26 June 2014)	Chairman and Executive Director
YAO Guiqing (reappointed on 26 June 2014)	Vice Chairman and Executive Director
DAI Hegen (appointed on 26 June 2014)	Executive Director and President
GUO Peizhang (appointed on 26 June 2014)	Independent Non-executive Director
WEN Baoman (appointed on 26 June 2014)	Independent Non-executive Director
ZHENG Qingzhi (appointed on 26 June 2014)	Independent Non-executive Director
NGAI Wai Fung (appointed on 26 June 2014)	Independent Non-executive Director
BAI Zhongren (passed away on 4 January 2014)	Executive Director
HAN Xiuguo (resigned on 26 June 2014)	Non-executive Director
HE Gong (resigned on 26 June 2014)	Independent Non-executive Director
GONG Huazhang (resigned on 26 June 2014)	Independent Non-executive Director
WANG Taiwen (resigned on 26 June 2014)	Independent Non-executive Director
SUN Patrick (resigned on 26 June 2014)	Independent Non-executive Director

The supervisors of the Company during the financial year were as follows:

Name	Position
LIU Chengjun (appointed on 26 June 2014)	Chairman of the Supervisory Committee
LIU Jianyuan (reappointed on 25 June 2014)	Supervisor
WANG Hongguang (appointed on 25 June 2014)	Supervisor
CHEN Wenxin (reappointed on 26 June 2014)	Supervisor
FAN Jinghua (appointed on 25 June 2014)	Supervisor
WANG Qiuming (resigned on 26 June 2014)	Chairman of the Supervisory Committee
ZHANG Xixue (resigned on 25 June 2014)	Supervisor
LIN Longbiao (resigned on 25 June 2014)	Supervisor

The senior management of the Company during the financial year were as follows:

Name	Position
DAI Hegen (appointed on 28 March 2014)	President
LIU Hui (reappointed on 26 June 2014)	Vice President and Chief Engineer
MA Li (reappointed on 26 June 2014)	Vice President
ZHOU Mengbo (reappointed on 26 June 2014)	Vice President
ZHANG Xian (reappointed on 26 June 2014)	Vice President
XU Tingwang (appointed on 28 March 2014)	Vice President
YANG Liang (appointed on 28 March 2014)	Chief Financial Officer
YU Tengqun (reappointed on 26 June 2014)	Secretary to the Board of Directors, General Legal Advisor and Joint Company Secretary
TAM Chun Chung	Joint Company Secretary and Qualified Accountant
BAI Zhongren (passed away on 4 January 2014)	President
LI Jiansheng (retired on 28 March 2014)	Vice President, Chief Financial Officer and General Legal Advisor
DUAN Xiubin (retired on 28 March 2014)	Vice President

The 2013 annual general meeting of the Company was held on 26 June 2014, at which Mr. LI Changjin and Mr. YAO Guiqing were re-elected and Mr. DAI Hegen was elected as executive directors; Mr. GUO Peizhang, Mr. WEN Baoman, Mr. ZHENG Qingzhi and Mr. NGAI Wai Fung were elected as independent non-executive directors of the Company. The aforesaid directors constitute the third session of the Board of Directors. Accordingly, Mr. HAN Xiuguo, Mr. HE Gong, Mr. Gong Huazhang, Mr. Wang Taiwen and Mr. Xin Dinghua ceased be directors of the Company from the same date. In addition, the first meeting of the third session of the Board of Directors was held on 26 June 2014, at which Mr. LI Changjin was re-elected as the Chairman and Mr. YAO Guiqing was re-elected as a Vice Chairman.

The fifth joint meeting of chairmen of the first session of staff representative committee of the Company was held on 25 June 2014, at which Mr. FAN Jinghua and Mr. WANG Hongguang were elected and Ms. LIU Jianyuan was re-elected as employee representative supervisors of the Company. At the 2013 annual general meeting held on 26 June 2014, Mr. LIU Chengjun was elected and Mr. CHEN Wenxin was re-elected as shareholder representative supervisors of the Company. The aforesaid supervisors constitute the third session of Supervisory Committee of the Company (the "**Supervisory Committee**"). Accordingly, Mr. ZHANG Xixue and Mr. LIN Longbiao ceased to be employee representative supervisors of the Company from 25 June 2014 and Mr. WANG Qiuming ceased to be the shareholder representative supervisor of the Company from 26 June 2014. Furthermore, the first meeting of the third session of the Supervisory Committee was held on 26 April 2014, at which Mr. LIU Chengjun was elected as the Chairman of the Supervisory Committee.

On 4 January 2014, the then executive director and President of the Company Mr. BAI Zhongren passed away. Prior to the authorisation by the Board of Directors of a Vice President to act as the position of President pursuant to the Articles of Association, the Chairman of the Company, Mr. LI Changjin acted as the Acting President.

On 28 March 2014, Ms. LI Jiansheng, a Vice President, Chief Financial Officer and General Legal Advisor of the Company, and Mr. DUAN Xiubin, a Vice President, retired. In the 26th meeting of the second session of the Board of Directors held on 28 March 2014, Mr. DAI Hegen was appointed as the President (Mr. DAI Hegen then ceased to be a Vice President and Mr. LI Changjin ceased to be the Acting President), Mr. XU Tingwang was appointed as a Vice President (ceased to be Chief Economist), Mr. YANG Liang was appointed as the Chief Financial Officer, Mr. YU Tengqun, the Secretary to the Board of Directors, was appointed as the General Legal Advisor of the Company. The terms of the aforesaid senior management commenced on the day of passing the appointment and ended on the expiration of the second session of the Board of Directors.

In addition, the first meeting of the third session of the Board of Directors were held on 26 June 2014, at which Mr. DAI Hegen was re-appointed as the President of the Company, Mr. LIU Hui, Mr. MA Li, Mr. ZHOU Mengbo, Mr. ZHANG Xian, and Mr. XU Tingwang were re-appointed as Vice Presidents of the Company, Mr. YANG Liang was re-appointed as the Chief Financial Officer of the Company, Mr. YU Tengqun was re-appointed as the Secretary to the Board of Directors and General Legal Advisor of the Company. The terms aforesaid senior management commenced on the day of passing the appointment and will end on the expiration of the third session of the Board of Directors.

The biographical details of the current directors, supervisors and senior management of the Company are set out in "Biography of Directors, Supervisors and Senior Management".

Directors' and Supervisors' Interests in Contracts

No contract of significance to which the Company, or the Company's holding company or subsidiary or a subsidiary of the Company's holding company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Emoluments of the Directors, Supervisors and Senior Management of the Company

Details of the emoluments of the directors, supervisors and senior management of the Company in 2014 are set out in note 13 to the audited Financial Statements.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2014, none of the Company or the Company's holding company or subsidiary or a subsidiary of the Company's holding company was a party to any arrangement to enable the Company's directors, supervisors or their respective spouses or minor children to acquire shares in or debentures of the Company or any other body corporate.

Directors' and Supervisors' Service Contracts

None of the directors and supervisors of the Company has entered into a service contract with the Company or its subsidiary that is not terminable within one year without payment of compensation (in addition to statutory compensation).

Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures

Save as disclosed below, as at 31 December 2014, none of the directors and supervisors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name of Director/ Supervisor	Capacity	Number of A shares held (long position) (Shares)	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
Directors				
Mr. LI Changjin	Beneficial owner	105,700	0.0006	0.0005
Mr. YAO Guiqing	Beneficial owner	100,112	0.0006	0.0005
Mr. DAI Hegen *(Note 1)*	Beneficial owner	106,000	0.0006	0.0005
Supervisors				
Mr. WANG Qiuming *(Note 2)*	Beneficial owner	50,000	0.0003	0.0002
Ms. LIU Jianyuan	Beneficial owner	1,200	0.00001	0.00001

Note 1: Mr. DAI Hegen was appointed as executive director on 26 June 2014.

Note 2: Mr. WANG Qiuming ceased to be supervisor from 26 June 2014.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2014, 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 shareholder	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	332,600,000	Long position	7.91	1.56
BlackRock, Inc.	Interest of controlled corporations	331,645,857 92,000	Long position Short position	7.88 0.002	1.56 0.0004
Deutsche Bank Aktiengesellschaft	Interest of controlled corporations *(Note 1)*	229,803,271 123,424,962 10,406,000	Long position Short position Lending pool	5.46 2.93 0.25	1.08 0.58 0.05
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560 94,560,550	Long position Short position	5.00 2.25	0.99 0.44

Notes:

1. *According to the Corporate Substantial Shareholder Notice filed by Deutsche Bank Aktiengesellschaft with the Hong Kong Stock Exchange dated 13 January 2014, the interests held by Deutsche Bank Aktiengesellschaft were held in the following capacities:*

Capacity	Number of H shares (long position)	Number of H shares (short position)
Beneficial owner	139,171,310	123,424,962
Person having a security interest in shares	17,515,361	–
Interest of controlled corporations	54,042,600	–
Custodian corporation	10,406,000	–
Others	8,688,000	–

2. *The interests or short positions include the underlying shares as follows:*

	Long Position				Short Position			
Name of substantial shareholders	Listed equity derivative payment in kind	Listed equity derivatives settled in cash	Non-listed equity derivatives payment in kind	Non-listed equity derivatives settled in cash	Listed equity derivatives payment in kind	Listed equity derivatives settled in cash	Non-listed equity derivatives payment in kind	Non-listed equity derivatives settled in cash
BlackRock, Inc.	–	–	–	4,710,000	–	–	–	–
Deutsche Bank Aktiengesellschaft	–	–	–	17,624,000	–	–	–	10,166,000
Lehman Brothers Holdings Inc.	–	–	10,000,000	–	–	–	60,000	–

Apart from the foregoing, as at 31 December 2014, 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.

Competing Business

None of the Company's directors held any interest in any business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group.

Connected Transactions

(1) Continuing Connected Transactions Defined under the Listing Rules

CRECG is the Company's controlling shareholder and is therefore one of the Company's connected persons under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "**Listing Rules**"). Transactions between the Company and/or its subsidiaries and CRECG and/or its associates constitute connected transactions.

(a) the Comprehensive Services Agreement between the Company and CRECG

Reference is made to the prospectus of the Company dated 23 November 2007 in relation to, among other things, the comprehensive services agreement (the "**Comprehensive Services Agreement**") entered into between the Company and CRECG. The term of the Comprehensive Services Agreement commenced on the date of the agreement and expired on 31 December 2009, which was renewed for an another term of three years on 1 January 2010 and expired on 31 December 2012.

On 28 March 2013, the Company entered into a comprehensive services renewal agreement (the "**Comprehensive Services Renewal Agreement**") with CRECG which took effect from 1 January 2013 till 31 December 2015, in relation to the mutual provision of comprehensive services between CRECG and the Group. Pursuant to the Comprehensive Services Renewal Agreement, CRECG and/or its associates will provide social services to the Group, including health check, vaccination and preventive medical services, on-site medical services, prevention of occupational disease and other special medical services to employees of the Group as well as training to the Group's employees.

The annual caps for the year of 2013, 2014 and 2015 under the Comprehensive Services Renewal Agreement are as follows:

	For the financial year ended/ ending 31 December		
	2013	**2014**	**2015**
	RMB	RMB	RMB
Provision of comprehensive services by CRECG Group to the Group	78,200,000	78,200,000	78,200,000
Provision of comprehensive services by the Group to CRECG Group	4,500,000	4,500,000	4,500,000

The above annual caps were determined by reference to the historical transaction amount under the Comprehensive Services Agreement and the estimated value of transactions under the Comprehensive Services Renewal Agreement that are expected to be entered into in 2013, 2014 and 2015. The Company has made announcement in respect of the Comprehensive Services Renewal Agreement on 28 March 2013.

(b) the Financial Services Framework Agreement between China Railway Finance Company Limited ("China Railway Finance") and CRECG

On 29 April 2014, China Railway Finance (a subsidiary of the Company, with 95% of its equity interest being held by the Company and 5% of its equity interest being held by CRECG) executed a financial services framework agreement with CRECG (the "**Financial Services Framework Agreement**"), which took effect upon the completion of relevant statutory procedures, being 16 March 2014, till 31 December 2015 (and can be renewed upon mutual agreement subject to compliance with relevant regulations and the Listing Rules). Pursuant to the Financial Services Framework Agreement, China Railway Finance agreed to provide deposit services, loan services and other financial services to CRECG.

The annual caps for the year of 2014 and 2015 under the Financial Services Agreement are as follows:

		For the financial year ended/ ending 31 December	
		2014	2015
		RMB	RMB
(i)	**deposit service** The maximum of daily deposit balance in China Railway Finance by CRECG (including interest accrued)	20,000,000,000	20,000,000,000
(ii)	**loan service** The maximum of daily loan balance from China Railway Finance to CRECG (including interest accrued)	2,000,000,000	2,000,000,000
(iii)	**other financial services** The aggregate annual amount of service fees for financial services provided by China Railway Finance to CRECG	40,000,000	80,000,000

The factors in determining the above annual caps include: (1) the strategy of financial management of the Company by taking into account the cash flow and capital needs as required by the business expansion plan of the Group; and (2) the effective and reasonable control of financial risks. The Company has made announcement in respect of the Financial Services Framework Agreement on 29 April 2014.

The independent non-executive directors of the Company are of the opinion that the above continuing connected transactions between the Group and the CRECG were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Board of Directors has engaged the auditor of the Company to perform certain agreed upon procedures in respect of the above continuing connected transactions of the Group. The auditors of the Company have reported the factual findings on these procedures to the Board of Directors.

The Board of Directors has received a letter from the auditors of the Company confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(i) have not been approved by the Board of Directors;

(ii) with respect to the goods or services provided by the Group, were not entered into, in all material respects, in accordance with the pricing policy of the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and

(iv) have exceeded their respective maximum aggregate annual value set out above for the financial year ended 31 December 2014.

In respect of the above continuing connected transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

(2) Material Related Party Transactions as Defined under PRC Laws and Regulations

Details of the material related party transactions as defined by PRC laws and regulations are set out on pages 188 to 190 of this annual report.

Purchase, Sale or Redemption of the Company's Listed Securities

During the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive Rights and Share Option Arrangements

There are no provisions for pre-emptive rights pursuant to the Company's Articles of Association (the "**Articles of Association**") and the relevant laws and regulations of the PRC. Currently, the Company does not have any arrangement with respect to share options.

Bank and Other Loans

Particulars of bank and other loans of the Group as at 31 December 2014 are set out in note 36 to the Financial Statements.

Financial Summary

The summary of the audited results and audited statements of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

Emolument Policy

Ever since listing, the Company has been devoted to establishing a remuneration management scheme that is scientific and reasonable, fair and equitable, normative and orderly, in accordance with the requirements of the modern enterprise system, focused on the incentive and constraint functions that remuneration distribution may serve, and aimed to attract and retain the core talents of the Company and maintain the reasonable and orderly growth in remuneration. In respect of remuneration policies, the Company formulated in 2010 the *Guiding Opinion of China Railway Limited on Remuneration Management*, which set out guidance and goals of remuneration distribution, adopted a grading and classification mechanism for remuneration management, and rationalised the remuneration distribution relationships within the enterprise. In order to motivate the staff working abroad and promote healthy development of the businesses of the Company overseas, the Company formulated in 2012 the *Guiding Opinion of China Railway Company Limited regarding Strengthening Remuneration Management Overseas*, which set out the principles for remuneration management overseas of legal compliance, emphasising on domestic growth balanced with expansion overseas and grade-based management, whereby reinforcing and regulating the management of aggregate amount of salary overseas, performance evaluation and welfare benefits taking into account the special nature of overseas remuneration arrangements. In respect of safeguarding employees' lawful benefits, the Company formulated the *Guiding Opinion on Establishing and Improving the Mechanism for Assuring Normal Growth and Payment of Employees' Salary* in 2009 to effectively ensure the coordinated growth of employees' salary and enterprise economic performance and achieve scientific and harmonious development. In respect of the management of the aggregate amount and rate of salary, the Company formulated the *Interim Measures of China Railway Company Limited for Budgetary Management of Aggregate Salary* and the *Rules for Implementing Interim Measures of China Railway Company Limited for Budgetary Management of Aggregate Salary* in 2013 in accordance with the relevant regulations of the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") on budgetary management of aggregate salary. In 2014, the Company was selected by the SASAC as the pilot unit of filing-based regulatory scheme for budgetary management of aggregate salary. As such, the Company further strengthened the internal management of aggregate salary by issuing the *Notice Regarding Further Regulating the Budgetary Management of Aggregate Salary*, which refined the salary setting mechanism tying salary to economic efficiency and the floating solution for salary increase control, based on the principles under which salary are tied to and distribution is dependent on economic efficiency, with an aim to ensure a reasonable and orderly growth in aggregate salary and employee wage so as to facilitate the scientific development of the Company.

Employee remuneration comprises basic salary, performance-based bonus and allowances. In accordance with applicable PRC laws, the Group entered into an employment contract with each of its employees. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination. Particulars of the employee remuneration of the Company are set out in note 13 to the Financial Statements.

In accordance with applicable regulations, the Group makes contributions to the employee pension contribution plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to employee housing provident fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides voluntary benefits to current employees and retired employees. These benefits include supplemental medical insurance plans and supplemental pension plans for both current and retired employees and annuities for current employees.

In 2014, the Group deeply implemented the "twelfth Five-year Plan" of talent training and set the objective to build six talent teams, i.e. team of operating management, specialists with professional skills, team of professional project management, personnel in ideological and political promotion, and technicians with specialised skills. In this regard, the Company formulated the *2014 Training Plan of China Railway Group Limited*, under which it stepped up its efforts in educational training, explored new model of training, paid additional attention to exchanges and studies in learning and teaching, which resulted in an increase in capacity and quality of employees.

In 2015, the Group will continue to strengthen its employee training with a focus on developing purpose awareness, holistic perspective and sense of responsibility of the leaders at all levels and their capability and quality of promoting scientific development of the enterprise. The Group will also continue strengthening the development of the overseas operating and management personnel, make its best efforts to implement the "go-abroad" strategy, and develop a top-notch professional team with international competitiveness to ensure sufficient talents for enterprise development.

The remuneration of executive directors of the Company is on an annual basis and consists of base salary and performance-based bonus. The revised remuneration policies for the independent directors of the Company were approved at the 2009 annual general meeting of the Company held on 29 June 2010, according to which, the remuneration of the non-executive directors and independent non-executive directors of the Company is a fixed salary depending on position. Remuneration of the directors is determined with reference to the prevailing market conditions and in accordance with applicable regulations. Details of the remuneration of the directors of the Company are set out in note 13 to the Financial Statements.

The personnel expenses of the Company for the year ended 31 December 2014 were RMB37.978 billion. As at 31 December 2014, the number of employees hired by the Group was 293,592. The following table sets forth a breakdown of the Group's employees by division as at 31 December 2014:

Division	Number of employees as at 31 December 2014
Production	142,096
Sales and Marketing	21,595
Engineering and Technology	98,891
Financing	13,981
Administration	17,029
Total	293,592

Employee Retirement Benefits

Particulars of the employee retirement benefits of the Group are set out in note 13 to the Financial Statements.

Public Float

As at the date of this annual report, the Company has maintained sufficient public float, based on the information that is publicly available to the Company and within the knowledge of the directors of the Company.

Compliance with the Corporate Governance Code

For details of the Company's corporate governance practices, please refer to the Report on Corporate Governance Practices on pages 48 to 64 of this annual report.

Auditors

The 2014 financial statements of the Company which were prepared in accordance with the International Financial Reporting Standards were audited by Deloitte Touche Tohmatsu, and the financial statements prepared in accordance with the Chinese Accounting Standards were audited by Deloitte Touche Tohmatsu CPA LLP.

A resolution for the re-appointment of Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA LLP as the international and domestic auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Li Changjin
Chairman

Beijing, the PRC
30 March 2015

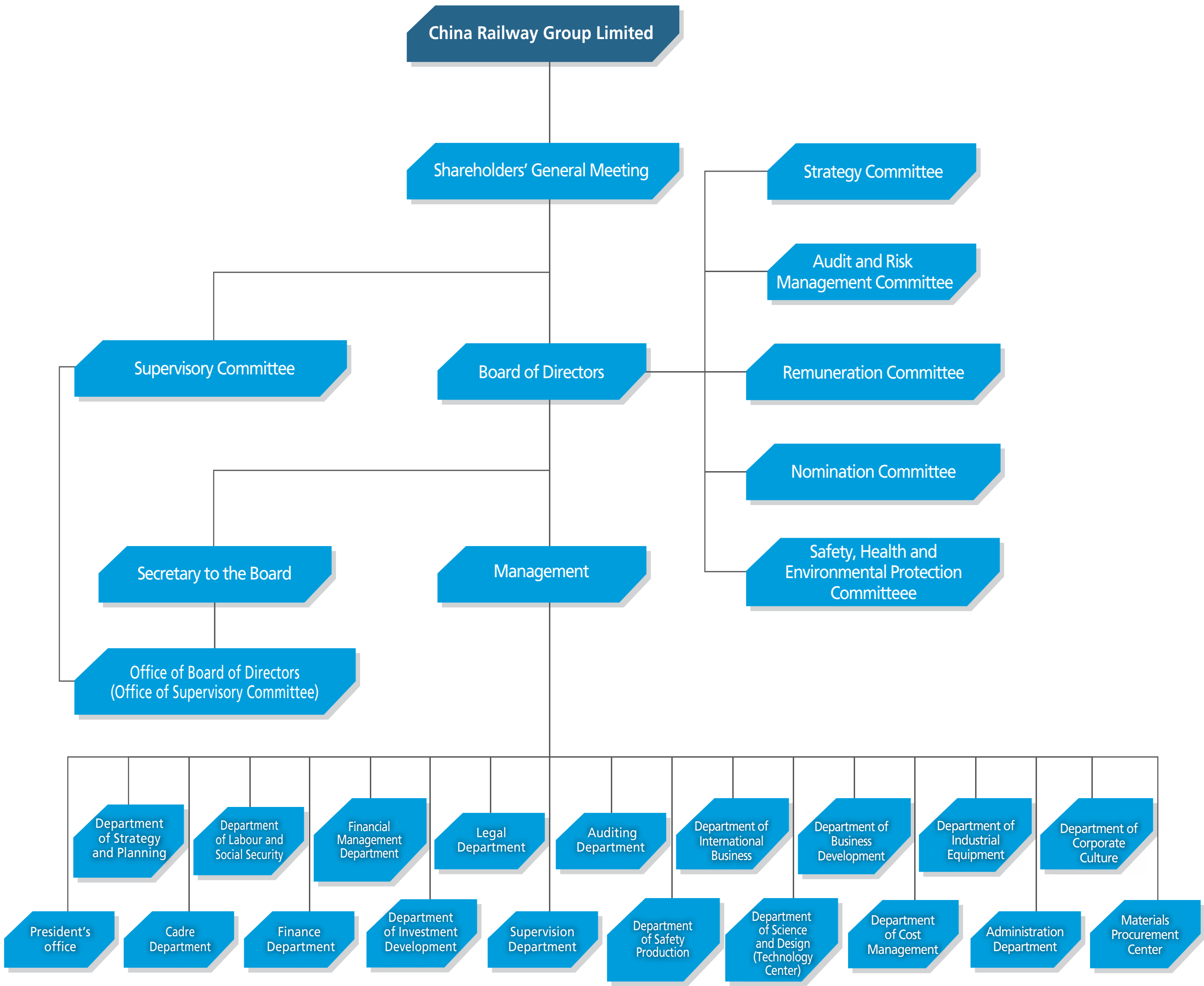
REPORT ON CORPORATE GOVERNANCE PRACTICES

Overview

During the reporting period, the Company has complied with the laws and regulations of the places where it operates its business as well as the regulations and guidelines prescribed by regulatory authorities such as the China Securities Regulatory Commission, the Securities and Futures Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The goals of the Company are to ensure the sustainable long-term development of the Company and generate greater returns for its shareholders. The Board believes that, in order to achieve these goals, the Company must implement and maintain corporate governance principles of and structures consistent with integrity, transparency, openness and effectiveness. For this reason, we have taken various measures to achieve an effective Board of Directors, including the creation of five board committees, i.e. the Strategy Committee, the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Safety, Health and Environmental Protection Committee, and setting up 20 functional departments. We have adopted internal working procedures to ensure accurate and timely information disclosure in accordance with the requirements under the Listing Rules as well as the requirements under relevant PRC laws and regulations. The Company will continue to adopt measures to refine its corporate governance structures, improve its corporate governance and enhance practices in corporate governance standards in light of the actual circumstances of the Company.

Corporate Governance Framework

Pursuant to the requirements of the Company Law, the Securities Law, the Listing Rules and other relevant laws and regulations, the Company established a corporate governance framework comprising the Shareholders' General Meeting, the Board of Directors, the Supervisory Committee and senior management.



During the reporting period, the Company actively urged the shareholders of the Company to exercise shareholders' rights and convene and hold shareholders' meeting in compliance with law. The controlling shareholders were able to perform their obligations strictly in accordance with the non-compete agreement and the deed of non-compete undertakings executed by them, i.e. not going beyond the scope of power granted by shareholders' meeting resulting in interruption of production and operation activities of the company, fair pricing of connected transactions with the Company, and complying with laws in decision-making procedures and satisfying the required information disclosure obligations. In June 2014, the Company completed the transition of the Board of Directors and the Supervisory Committee, and new session of the Board of Directors and the Supervisory Committee were formed. The new session of the Board of Directors and the special committees diligently performed their duties strictly in accordance with the Articles of Association, the procedural pules of the board meetings, and each director dedicated upmost attention to the enterprise development, grasped a comprehensive understanding of the business, production and operation of the Company and conduct in-depth analysis on such matters. They also carefully made decisions on material matters, supervised the implementation of passed resolutions, voiced opinions in an independent, objective and impartial manner, and played active roles in pushing toward scientific, democratic, and standard strategy-making by the Board of Directors so as to mitigate the operation risk of the Company and safeguard the legal interests of shareholders. The new session of the Supervisory Committee diligently performed duties strictly in accordance with the Articles of Association and the procedural rules of the supervisory committee and effectively supervised the financial conditions, development of internal control system, performance of duties by the Directors and senior management of the Company. The senior management of the Company diligently performed duties and carried out production and operations and management of the Company, actively implemented the resolutions and fulfilled requirements of the Board of Directors subject to the supervision by the Supervisory Committee, and reported periodically to the Board of Directors production and operation conditions of the Company and the status of execution of the resolutions passed by the Board of Directors.

Compliance with the Code Provisions of the Corporate Governance Code

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

Shareholders' General Meeting

The Shareholders' General Meeting is an organ of power of the Company. In accordance with the requirements of the Company Law, the Securities Law and other relevant laws and regulations, the Company formulated the Articles of Association and the Procedural Rules for Shareholders' General Meeting to regulate the convening, approval and voting procedures for shareholders' general meetings.

During the reporting period, the Company convened and held one shareholders' general meeting, being the 2013 annual general meeting held on 26 June 2014. At the 2013 annual general meeting, a total of ten ordinary resolutions were passed, including approving the 2013 report of the Board of Directors, the 2013 report of the Supervisory Committee, the 2013 audited consolidated financial statements, the 2013 work report of independent directors, the 2013 profit distribution plan of the Company, the re-appointment of the external auditors of the Company, the re-appointment of internal control auditors, and the provision of external guarantee by the Company and its various subsidiaries, the proposed composition of the third session of the Board of Directors and the candidates for the third session of the shareholder representative supervisors of the Company, and one special resolution was also passed, being the amendments to the Articles of Association. The meeting was convened in compliance with relevant legal procedures which safeguarded shareholders' participation and exercise of rights.

The table below sets out the details of general meetings attendance of each director during the reporting period:

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin (reappointed on 26 June 2014)	1	1	0
YAO Guiqing (reappointed on 26 June 2014)	1	1	0
DAI Hegen (appointed on 26 June 2014)	1	0	1
GUO Peizhang (appointed on 26 June 2014)	1	1	0
WEN Baoman (appointed on 26 June 2014)	1	1	0
ZHENG Qingzhi (appointed on 26 June 2014)	1	1	0
NGAI Wai Fung (appointed on 26 June 2014)	1	1	0
BAI Zhongren (passed away on 4 January 2014)	0	0	0
Han Xiuguo (resigned on 26 June 2014)	1	1	0
He Gong (resigned on 26 June 2014)	1	0	1
Gong Huazhang (resigned on 26 June 2014)	1	1	0
WANG Taiwen (resigned on 26 June 2014)	1	0	1
SUN Patrick (resigned on 26 June 2014)	1	1	0

The Board of Directors

1. Composition of the Board of Directors

During the reporting period, the members of the Board of Directors were as follows:

LI Changjin (reappointed on 26 June 2014)	Chairman and Executive Director
Yao Guiqing (reappointed on 26 June 2014)	Vice Chairman and Executive Director
Dai Hegen (appointed on 26 June 2014)	Executive Director and President
GUO Peizhang (appointed on 26 June 2014)	Independent Non-executive Director
WEN Baoman (appointed on 26 June 2014)	Independent Non-executive Director
ZHENG Qingzhi (appointed on 26 June 2014)	Independent Non-executive Director
NGAI Wai Fung (appointed on 26 June 2014)	Independent Non-executive Director
Bai Zhongren (passed away on 4 January 2014)	Executive Director
HAN Xiuguo (resigned on 26 June 2014)	Non-executive Director
HE Gong (resigned on 26 June 2014)	Independent Non-executive Director
GONG Huazhang (resigned on 26 June 2014)	Independent Non-executive Director
WANG Taiwen (resigned on 26 June 2014)	Independent Non-executive Director
SUN Patrick (resigned on 26 June 2014)	Independent Non-executive Director

The second session of the Board of Directors expired on 27 January 2014, and the third session of the Board of Directors was elected on 26 June 2014. The second session of the Board of Directors continued to fulfil their duties in accordance with the Company Law until the third session of the Board of Directors assumes office. There was no financial, business, family or other material relationship among the directors of the Company.

During the reporting period, the Company complied with Rules 3.10(1) and 3.10(2) of the Listing Rules which require the Company to maintain at least three independent non-executive directors and have an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

Half of the members of the Board of Directors are independent non-executive directors, in compliance with Rule 3.10A of the Listing Rules which requires independent non-executive directors of the Company must represent at least one-third of the Board of Directors. The Company has received confirmation of independence from the independent non-executive directors of the Company in accordance with Rule 3.13 of the Listing Rules and the Company considered each independent non-executive director as independent.

Pursuant to the Articles of Association, the term of office of each director of the Company (including the non-executive directors and the independent non-executive directors) is three years which is renewable upon re-election and each independent non-executive director shall not serve for more than six consecutive years in order to ensure his independence.

2. Board Meetings

In 2014, the Company held nine board meetings, among which two were held by communication means. A total of 101 proposals were considered and passed at these board meetings, including proposals for the consideration of the periodical reports, change of accounting policies, and the plan for the assessment of internal control, and heard 22 briefings including management reports, meeting reports and work evaluations.

The table below sets out the details of board meeting attendance of each director of the Company during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin (reappointed on 26 June 2014)	9	9	0
YAO Guiqing (reappointed on 26 June 2014)	9	9	0
DAI Hegen (appointed on 26 June 2014)	5	4	1
GUO Peizhang (appointed on 26 June 2014)	5	5	0
WEN Baoman (appointed on 26 June 2014)	5	5	0
ZHENG Qingzhi (appointed on 26 June 2014)	5	5	0
NGAI Wai Fung (appointed on 26 June 2014)	5	4	1
BAI Zhongren (passed away on 4 January 2014)	0	0	0
HAN Xiuguo (resigned on 26 June 2014)	4	4	0
HE Gong (resigned on 26 June 2014)	4	4	0
GONG Huazhang (resigned on 26 June 2014)	4	4	0
WANG Taiwen (resigned on 26 June 2014)	4	4	0
SUN Patrick (resigned on 26 June 2014)	4	4	0

3. Responsibilities and Operation of the Board of Directors

The responsibilities of the Board of Directors are, among other things, convening shareholders' general meetings and reporting its work to shareholders at such meetings, implementing resolutions of the shareholders' general meeting, making decisions on its business strategies, business plans and major investment plans of the Company, formulating proposed annual financial budgets and final accounts, formulating profit distribution plans and (where applicable) plans for making up losses previously incurred, formulating plans relating to the increase or reduction of the Company's registered capital, the issue of corporate bonds or other securities, and (where applicable) the listing of such securities, deciding on the Company's internal management scheme, developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board of Directors, reviewing and monitoring the training and continuous professional development of the directors and the senior management, reviewing and monitoring the Company's policies and practices on the compliance with law and regulatory requirements, developing, formulating, reviewing and monitoring the code of conduct and compliance manual applicable to the employees and the directors, reviewing the Company's compliance with corporate governance, and the disclosures made in the Corporate Governance Report, and exercising any other powers conferred by the shareholders' general meeting or under the Articles of Association.

There are currently five committees under the Board of Directors, being the Strategy Committee, the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Safety, Health and Environmental Protection Committee. Each committee has its own terms of reference.

The offices of the Chairman and President of the Company are held by different persons and division of power between the Board of Directors and the senior management strictly complies with the Articles of Association and the relevant regulations. The Board of Directors formulates the overall strategy of the Company and monitors its financial performance. The management of the Company implements the strategic plans as determined by the Board of Directors and is responsible for the daily operations and management of the Company. The Chairman is responsible for convening and presiding over board meetings, overseeing the implementation of board resolutions and coordinating the operation of the Board of Directors. Pursuant to the Articles of Association, the President is delegated with the authority to, among other things, oversees the operation and management of the Company, implement the decisions of the Board of Directors, carry out investment plans and formulate the basic management policies of the Company.

4. Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by its directors and supervisors. After specific enquiries to all directors and supervisors, the Company confirms that the directors and supervisors complied with the standards set out in the Model Code during the reporting period.

5. Directors' Training

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills in order to ensure that they continue to be equipped with all necessary information to contribute to the Board of Directors. The Company has devised a training record in order to assist the directors of the Company to record the training courses they have taken.

A summary of the trainings received by the directors of the Company during the reporting period is set out below.

Director	Training on qualification for independent director and subsequent trainings provided by the Shanghai Stock Exchange	Training on director duties of listed companies provided by the Shanghai Stock Exchange	Training on the Listing Rules provided by overseas attorneys	Directors communication meetings with SASAC	Special themed training for directors of state-owned enterprises provided by SASAC for establishment and regulation of board of directors	Training on basic knowledge on construction of high-speed railway for newly appointed directors	Company internal training on business affairs
LI Changjin (reappointed on 26 June 2014)	0	1	1	1	0	0	0
YAO Guiqing (reappointed on 26 June 2014)	0	1	1	1	0	0	0
DAI Hegen (appointed on 26 June 2014)	0	1	1	1	0	0	0
GUO Peizhang (appointed on 26 June 2014)	1	1	1	2	1	1	1
WEN Baoman (appointed on 26 June 2014)	1	1	1	1	0	1	1
ZHENG Qingzhi (appointed on 26 June 2014)	1	1	1	2	2	1	1
NGAI Wai Fung (appointed on 26 June 2014)	0	1	1	1	1	0	1
BAI Zhongren (passed away on 4 January 2014)	0	0	0	0	0	0	0
HAN Xiuguo (resigned on 26 June 2014)	0	0	0	1	0	0	0
HE Gong (resigned on 26 June 2014)	0	0	0	1	0	0	0
GONG Huazhang (resigned on 26 June 2014)	0	0	0	2	0	0	0
WANG Taiwen (resigned on 26 June 2014)	0	0	0	1	0	0	0
SUN Patrick (resigned on 26 June 2014)	0	0	0	1	0	0	0

6. Committees under the Board

The first meeting of the third session of the Board of Directors was held on 26 June 2014, at which the composition of the committees under the Board of Directors changed as follows: Mr. LI Changjin, Mr. YAO Guiqing, Mr. DAI Hegen, Mr. GUO Peizhang and Mr. ZHENG Qingzhi were appointed as members and Mr. LI Changjin was appointed as Chairman of the Strategy Committee of the Board of Directors, Mr. ZHENG Qingzhi, Mr. WEN Baoman and Mr. NGAI Wai Fung were appointed as members and Mr. ZHENG Qingzhi was appointed as Chairman of the Audit and Risk Management Committee of the Board of Directors, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were appointed as members and Mr. GUO Peizhang was appointed as Chairman of the Remuneration Committee of the Board of Directors, Mr. LI Changjin, Mr. DAI Hegen, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were appointed as members and Mr. LI Changjin was appointed as Chairman of the Nomination Committee of the Board of Directors, and Mr. DAI Hegen, Mr. YAO Guiqing, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. NGAI Wai Fung were appointed as members and Mr. DAI Hegen was appointed as Chairman of the Safety, Health and Environmental Protection Committee of the Board of Directors.

(a) Strategy Committee

The primary responsibilities of the Strategy Committee include, among other things, reviewing proposals and making recommendations to the Board of the Directors regarding the Company's strategic development plans, annual budget, capital allocation plan, major mergers and acquisitions, major investment and financing plans and material Internal reorganisation. Currently the Strategy Committee comprises Mr. LI Changjin, Mr. YAO Guiqing, and Mr. DAI Hegen, who are executive directors, and Mr. GUO Peizhang and Mr. ZHENG QINGZHI, who are independent non-executive directors of the Company, and is chaired by Mr. LI Changjin.

During the reporting period, the Strategy Committee held two meetings and approved the *Report on the Execution of 2013 Development Strategy of the Joint Stock Company and the 2014 Plans and Objectives, Assurance Measures and Work Advice* and the *Report on the Execution of Development Strategy of the Joint Stock Company for the First Half Year of 2014 and the Work Arrangement for the Second Half Year of 2014*.

The table below sets out the details of meeting attendance of each member of the Strategy Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin (reappointed on 26 June 2014)	2	2	0
YAO Guiqing (reappointed on 26 June 2014)	2	2	0
DAI Hegen (appointed on 26 June 2014)	1	1	0
GUO Peizhang (appointed on 26 June 2014)	1	1	0
ZHENG Qingzhi (appointed on 26 June 2014)	1	1	0
BAI Zhongren (passed away on 4 January 2014)	0	0	0
HAN Xiuguo (resigned on 26 June 2014)	1	1	0
HE Gong (resigned on 26 June 2014) *(Note)*	1	1	0
GONG Huazhang (resigned on 26 June 2014)	1	0	1

Note: HE Gong was appointed as a member of the Strategy Committee to fill in the vacancy of such committee after the pass away of BAI Zhongren.

(b) Audit and Risk Management Committee

The primary responsibilities of the Audit and Risk Management Committee are:

(1) making recommendations to the Board of Directors on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(2) reviewing and overseeing the external auditors' independence and objectivity and the effectiveness of the audit process;

(3) overseeing the integrity of the financial statements of the Company and the Company's annual report and accounts, interim report and quarterly reports, and reviewing significant financial reporting judgments contained in such reports;

(4) overseeing the Company's financial reporting system and internal control procedures, including but not limited to, reviewing the system of financial control, internal control and risk management, deliberating on actions to be taken in respect of any findings of major investigations of internal control matters as delegated by the Board or at its own initiative and management's response thereto, and reviewing the Group's financial and accounting policies and practices; and

(5) reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit and Risk Management Committee's terms of reference are available on the websites of the Company and the Hong Kong Stock Exchange.

The Audit and Risk Management Committee currently comprises Mr. ZHENG Qingzhi, Mr. WEN Baoman and Mr. NGAI Wai Fung who are independent non-executive directors of the Company, and is chaired by Mr. ZHENG Qingzhi.

During the reporting period, the Audit and Risk Management Committee held six meetings, at which a total of 34 proposals were considered, including the periodical reports, financial statements, and proposals on internal auditing, internal control assessment, and risk management.

The table below sets out the details of meeting attendance of each member of the Audit and Risk Management Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Zheng Qingzhi (appointed on 26 June 2014)	4	4	0
Wen Baoman (appointed on 26 June 2014)	4	4	0
Ngai Wai Fung (appointed on 26 June 2014)	4	4	0
GONG Huazhang (resigned on 26 June 2014)	2	2	0
WANG Taiwen (resigned on 26 June 2014)	2	2	0
SUN Patrick (resigned on 26 June 2014)	2	2	0

(c) Remuneration Committee

The primary responsibilities of the Remuneration Committee are:

(1) making recommendations to the Board of Directors on the Company's policy and structure for remuneration of directors and senior management and on the formulation of a formal and transparent process for developing policy on such remuneration;

(2) reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives set by the Board of Directors;

(3) determining, as authorised by the Board of Directors, the specific remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board in relation to the remuneration of non-executive directors;

(4) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; and

(5) ensuring that no director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee's terms of reference are available on the websites of the Company and the Hong Kong Stock Exchange.

The Remuneration Committee currently comprises Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi who are independent non-executive directors of the Company, and is chaired by Mr. GUO Peizhang.

During the reporting period, the Remuneration Committee held five meetings, at which a total of eight proposals were considered, including the proposals on performance contract with senior management, remuneration assessment and determination for senior management, and assessment management of Company's business performance.

The table below sets out the details of meeting attendance of each member of the Remuneration Committee during the reporting period:

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
GUO Peizhang (appointed on 26 June 2014)	3	3	0
WEN Baoman (appointed on 26 June 2014)	3	3	0
ZHENG Qingzhi (appointed on 26 June 2014)	3	3	0
He Gong (resigned on 26 June 2014)	2	2	0
Wang Taiwen (resigned on 26 June 2014)	2	2	0
SUN Patrick (resigned on 26 June 2014)	2	1	1

The emolument payable to directors, supervisors and members of senior management of the Company are determined in accordance with the contractual terms under their respective employment contracts. Details of the remuneration of directors and supervisors are set out in note 13 to the financial statements.

(d) Nomination Committee

The primary responsibilities of the Nomination Committee are:

(1) formulating the standards, procedures and methods for election of directors and senior management of the Company and submitting the same to the Board of Directors for consideration;

(2) identifying individuals suitably qualified to become board members and select and nominate individuals for directorship or make recommendations to the Board of Directors in this regard; reviewing the candidates for directors and President and make recommendations;

(3) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors at least annually and making recommendations on any changes to the Board of Directors proposed to support the Company's corporate strategy;

(4) making proposals regarding candidates for directors, shareholder representative supervisors and general managers of wholly owned subsidiaries; making proposals regarding candidates for directors, shareholder representative supervisors and general managers of subsidiaries controlled by the Company and subsidiaries in which the Company has equity participation;

(5) assessing the independence of independent non-executive directors of the Company; and

(6) making recommendations to the Board of Directors on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the President.

The Nomination Committee's terms of reference are available on the websites of the Company and the Hong Kong Stock Exchange.

The Nomination Committee currently comprises Mr. LI Changjin, Mr. DAI Hegen who are executive directors and Mr. GUO Peizhang and Mr. WEN Baoman and Mr. ZHENG Qingzhi who are independent non-executive directors, and is chaired by Mr. LI Changjin.

The Nomination Committee shall nominate director candidates for election in accordance with the formalities and procedures stipulated in the Articles of Association and the terms of reference of the Nomination Committee, and consider candidates for directorship based on qualification, ability and experience of the individual candidates.

During the reporting period, the Nomination Committee held one meeting, at which a total of five proposals were considered, including the Proposal for Appointment of President of China Railway Group Limited.

The table below sets out the details of meeting attendance of each member of the Nomination Committee during the reporting period:

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin (reappointed on 26 June 2014)	1	1	0
YAO Guiqing (reappointed on 26 June 2014) *(Note)*	1	1	0
Dai Hegen (appointed on 26 June 2014)	0	0	0
GUO Peizhang (appointed on 26 June 2014)	0	0	0
WEN Baoman (appointed on 26 June 2014)	0	0	0
ZHENG Qingzhi (appointed on 26 June 2014)	0	0	0
BAI Zhongren (passed away on 4 January 2014)	0	0	0
HE Gong (resigned on 26 June 2014)	1	1	0
GONG Huazhang (resigned on 26 June 2014)	1	1	0
Wang Taiwen (resigned on 26 June 2014)	1	0	1

Note: YAO Guiqing was appointed as a member of the Nomination Committee to fill in the vacancy of such committee after the pass away of BAI Zhongren.

The Board of Directors has adopted the board diversity policy, which sets out the approaches to achieve diversity among members of the Board of Directors and is available on the website of the Company. When selecting Board members, the Company gives full consideration to the benefits of all aspects of board diversity, including but not limited to gender, race, age, territory, cultural and educational background, professional experience and length of service. All the members of the Board of Directors are appointed based on meritocratic principles and finally decided by considering their strengths and contributions they can make to the Board of Directors.

(e) Safety, Health and Environmental Protection Committee

The primary responsibilities of the Safety, Health and Environmental Protection Committee include, among other things, providing guidance, inspecting and evaluating the implementation of the Company's plans on safety, employees' health and environmental protection, making recommendations to the Board of Directors regarding material matters relating to safety, health and environmental protection.

The Safety, Health and Environmental Protection Committee currently comprises of Mr. DAI Hegen and Mr. Yao Guiqing who are executive directors, and Mr. GUO Peizhang, Mr. WEN Baoman and Mr. NGAI Wai Fung who are independent non-executive directors, and is chaired by Mr. DAI Hegen.

During the reporting period, the Safety, Health and Environmental Protection Committee held one meeting, at which the briefing by the management on safety, health and environmental protection for the first half year of 2014 and work arrangement for the second half of the year of 2014 were considered.

The table below sets out the details of meeting attendance of each member of the Safety, Health and Environmental Protection Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin (reappointed on 26 June 2014) *(Note)*	0	0	0
Yao Guiqing (reappointed on 26 June 2014)	1	1	0
DAI Hegen (appointed on 26 June 2014)	1	1	0
GUO Peizhang (appointed on 26 June 2014)	1	1	0
WEN Baoman (appointed on 26 June 2014)	1	1	0
NGAI Wai Fung (appointed on 26 June 2014)	1	1	0
BAI Zhongren (passed away on 4 January 2014)	0	0	0
HAN Xiuguo (resigned on 26 June 2014)	0	0	0
HE Gong (resigned on 26 June 2014)	0	0	0
SUN Patrick (resigned on 26 June 2014)	0	0	0

Note: LI Changjin was appointed as the chairman of the Safety, Health and Environmental Protection Committee after the pass away of BAI Zhongren.

Supervisory Committee

The primary responsibilities of the Supervisory Committee are:

(1) supervising the performance by directors and senior management of their duties, and proposing removal of directors or senior management who have violated laws and regulations, the Articles of Association or resolutions of shareholders' general meetings;

(2) requesting directors and senior management of the Company to rectify any actions damaging the Company's interests;

(3) examining the Company's financial matters;

(4) making proposals to convene extraordinary general meetings of shareholders, and convene and preside over shareholders' general meetings in case the Board of Directors fails to perform its duty of convening and presiding over shareholders' general meetings under the Company Law;

(5) making proposals for shareholders' general meetings;

(6) making proposals to convene extraordinary meetings of the Board of Directors other than regular meetings;

(7) supervising the establishment and implementation of internal controls by Board of Directors; and

(8) supervising the review of, voting on, disclosure and performance of connected transactions, and providing comments in the annual report.

During the reporting period, the members of the Supervisory Committee of the Company were as follows:

LIU Chengjun (appointed on 26 June 2014)	Chairman of the Supervisory Committee and Shareholder Representative Supervisor
LIU Jianyuan (reappointed on 25 June 2014)	Employee Representative Supervisor
WANG Hongguang (appointed on 25 June 2014)	Employee Representative Supervisor
CHEN Wenxin (reappointed on 26 June 2014)	Shareholder Representative Supervisor
FAN Jinghua (appointed on 25 June 2014)	Employee Representative Supervisor
WANG Qiuming (resigned on 26 June 2014)	Chairman of the Supervisory Committee
ZHANG Xixue (resigned on 25 June 2014)	Employee Representative Supervisor
LIN Longbiao (resigned on 26 June 2014)	Employee Representative Supervisor

The Supervisory Committee has detailed terms of reference that specify its responsibilities, ensuring that the Supervisor Committee operates in a compliant and efficient manner. The term of office for each supervisor of the Company is three years which is renewable upon re-election.

During the reporting period, the Supervisory Committee held six meetings and considered a total of 36 proposals.

The table below sets out the details of meeting attendance of each member of the Supervisory Committee during the reporting period.

Supervisor	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Liu Chengjun (appointed on 26 June 2014)	4	4	0
LIU Jianyuan (reappointed on 25 June 2014)	6	6	0
WANG Hongguang (appointed on 25 June 2014)	4	4	0
CHEN Wenxin (reappointed on 26 June 2014)	6	6	0
FAN Jinghua (appointed on 26 June 2014)	4	4	0
WANG Qiuming (resigned on 25 June 2014)	2	2	0
ZHANG Xixue (resigned on 25 June 2014)	2	2	0
LIN Longbiao (resigned on 25 June 2014)	2	1	1

Joint Company Secretaries

The Joint Company Secretaries of the Company are Mr. YU Tengqun and Mr. TAM Chun Chung. Mr. YU and Mr. TAM have confirmed that they had taken not less than 15 hours of relevant professional training during the reporting period.

Shareholders' Rights

1. Convening of extraordinary general meeting

According to the Articles of Association, the shareholders of the Company who individually or jointly hold more than 10% of the voting shares at such proposed meeting may propose to the Board of Directors to convene an extraordinary general meeting of shareholders or a class shareholders' meeting. The procedures for shareholders to convene an extraordinary general meeting or a class shareholders' meeting are stated as below:

(1) The proposing shareholder(s) shall execute one or several copies of written request with the same form and contents to propose to the Board of Directors to convene an extraordinary general meeting of shareholders or a class shareholders' meeting and set out the topics of the meeting.

(2) If the Board of Directors agrees to convene an extraordinary general meeting or a class shareholders' meeting, a notice of the meeting shall be issued within five days after the resolution of the Board of Directors is passed.

(3) In case the Board of Directors refuses, or does not give any response within ten days upon receipt of the request, the shareholders who individually or jointly hold more than 10% of the voting shares at such proposed meeting shall have the right to propose to the Supervisory Committee for convening of such meeting, and shall make such request to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene an extraordinary general meeting or a class shareholders' meeting, a notice of the meeting shall be issued within five days upon receipt of the request. Changes made to the original request in the notice shall be approved by relevant shareholders. If the Supervisory Committee fails to give the notice of such a meeting within the specified time limit, it shall be deemed to have failed to convene or preside over the meeting, in which case, the shareholders who either individually or jointly hold more than 10% of the Company's shares for more than ninety consecutive days may convene and preside over the meeting by themselves.

(4) When the Supervisory Committee or the shareholders decide to convene a general meeting of shareholders by themselves, they must notify the Board of Directors in writing and at the same time file the notice with the local branch of CSRC and the stock exchange where the Company is domiciled. Before the resolutions of general meeting of shareholders are publicly announced, the proportion of shares held by the convening shareholders should be not less than 10%. When issuing the notice of general meeting of shareholders and the public announcement of the resolutions of general meeting of shareholders, the convening shareholder shall submit relevant supporting materials to the local branch of CSRC where the Company is domiciled and the stock exchange.

(5) For the general meeting of shareholders convened by the Supervisory Committee or the shareholders themselves, the Board of Directors and the Secretary to the Board of Directors shall provide cooperation. The Board of Directors shall provide the register of shareholders as at the date of record.

2. Putting forward proposals in the Shareholders' General Meeting

The procedures for putting forward proposals in the shareholders' general meeting are stated as below:

(1) When the Company holds a general meeting of shareholders, the Board of Directors, Supervisory Committee and shareholders who individually or jointly hold more than 3% of shares of the Company shall have the right to prepare a proposal to the Company. Shareholders who hold more than 3% of shares of the Company, either individually or jointly, may prepare an interim proposal and submit it in writing to the person(s) convening the meeting ten days before the general meeting of shareholders convenes. The person(s) convening the meeting shall issue a supplementary notice of the general meeting of shareholders within two days upon receipt of the proposal and publicly announce the contents of such proposal.

(2) When the Company holds a general meeting of shareholders, it shall send a written notice to the shareholders forty-five days prior to the meeting. Shareholders intending to be present in the general meeting of shareholders shall send a written reply of attendance to the Company twenty days before the meeting convenes.

3. Enquiries to the Board

Shareholders who intend to put forward their enquires about the Company to the Board of Directors could email their enquires to ir@crec.cn.

Amendments to the Articles of Association

During the reporting period, the proposed amendment to the Articles of Association regarding the change of registered office of the Company were passed on the 2013 annual general meeting held on 26 June 2014. Other than that, there have been no changes in the Articles of Association.

Certain proposed amendments to the Articles of Association pursuant to the requirements under the Guidelines for the Articles of Associates of Listed Companies (as amended in 2014), the Listed Companies Regulatory Guidance No. 3 – Cash Dividends of Listed Companies issued by the China Securities Regulatory Commission, the Guidelines on Debt Dividends Distribution of Listed Companies published by the Shanghai Stock Exchange, and relevant laws, administrative regulations, and other regulatory documents, and taking into account the actual situation of the Company, were passed on the first extraordinary general meeting of 2015 held on 31 March 2015. The latest version of the Articles of Association is available on the websites of the Company and the Hong Kong Stock Exchange.

Relationship with the Controlling Shareholder

CRECG is the Company's controlling shareholder. The Company is independent from CRECG in respect of its staff, assets, finance, organisational structure and operation. During the reporting period, except for the Chairman and executive director of the Company, Mr. LI Changjin, who also served as the chairman of CRECG, the Vice Chairman and executive director of the Company, Mr. YAO Guiqing, who also served as the vice chairman of CRECG, executive director and President, Mr. Dai Hegen, who also served as a director of CRECG, and supervisor Ms. Liu Jianyuan who also served as a director of CRECG, none of the directors, supervisors or senior management of the Company held any positions with CRECG or received any salary from CRECG and/or its associates. Notwithstanding the fact that Mr. LI Changjin, Mr. YAO Guiqing and Mr. Dai Hegen (collectively the "**Overlapping Directors**") and Ms. LIU Jianyuan act as directors of CRECG and directors or supervisor of the Company respectively, they have the capacity to commit to the daily management of the Company because there was less day-to-day management work of CRECG. Moreover, the Overlapping Directors represent a minority in the Board of Directors. During the reporting period, the Board of Directors also had four independent non-executive directors, which ensured that the interests of the Company and shareholders were protected. The Company also has its own financial management system and related personnel who are independent from CRECG.

On 28 March 2013, the Company entered into a comprehensive services renewal agreement with CRECG in relation to the mutual provision of comprehensive services between the CRECG and the Group, effective from 1 January 2013 to 31 December 2015. Pursuant to the comprehensive services renewal agreement, CRECG and/or its associates will provide social services, including health check, vaccination and preventive medical services, on-site medical services, prevention of occupational diseases and other special medical services to employees of the Group as well as training to the Group's employees.

On 29 April 2014, China Railway Finance (a subsidiary of the Company, with 95% of its equity interest being held by the Company and 5% of its equity interest being held by CRECG) executed a finance services framework agreement with CRECG, effective from 16 March 2014 to 31 December 2015. Pursuant to the finance services framework agreement, China Railway Finance will provide deposit services, loan services and other financial services to CRECG.

Auditors' Remuneration

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA LLP (collectively the "**External Auditors**") are appointed as the international and domestic auditors of the Company, respectively.

Fees paid to the External Auditors for the audit of the financial statements of the Group for the year ended 31 December 2014 are approximately RMB43 million.

The Board of Directors proposes to re-appoint Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA LLP as the international and domestic auditors of the Company for the year 2015 respectively, which has been discussed and approved by the Audit and Risk Management Committee and is subject to shareholders' approval at the forthcoming annual general meeting.

Information Disclosure

The Secretary to the Board of Directors and the Joint Company Secretaries are in charge of information disclosure affairs of the Company. During the reporting period, the Company actively studied and reacted to new changes in regulatory policies in the Chinese capital market and domestic and overseas securities markets, and continuously adapted itself to the new requirements on information disclosure by regulatory authorities; it continued to advocate for voluntary information disclosure as a supplement to statutory disclosure requirements, intensified its efforts in internal report and approval on material matters, strengthened targetedness and effectiveness of content of periodical reports, and effectively increased transparency in information disclosure by the Company. In 2014 The Company received a rate of A (outstanding in information disclosure) from Shanghai Stock Exchange in respect of information disclosure in 2013 by listed companies. The Company published 164 announcements and circulars in total, among which announcements for A shares totalled 70, and announcements and circulars for H shares totalled 94. All of the announcements are published through the Shanghai Stock Exchange, Hong Kong Stock Exchange and designated websites.

Internal Control

The Company has established a set of internal control system and strictly complied with the implementation requirements of the Company's fundamental standards and ancillary guidance on internal control. Taking into account the actual operations of the Company, the internal and external operating environment, the Company's development strategy, management methods and internal control conditions, the Company grasped the current condition of risk control, focused on identifying deficiencies, continuously improved various guidelines and systems, streamlined various business processes, further developed risk assessment, identified the potential risks at the Company's and process level, analysed the factors leading to the occurrence of risks, cleared the thinking on management, and built up a multi-layered risk management and preventive mechanism to realise the Company's development strategy. The Company also adopted key control measures in relation to business process to manage material risk in a holistic manner, further specified control measures, clearly identified persons accountable for implementation of control, insisted on incompatible functions in the control system not performed by the same person, implemented material risk management throughout the entire process, strived to control risk so as to ensure the effective operations of the Company's business.

In addition, the Company carefully prepared 2014 annual social responsibility report and appraisal report on internal control, engaged auditors to audit the Company's internal control for the year of 2014 and issued unqualified audit report on internal control.

Accountability of the Directors in Relation to Financial Statements

The directors of the Company are responsible for overseeing the preparation of financial statements. In preparing the financial statements for the year ended 31 December 2014, the directors of the Company have selected and applied appropriate accounting policies and made prudent and reasonable judgment and estimation so as to give a true and fair view of the financial position, results and cash flow of the Group for that fiscal year.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 65 of this annual report.

Investors Relations

To further enhance and improve the mechanism for investor relation management of the Company, and strengthen the interaction and communication between different parties of the capital market, in 2014 the Company has adopted a variety of approaches and channels to deepen the communication with the shareholders and investors, including holding results briefings by on-site meeting and phone conference, investors' visits, investors' hotlines, Shanghai Stock Exchange e-interaction platform, internet briefings on cash dividends, investors relation email and investment summits, which have achieved satisfactory effects for fostering credit and clearing up doubts and obtained the recognition by shareholders and the capital market.

During the year of 2014, the Company has received more than 40 visits by institutional investors and more than 120 visits by individual investors; attended 10 foreign and domestic international investment forums and investment strategy conferences; interacted and exchanged with more than 540 fund managers and analysts and organised two reverse roadshows.

During the reporting period, the Company received the honour's of, including but not limited to, "People's Enterprise with Social Responsivity Award", "the Enterprise with the Most Core Competitiveness in 2014," "Golden Bauhinia Awards – Best Investor-relationship Management Company", "Top 100 H-share Company", "Golden Tripod Award," "Top 50 Most Respected Listed Company of China". Besides, the Board of Directors was also awarded, including but not limited to, the "the Award for Special Contribution to Board Construction", "Top 10 Best Board of Directors of China Listed Company".

Social Responsibility Commitment

As the leading enterprise of construction industry, China Railway has always been taking the responsibility of acting as the practitioner, promoter and leader of social responsibility of companies. Since 2008, China Railway has started setting up a scientific, regular, systematic and efficient mechanism for enterprise social responsibility management, making social responsibility planning from the seven aspects of benefiting society, scientific development, safety supervision and environmental protection, employee development, public good and global responsibility, and has undertaken a series of corporate social responsibility activities in the headquarter and subsidiaries of the Company, with an aim to achieve the goal of social responsibility with complete coverage, full performance, gradual improvement and industry leadership, and make continuous and irreplaceable contribution to the society.

Continuous Evolvement of Corporate Governance

The Company will continue to closely study the development of corporate governance practices by the world's leading corporations and the requirements of the investors. We will also review and strengthen our corporate governance procedures and practices on a regular basis so as to ensure the long-term sustainable development of the Company.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA RAILWAY GROUP LIMITED
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Railway Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 186, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	2014 RMB million	2013 RMB million
Revenue	6 & 7	**590,166**	540,394
Cost of sales		**(541,651)**	(500,054)
Gross profit		**48,515**	40,340
Other income	8	**2,220**	2,533
Other expenses	8	**(9,710)**	(8,516)
Other gains and losses	9	**(1,247)**	843
Selling and marketing expenses		**(2,334)**	(2,327)
Administrative expenses		**(17,195)**	(14,395)
Interest income	10	**2,516**	2,603
Interest expenses	10	**(6,791)**	(6,363)
Share of profits of joint ventures		**127**	84
Share of profits of associates		**132**	17
Profit before tax		**16,233**	14,819
Income tax expense	11	**(5,557)**	(4,744)
Profit for the year	12	**10,676**	10,075
Other comprehensive income (expense), net of income tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		**(24)**	944
Income tax relating to remeasurement of defined benefit obligations that will not be reclassified to profit or loss		**12**	(180)
		(12)	764
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**10**	(305)
Reclassification adjustments for the cumulative exchange differences included in profit or loss upon disposal of foreign operation		**11**	–
Fair value gain (loss) on available-for-sale financial assets		**397**	(2)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets		**(106)**	(17)
Share of other comprehensive expense of joint ventures and associate		**(20)**	(9)
Others		**–**	(2)
Income tax relating to items that may be reclassified subsequently		**(42)**	5
		250	(330)
Other comprehensive income for the year, net of income tax		**238**	434
Total comprehensive income for the year		**10,914**	10,509

	NOTES	2014 RMB million	2013 RMB million
Profit for the year attributable to:			
Owners of the Company		**10,262**	9,374
Holders of perpetual notes	*34*	**98**	–
Non-controlling interests		**316**	701
		10,676	10,075
Total comprehensive income for the year attributable to:			
Owners of the Company		**10,522**	9,830
Holders of perpetual notes	*34*	**98**	–
Non-controlling interests		**294**	679
		10,914	10,509
		RMB	RMB
Earnings per share			
Basic	*15*	**0.482**	0.440

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	31/12/2014 RMB million	31/12/2013 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	16	48,166	44,183
Deposits for acquisition of property, plant and equipment		732	478
Lease prepayments	17	8,795	8,077
Deposits for land use rights		178	217
Deposits for investment		221	–
Investment properties	18	2,688	2,036
Intangible assets	19	34,621	33,214
Mining assets	20	5,228	3,333
Interests in joint ventures	21	2,206	915
Interests in associates	22	4,184	4,803
Goodwill	23	829	830
Available-for-sale financial assets	24	8,787	7,749
Other loans and receivables	25	8,100	7,599
Deferred tax assets	41	4,281	4,000
Other prepayments		202	71
Trade and other receivables	28	8,135	7,435
		137,353	124,940
Current assets			
Lease prepayments	17	223	200
Properties held for sale	26	23,376	19,223
Properties under development for sale	26	70,986	69,211
Inventories	27	44,955	46,581
Available-for-sale financial assets	24	1,733	–
Trade and other receivables	28	219,758	191,516
Amounts due from customers for contract work	29	102,200	90,560
Current income tax recoverable		701	605
Other loans and receivables	25	4,130	3,639
Held-for-trading financial assets	30	109	132
Restricted cash	31	8,675	5,765
Cash and cash equivalents	32	68,679	75,658
		545,525	503,090
Total assets		682,878	628,030
EQUITY			
Share capital	33	21,300	21,300
Share premium and reserves		74,170	65,163
Equity attributable to owners of the Company		95,470	86,463
Perpetual notes	34	3,080	–
Non-controlling interests		10,344	10,167
Total equity		108,894	96,630

	NOTES	31/12/2014 RMB million	31/12/2013 RMB million
LIABILITIES			
Non-current liabilities			
Other payables	35	**782**	614
Borrowings	36	**93,655**	104,084
Obligations under finance lease	37	**1,690**	268
Financial guarantee contracts	38	**–**	1
Retirement and other supplemental benefit obligations	39	**3,972**	4,280
Provisions	40	**260**	260
Deferred government grant		**1,382**	695
Deferred tax liabilities	41	**1,103**	956
		102,844	111,158
Current liabilities			
Trade and other payables	35	**355,193**	310,598
Amounts due to customers for contract work	29	**20,957**	22,996
Current income tax liabilities		**3,861**	2,936
Borrowings	36	**89,259**	82,348
Obligations under finance lease	37	**756**	507
Financial guarantee contracts	38	**1**	–
Retirement and other supplemental benefit obligations	39	**551**	612
Provisions	40	**258**	59
Held-for-trading financial liabilities	30	**304**	186
		471,140	420,242
Total liabilities		**573,984**	531,400
Total equity and liabilities		**682,878**	628,030
Net current assets		**74,385**	82,848
Total assets less current liabilities		**211,738**	207,788

The consolidated financial statements on pages 66 to 186 were approved and authorised for issue by the board of directors on 30 March 2015 and are signed on its behalf by:

LI Changjin	**YAO Guiqing**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Equity attributable to owners of the Company										
	Share capital RMB million *(Note 33)*	Share premium RMB million	Capital reserve RMB million *(note (b))*	Statutory reserve RMB million *(note (a))*	Foreign currency translation reserve RMB million	Investment revaluation reserve RMB million	Retained profits RMB million	Total RMB million	Perpetual notes RMB million *(Note 34)*	Non-controlling interests RMB million	Total RMB million
At 1 January 2013	21,300	33,647	(3,688)	7,300	(398)	314	19,318	77,793	–	10,197	87,990
Profit for the year	–	–	–	–	–	–	9,374	9,374	–	701	10,075
Other comprehensive income (expense) for the year	–	–	761	–	(290)	(15)	–	456	–	(22)	434
Total comprehensive income (expense) for the year	–	–	761	–	(290)	(15)	9,374	9,830	–	679	10,509
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(368)	(368)
Acquisition of additional interests in subsidiaries	–	–	(57)	–	–	–	–	(57)	–	(52)	(109)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	447	447
Disposal of subsidiaries *(Note 43)*	–	–	(110)	–	–	–	110	–	–	(736)	(736)
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	–	(1,108)	(1,108)	–	–	(1,108)
Transfer to reserves *(note (a))*	–	–	–	1,896	–	–	(1,896)	–	–	–	–
Others	–	–	5	–	–	–	–	5	–	–	5
At 31 December 2013	21,300	33,647	(3,089)	9,196	(688)	299	25,798	86,463	–	10,167	96,630
Profit for the year	–	–	–	–	–	–	10,262	10,262	98	316	10,676
Other comprehensive income (expense) for the year	–	–	(32)	–	45	247	–	260	–	(22)	238
Total comprehensive income (expense) for the year	–	–	(32)	–	45	247	10,262	10,522	98	294	10,914
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(453)	(453)
Acquisition of additional interests in subsidiaries	–	–	(116)	–	–	–	–	(116)	–	(584)	(700)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	937	937
Disposal of subsidiaries *(Note 43)*	–	–	–	–	–	–	–	–	–	(17)	(17)
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	–	(1,406)	(1,406)	–	–	(1,406)
Issuance of perpetual notes *(Note 34)*	–	–	–	–	–	–	–	–	2,982	–	2,982
Transfer to reserves *(note (a))*	–	–	–	2,958	–	–	(2,958)	–	–	–	–
Others	–	–	7	–	–	–	–	7	–	–	7
At 31 December 2014	21,300	33,647	(3,230)	12,154	(643)	546	31,696	95,470	3,080	10,344	108,894

Notes:

(a) The statutory reserves comprise:

	Statutory surplus reserve RMB million	Trust compensation reserve RMB million	General risk reserve RMB million	Total RMB million
At 1 January 2013	7,096	95	109	7,300
Transfer from retained profits	1,805	45	46	1,896
At 31 December 2013	8,901	140	155	9,196
Transfer from retained profits	2,516	119	323	2,958
At 31 December 2014	11,417	259	478	12,154

The statutory reserves comprise principally the statutory surplus reserve. According to the relevant laws and regulations of the People's Republic of China (the "PRC"), an entity established under the PRC Company Law is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of that entity. The reserve appropriated can only make up losses or use to increase the registered capital of that entity and is not distributable.

(b) The balance of capital reserve mainly comprises the difference between the par value of the 12.8 billion ordinary shares issued and the carrying value of the principal operations and businesses transferred to China Railway Group Limited (the "Company") as part of the reorganisation in September 2007, capital contribution by China Railway Engineering Corporation ("CRECG") as an equity participant, certain items dealt with directly in the capital reserve of the Group in the Company's statutory consolidated financial statements prepared in accordance with the relevant PRC accounting standards, and reserve generated from the acquisition of subsidiaries under common control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	NOTES	2014 RMB million	2013 RMB million
Operating activities			
Profit for the year		**10,676**	10,075
Adjustments for:			
Income tax		**5,557**	4,744
Interest income		**(2,516)**	(2,603)
Dividend income from unlisted investments		**(111)**	(67)
(Gains) losses on disposal and/or write-off of:			
Property, plant and equipment		**14**	(74)
Lease prepayments		**(12)**	(12)
Investment properties		**–**	(1)
Intangible assets		**–**	(1)
Mining assets		**22**	–
Available-for-sale financial assets		**(127)**	(66)
Interests in associates		**(3)**	(1)
Interests in a joint ventures		**207**	1
Subsidiaries	43	**(11)**	(427)
Foreign exchange losses (gains), net		**58**	(178)
Fair value decrease on held-for-trading financial assets/liabilities		**233**	46
Waiver of trade and other payables		**(19)**	(31)
Excess of fair value of the previously-held investment	42	**(4)**	–
Impairment losses recognised (reversed) on:			
Available-for-sale financial assets		**10**	3
Trade and other receivables		**2,456**	588
Other loans and receivables		**(249)**	2
Allowance for foreseeable losses on construction contracts		**114**	50
Goodwill		**–**	27
Inventories		**50**	1
Mining assets		**54**	–
Properties held for sale		**32**	18
Property, plant and equipment		**107**	–
Amortisation of deferred financial guarantee contracts		**–**	(1)
Unrealised profit from internal sales to associates		**49**	131
Interest expenses		**6,791**	6,363
Share of profits of joint ventures		**(127)**	(84)
Share of profits of associates		**(132)**	(17)
Charge to retirement benefit obligations		**209**	210
Government grants credited to income		**(521)**	(553)
Depreciation and amortisation		**6,971**	6,721
Operating cash flows before movements in working capital		**29,778**	24,864
Movements in working capital:			
Increase in other prepayments		**(131)**	(15)
Increase in properties held for sale		**(6,716)**	(8,401)
Decrease in properties under development for sale		**2,903**	937
Decrease (increase) in inventories		**1,325**	(4,962)
Increase in trade and other receivables		**(28,701)**	(36,519)
Increase in interest receivable of China Railway Finance Co., Ltd.		**(12)**	–
Increase in interest payable of China Railway Finance Co., Ltd.		**5**	–
Increase in amounts due from customers for contract work		**(12,146)**	(12,088)
Decrease in retirement and supplemental benefit obligations		**(602)**	(694)
Increase in trade and other payables		**41,228**	41,083
Increase in receivables of consolidated unlisted entrust products		**(1,959)**	(2,649)
(Decrease) increase in payables of consolidated unlisted entrust products		**(764)**	1,907
(Decrease) increase in amounts due to customers for contract work		**(2,039)**	7,968
Increase in provisions		**199**	76
Increase in government grants for operating expenses		**498**	503
Decrease in held-for-trading financial assets		**15**	80
Decrease in held-for-trading financial liabilities		**(107)**	(70)
Increase in amounts due from central bank		**(1,615)**	–
Increase in loans to customers		**(263)**	–
Increase in amount due to customers		**3,435**	–
Net cash inflows from operations		**24,331**	12,020
Income tax paid		**(4,884)**	(4,025)
Net cash from operating activities		**19,447**	7,995

	NOTES	2014 RMB million	2013 RMB million
Investing activities			
Additions of property, plant and equipment		**(7,186)**	(7,829)
Deposits for acquisition of property, plant and equipment		**(1,106)**	(1,117)
Government grants received for acquisition of property, plant and equipment		**91**	54
Disposal of property, plant and equipment		**776**	549
Deposits paid for land use rights		**(39)**	(115)
Deposits paid for investments		**(221)**	–
Additions of lease prepayments		**(847)**	(277)
Disposal of lease prepayments		**424**	47
Additions of investment properties		**–**	(200)
Disposal of investment properties		**1**	2
Additions of intangible assets		**(364)**	(410)
Additions of mining assets		**(17)**	(21)
Acquisition of subsidiaries in current year	42	**(1,872)**	(473)
Disposal of subsidiaries	43	**(868)**	345
Investments in joint ventures		**(244)**	(135)
Disposal of investments in joint ventures		**–**	15
Investments in associates		**(598)**	(386)
Disposal of investments in associates		**128**	7
Purchase of available-for-sale financial assets		**(5,507)**	(4,393)
Disposal of available-for-sale financial assets		**3,144**	2,199
New other loans and receivables		**(3,830)**	(2,625)
Repayment of other loans and receivables		**5,353**	2,013
Interests received		**1,502**	1,501
Dividends received from joint ventures and associates		**131**	32
Dividends received from other financial assets		**112**	67
Decrease in restricted cash		**9,890**	9,264
Increase in restricted cash		**(11,185)**	(10,276)
Net cash used in investing activities		**(12,332)**	(12,162)
Financing activities			
Acquisition of additional interest in subsidiaries		**(445)**	(60)
Issue of perpetual notes		**2,982**	–
Capital contributions from non-controlling shareholders of subsidiaries		**937**	447
New proceeds from issue of debentures		**747**	8,690
Repayment of debentures		**(400)**	(500)
New bank borrowings		**93,023**	110,229
Repayment of bank borrowings		**(98,440)**	(96,924)
New other borrowings		**7,357**	9,789
Repayment of borrowings		**(7,465)**	(6,225)
Interests paid		**(11,349)**	(10,956)
Repayments of obligations under finance leases		**(507)**	(819)
Received from sale and leaseback property, plant and equipment		**1,342**	–
Dividends paid to non-controlling shareholders of subsidiaries		**(443)**	(399)
Dividends paid		**(1,406)**	(1,108)
Net cash (used in)/generated by financing activities		**(14,067)**	12,164
Net (decrease) increase in cash and cash equivalents		**(6,952)**	7,997
Effect of foreign exchange rate changes		**(27)**	(103)
Cash and cash equivalents at the beginning of the year	32	**75,658**	67,764
Cash and cash equivalents at the end of the year	32	**68,679**	75,658

1. General Information

The Company was established in the PRC on 12 September 2007 as a joint stock company with limited liability, as part of the group reorganisation ("Reorganisation") of 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 918, Block 1, No.128 South 4th Ring Road West, 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, financial trust management and comprehensive financial services.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied, for the first time, the following interpretation and amendments to International Financial Reporting Standards that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities;
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities;
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets;
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting;
IFRIC – Int 21	Levies

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (continued)

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non – Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

IFRIC – Int 21 Levies

The Group has applied IFRIC – Int 21 Levies for the first time in the current year. IFRIC – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC – Int 21 has been applied retrospectively. The application of this Interpretation has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (continued)

The Group has not early applied the following new or revised International Financial Reporting Standards and interpretations that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]
IFRS 9	Financial Instruments[5]
IFRS 15	Revenue from Contracts with Customers[4]
Amendments to IFRS 11	Accounting for Acquisitions of interests in Joint Operations[3]
Amendments to IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16, IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 16, IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 19	Defined Benefits Plans: Employee Contributions[2]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]

[1] *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.*
[2] *Effective for annual periods beginning on or after 1 July 2014.*
[3] *Effective for annual periods beginning on or after 1 January 2016.*
[4] *Effective for annual periods beginning on or after 1 January 2017.*
[5] *Effective for annual periods beginning on or after 1 January 2018.*

Except as described below, the application of the new or revised IFRSs and interpretations in the current year will have no effect on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (continued)

IFRS 9 Financial Instruments (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company (the "Directors") anticipate that the adoption of IFRS 9 may affect the measurement of the available-for-sale equity investment currently measured at cost less impairment. Other than the available-for-sale equity investment and the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost, the Directors do not expect IFRS 9 will have a material impact on the results and financial position of the Group based on an analysis of the Group' investment as at 31 December 2014.

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. Principal Accounting Policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Principal Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. Principal Accounting Policies (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations involving entities under common control

Business combinations under common control are accounted for using pooling-of-interests method. In applying pooling-of-interests method, financial statement items of the combining entities or business are included in the consolidated financial statements as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The Group recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements when they first came under common control.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Business combinations other than involving entities under common control

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. Principal Accounting Policies (continued)

Business combinations other than involving entities under common control (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Acquisition of a subsidiary classified as an asset acquisition

In respect of acquisition of a subsidiary which does not constitute a business, the acquirer shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units), that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. Principal Accounting Policies (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of the retained interest and the proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement of the previously held interest or the retained interest to fair value upon such changes in ownership interests.

3. Principal Accounting Policies (continued)

Investments in associates and joint ventures (continued)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3. Principal Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Construction in progress represents property, plant and equipment in the course of construction for production or for its own use. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Property held for sale is transferred to owner-occupied property when there is a change in use evidenced by the commencement of owner occupation.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Investment property is transferred to owner-occupied property when there is a change in use evidenced by the ending of an operating lease and the commencement of owner occupation.

Owner-occupied property is transferred to investment property when there is a change in use evidenced by the ending of owner occupation and the commencement of an operating lease.

Property held for sale is transferred to investment property when there is a change in use evidenced by the commencement of an operating lease.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

3. Principal Accounting Policies (continued)

Intangible assets

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition. The intangible asset with finite useful lives is carried at cost less accumulated amortisation and any accumulated impairment losses. The intangible asset with indefinite useful lives and intangible assets not yet available for use are carried at cost less any accumulated impairment losses. Amortisation of the toll roads infrastructures is calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants.

Non-patented technologies, patents, computer software and other intangible assets purchased with finite useful lives are recorded at cost on initial acquisition and subsequently stated at cost less accumulated amortisation and impairment. Amortisation is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. Principal Accounting Policies (continued)

Mining assets

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any identified impairment loss.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment loss is recognised in profit and loss.

When the technical feasibility and commercial viability of extracting a mineral resource become demonstrable and the mining rights are obtained, any previously recognised exploration and evaluation assets are reclassified as mining rights. Exploration and evaluation assets are assessed for impairment and any impairment loss is recognised before reclassification.

Mining rights

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mines.

Construction contract

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3. Principal Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out, weighted average or specific identification method for inventories with a different nature or use. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Properties held for sale/properties under development for sale

Properties held for sale and properties under development for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) *Held-for-trading financial assets*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held-for-trading financial assets (including derivatives that are not designated and effective as a hedging instrument) are measured at fair value, with changes in fair value arising from remeasurment recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item in the consolidated statement of profit or loss and other comprehensive income.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, other loans and receivables, restricted cash and cash and cash equivalents as shown in the consolidated statement of financial position) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is considered to be impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter into bankruptcy or financial reorganisation. The carrying amount of loans and receivables is reduced through the use of an allowance account. When a loan or receivable is considered uncollectible, it is written off against the allowance account. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the above categories. Equity and debt securities held by the Group that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of the reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be an objective evidence of impairment. The carrying amount of available-for-sale financial assets is reduced by impairment loss directly. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not be reversed through profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is considered to be impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The Group's financial liabilities are generally classified into held-for-trading financial liabilities and other financial liabilities.

Held-for-trading financial liabilities

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held-for-trading financial liabilities are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the other gains and losses line item in the consolidated statement of profit or loss and other comprehensive income.

Other financial liabilities

Other financial liabilities including bank and other borrowings and trade and other payables as shown in the consolidated statement of financial position are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Principal Accounting Policies (continued)

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Employee compensation and benefits

Pension obligations

The full time employees of the Group in the PRC excluding Hong Kong and Macau ("Mainland China") are covered by various government-sponsored state-managed retirement plans under which the employees are entitled to a monthly pension based on certain formulae. The relevant government agencies are responsible for the pension liability to these retired employees. The Group also sets up supplementary retirement plans. The Group's contributions to these plans are recognised as an expense when employees have rendered service entitling them to the contribution. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made.

3. Principal Accounting Policies (continued)

Employee compensation and benefits (continued)

Pension obligations (continued)

The Group also provided supplementary pension subsidies to retired employees in Mainland China. Such supplementary pension subsidies are considered as defined benefit plans. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

Employees who retire after 31 December 2006 will no longer be entitled to such supplementary pension subsidies. The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

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

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Other post-employment obligations

Some group entities in Mainland China provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. All actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are recognised immediately through other comprehensive income. These obligations are valued annually by independent qualified actuaries.

Housing funds

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

3. Principal Accounting Policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group has complied with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Principal Accounting Policies (continued)

Taxation (continued)

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the construction contracts, sale of properties, sale of other goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of business tax, returns, rebates and discounts. Revenue is recognised as follows:

Revenue from design and consultation contracts is recognised under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be estimated reliably and, depending on the nature of the contract, are measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date bear to estimated total contract costs; (b) the amount of work certified by customers; or (c) completion of physical proportion of the contract work. Anticipated losses are fully provided on contracts when identified.

Revenue for services rendered including survey, design, consulting, research and development, feasibility study, compliance certification services with respect to infrastructure projects, and operating service provided under service concession arrangements, is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the group entities.

Revenue from sale of properties in the ordinary course of business is recognised when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements.

Sale of goods is recognised when goods are delivered and title has passed.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts above.

Dividend income from investments is recognised when a group entity's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Deposits and instalments received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. Principal Accounting Policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. Principal Accounting Policies (continued)

Leasing (continued)

Leasehold land and building (continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Sale and leaseback transactions

When a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with IAS 36.

Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. Key Sources of Estimation Uncertainty

The Group makes estimates and assumptions concerning the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Nevertheless, the resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

(b) Amortisation of service concession arrangements

Amortisation of the toll roads infrastructures are calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants. Appropriate adjustment will be made should there be any material change.

(c) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2014, the carrying amount of goodwill is RMB829 million (2013: RMB830 million). Details of the impairment loss calculation are disclosed in Note 23.

(d) Deferred tax asset

As at 31 December 2014, deferred tax assets of RMB4,281 million (2013: RMB4,000 million) in relation to the unused tax losses, impairment of assets (including impairment loss on trade and other receivables, other loans and receivables, property, plant and equipment, allowance for foreseeable losses on construction contracts and inventories), excess of accounting depreciation over tax depreciation and retirement and other supplemental benefit obligations have been recognised in the consolidated statement of financial position (see Note 41). The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

4. Key Sources of Estimation Uncertainty (continued)

(e) Construction and design contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipated losses are fully provided on contracts when identified. The Group's management estimates the contract revenue, contract costs and foreseeable losses of construction and design work based on the budgets prepared for the contracts. Because of the nature of the activities undertaken in construction and design businesses, management reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, additional losses may need to be recognised.

(f) Estimated impairment of trade and other receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit history of the customers and the current market condition. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Management reassesses the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, a material impairment loss may arise. The movements of the impairment loss recognised during the year are set out in Note 28.

(g) Retirement and other supplemental benefit obligations

The retirement and other supplemental benefit obligations are estimated based on a number of factors that are determined on an actuarial basis using a number of assumptions as disclosed in Note 39. The accuracy of the estimate mainly depends on the extent of deviation between the actuarial assumptions and the actual conditions. Any changes in these assumptions will have an impact on the carrying amount of retirement and other supplemental benefit obligations.

5. Capital Management and Financial Instruments

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern; to maintain the confidence of creditors; to sustain future development of the group entities and to maximise the return to the owners of the Company through optimisation of debt and equity balances. The capital structure of the Group consists of the borrowings and obligations under finance lease disclosed in Notes 36 and 37, net of cash and cash equivalents, and total equity of the Group.

The Directors review the capital structure on a quarterly basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of the Directors, the Group will balance its overall capital structure through the payment of dividends, issue of new debts as well as the redemption of existing debts.

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, held-for-trading financial assets, other loans and receivables, trade and other receivables, restricted cash, cash and cash equivalents, borrowings, trade and other payables, held-for-trading financial liabilities, obligations under finance lease and financial guarantee contracts. Details of these financial instruments are disclosed in the respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Foreign currency risk management

The functional currency of majority of the group entities is RMB in which most of the transactions are denominated. Foreign currencies are used to collect the Group's revenue from overseas operations, settle purchases of machinery and equipment suppliers and certain expenses. Certain bank balances and borrowings which are denominated in foreign currencies expose the Group to currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
USD	**4,246**	5,975	**8,615**	9,465
EURO	**155**	290	**375**	414
HKD	**36**	1	**101**	184
Others	**3,054**	2,377	**2,836**	2,841

5. Capital Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Foreign currency risk management (continued)

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's sensitivity to a reasonably possible change of 1% (2013: 3%) in exchange rate of each foreign currency against RMB while all other variables are held constant. 1% (2013: 3%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% (2013: 3%) change in foreign currency rates.

The management adjusted the sensitivity rate from 3% to 1% for assessing foreign currency risk after considering the financial market conditions during the current year.

An analysis of sensitivity to foreign currency risk is as follows:

	2014 RMB million	2013 RMB million
Increase (decrease) in post-tax profit for the year		
if RMB weakens against foreign currencies	**27**	103
if RMB strengthens against foreign currencies	**(27)**	(103)

Interest rate risk management

The fair value interest rate risk relates primarily to the Group's fixed-rate bank borrowings, other loans and receivables, and interest rate swaps. The cash flow interest rate risk of the Group relates primarily to floating-rate bank borrowing and obligations under finance lease, interest rate swaps and available-for-sale financial assets of unlisted entrusted products, measured at fair value. The Group currently does not have an interest rate policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term.

The Group's sensitivity to interest rate risk is prepared assuming the amount of floating-rate financial liabilities at the end of the reporting period were outstanding and the amount of available-for-sale financial assets of unlisted debt related entrusted products at the end of the reporting period retained for the whole year. A 50 (2013: 25) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

5. Capital Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Interest rate risk management (continued)

The management adjusted the sensitivity rate from 25 to 50 basis points for assessing interest rate risk after considering the financial market conditions during the current year.

	2014	2013
Reasonably possible change in interest rate	**50 basis points**	25 basis points

	2014 RMB million	2013 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in interest rate	**(353)**	(164)
as a result of decrease in interest rate	**353**	164
Increase (decrease) in other comprehensive income		
as a result of increase in interest rate	**23**	8
as a result of decrease in interest rate	**(23)**	(8)

Other price risks

The Group is exposed to equity securities price risk because the fair value of certain available-for-sale financial assets and held-for-trading financial assets are measured by reference to quoted prices. Details of the available-for-sale financial assets and held-for-trading financial assets are set out in Notes 24 and 30 respectively.

The Group currently does not have a policy to hedge the other price risk. However, the management closely monitors such risk by maintaining a portfolio of investments with different risks.

For sensitivity analysis purpose, the sensitivity rate is changed to 4% (2013: 6%) in the current year due to change in market conditions.

The Group's sensitivity to equity price risk on the held-for-trading financial assets and available-for-sale financial assets at the end of the reporting period while all other variables were held constant is as follows:

	2014	2013
Reasonably possible change in equity price	**4%**	6%

5. Capital Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Other price risks (continued)

	2014 RMB million	2013 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in equity price	**3**	6
as a result of decrease in equity price	**(3)**	(6)
Increase (decrease) in other comprehensive income		
as a result of increase in equity price	**29**	22
as a result of decrease in equity price	**(29)**	(22)

Credit risk management

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 44.

In order to minimise the credit risk, the management of the Group has delegated the teams responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each material individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. One major customer (including its controlled entities), which is a wholly state-owned enterprise, contributes a significant portion of the revenue and receivables of the Group. The management considers that the credit risk in respect of this customer is limited.

The credit risk on cash and cash equivalents and bank deposits is limited because the counterparties have high credit ratings. The Directors do not expect any counterparty would fail to meet its obligations.

The Group's concentration of credit risk by geographical locations is mainly in Mainland China, where the Group's operations are located.

The Group has concentration of credit risk in respect of trade receivable as the Group's largest trade receivable and the five largest trade receivables represent 35% (2013: 40%) and 40% (2013: 47%) of the total trade receivables respectively.

5. Capital Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management

The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group has available unutilised short-term bank borrowing facilities of RMB136,139 million (2013: RMB134,756 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2014									
Trade and other payables *(note)*	**N/A**	**282,750**	**1,159**	**760**	**241**	**89**	**46**	**285,045**	**284,809**
Borrowings	**1.53-11.5**	**97,750**	**32,197**	**25,400**	**8,000**	**5,718**	**42,749**	**211,814**	**182,914**
Obligations under finance lease	**5.54-8.95**	**774**	**1,377**	**422**	**41**	**2**	**–**	**2,616**	**2,446**
Financial guarantee contracts	**N/A**	**21,035**	**–**	**–**	**–**	**–**	**–**	**21,035**	**1**
		402,309	**34,733**	**26,582**	**8,282**	**5,809**	**42,795**	**520,510**	**470,170**
At 31 December 2013									
Trade and other payables *(note)*	N/A	240,582	1,021	619	222	59	25	242,528	242,324
Borrowings	1.97-13.5	91,220	34,523	24,214	22,165	7,091	38,220	217,433	186,432
Obligations under finance lease	5.54-8.95	523	212	56	28	–	–	819	775
Financial guarantee contracts	N/A	17,871	–	–	–	–	–	17,871	1
		350,196	35,756	24,889	22,415	7,150	38,245	478,651	429,532

Note: The difference between total undiscounted cash flows and the carrying amount of trade and other payables represents the imputed interest expenses on interest-free retention payables.

As at 31 December 2014 and 2013, there is no bank borrowing that contains a repayment on demand clause.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

5. Capital Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

The following table details the Group's expected maturity of its non-derivative financial assets other than those classified as available-for-sale and held-for-trading financial assets. The table below has been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average interest rate %	Within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2014									
Trade and other receivables *(note)*	**N/A**	**154,615**	**20,167**	**11,374**	**4,485**	**2,401**	**1,250**	**194,292**	**191,727**
Other loans and receivables	**0-36**	**6,486**	**3,108**	**769**	**96**	**2,107**	**596**	**13,162**	**12,230**
Restricted cash	**N/A**	**8,675**	**–**	**–**	**–**	**–**	**–**	**8,675**	**8,675**
Cash and cash equivalents	**N/A**	**68,679**	**–**	**–**	**–**	**–**	**–**	**68,679**	**68,679**
		238,455	**23,275**	**12,143**	**4,581**	**4,508**	**1,846**	**284,808**	**281,311**
At 31 December 2013									
Trade and other receivables *(note)*	N/A	128,247	18,675	11,217	4,149	3,019	805	166,112	163,554
Other loans and receivables	0-36	4,144	5,127	1,228	163	63	1,990	12,715	11,238
Restricted cash	N/A	5,765	–	–	–	–	–	5,765	5,765
Cash and cash equivalents	N/A	75,658	–	–	–	–	–	75,658	75,658
		213,814	23,802	12,445	4,312	3,082	2,795	260,250	256,215

Note: The difference between total undiscounted cash flows and the carrying amounts of trade and other receivables represents the imputed interest income on interest-free retention receivables.

The following table details the Group's liquidity analysis for its derivative financial instruments, interest rate swaps. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on the interest rate swaps that are settled on a net basis. Since the amount payable is not fixed, the amount disclosed has been determined with reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of the derivatives.

	Within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2014								
Net cash outflows of								
– interest rate swaps	**(131)**	**(101)**	**(68)**	**–**	**–**	**–**	**(300)**	**(285)**
– foreign currency forward contract	**(18)**	**–**	**–**	**–**	**–**	**–**	**(18)**	**(18)**
At 31 December 2013								
Net cash outflows of interest rate swaps	(133)	(77)	11	8	–	–	(191)	(184)

5. Capital Management and Financial Instruments (continued)

Fair value measurement

The carrying amounts of each of the following categories of financial assets and financial liabilities are set out as follows:

	31/12/2014 RMB million	31/12/2013 RMB million
Financial assets at fair value through profit or loss:		
Held-for-trading financial assets	**109**	132
Loans and receivables:		
Other loans and receivables	**12,230**	11,238
Trade and other receivables	**191,727**	163,554
Restricted cash	**8,675**	5,765
Cash and cash equivalents	**68,679**	75,658
	281,311	256,215
Available-for-sale financial assets	**10,520**	7,749
Financial liabilities at fair value through profit or loss:		
Held-for-trading financial liabilities	**304**	186
Other financial liabilities:		
Trade and other payables	**284,809**	242,324
Borrowings	**182,914**	186,432
Financial guarantee contracts	**1**	1
Obligations under finance lease	**2,446**	775
	470,170	429,532

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- The fair value of non-optional derivative instrument (including interest rate contracts) is calculated using quoted prices or where quoted prices are not available, the fair value is estimated using discounted cash flow analysis and the applicable curve for the duration of the instruments; and
- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

5. Capital Management and Financial Instruments (continued)

Fair value measurement (continued)

Included in available-for-sale financial assets as at 31 December 2014 are unlisted equity investments amounting to RMB3,672 million (2013: RMB3,247 million) which are stated at cost less impairment. As the ranges of reasonable fair value estimates are significant, the Directors are of the opinion that their fair values cannot be measured reliably.

Except as detailed in the following table and certain available-for-sale financial assets as described above, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values:

	2014		2013	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Financial assets				
Loan receivables – fixed rate	**12,230**	**12,130**	11,238	11,177
Financial liabilities				
Bank borrowings – fixed rate	**1,310**	**1,282**	4,458	4,527
Long-term debentures – fixed rate	**36,091**	**34,010**	35,688	35,311
Other long-term borrowings – fixed rate	**5,280**	**5,284**	5,178	5,176

The fair value hierarchy of the fair value of fixed rate loans receivables, bank borrowing, long-term debentures and other long-term borrowings are included in the level 2. The fair values of above financial assets and liabilities included in the level 2 category have been determined based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

5. Capital Management and Financial Instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Financial assets/ financial liabilities	Fair value as at (RMB in million) 31/12/2014		31/12/2013		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1)	Interest rate swaps classified as held-for-trading financial assets/ liabilities	**Assets/ Liabilities**	**Amount**	**Assets/ Liabilities**	**Amount**	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
		Assets	**1**	Assets	2				
		Liabilities	**286**	Liabilities	186				
2)	Foreign currency forward contract classified as held-for-trading financial liabilities	**Liabilities**	**18**	**Liabilities**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward foreign exchange rate (from observable yield curves at the end of the reporting period) and contracted foreign exchange rate, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
3)	Listed equity securities classified as held-for-trading financial assets	Listed equity securities in Mainland China and Hong Kong:		Listed equity securities in Mainland China and Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
		Industry	**Amount**	**Industry**	**Amount**				
		Finance	**14**	Finance	14				
		Mining	**52**	Mining	68				
		Transportation	**22**	Transportation	32				
		Others	**20**	Others	16				
		Total	**108**	Total	130				
4)	Listed equity securities classified as available-for-sale financial assets	Listed equity securities in Mainland China:		Listed equity securities in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
		Industry	**Amount**	**Industry**	**Amount**				
		Finance	**745**	Finance	414				

5. Capital Management and Financial Instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Financial assets/ financial liabilities	Fair value as at (RMB in million) 31/12/2014		Fair value as at (RMB in million) 31/12/2013		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
5)	Listed equity securities classified as available-for-sale financial assets	Listed equity securities with restriction in Hong Kong:		Listed equity securities with restriction in Mainland China and Hong Kong:		Level 2	Comparison to similar instruments for which quoted bid prices exist.	N/A	N/A
		Industry	**Amount**	**Industry**	**Amount**				
		Mining	**6**	Mining	7				
		Total	**6**	Total	7				
6)	Unlisted open-end equity funds classified as available-for-sale financial assets	Unlisted open-end equity funds in Mainland China:		Unlisted open-end equity funds in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
		Industry	**Amount**	**Industry**	**Amount**				
		Finance	**143**	Finance	45				
7)	Unlisted entrusted products classified as available-for-sale financial assets	Unlisted entrusted products in Mainland China:		Unlisted entrusted products in Mainland China:		Level 3	Discounted cash flow. The key input is the yield rate of the similar products	The yield rate of the similar products in similar industries.	The higher the yield rate of the similar products, the lower the fair value.
		Industry	**Amount**	**Industry**	**Amount**				
		Real estate	**1,631**	Real estate	1,224				
		Construction	**2,314**	Construction	1,520				
		Finance	**849**	Finance	391				
		Manufacture	**489**	Manufacture	446				
		Mining	**70**	Mining	141				
		Others	**601**	Others	314				
		Total	**5,954**	Total	4,036				

The Group owns equity interest in Western Securities Co., Ltd ("Western Securities") that is classified as available-for-sale investment and is measured at fair value at each reporting date. The restricted period for stock trading of Western Security was from May 2012 to May 2013. The fair value of the investment as at 31 December 2012 was measured based on quoted prices (adjusted) to reflect liquidity risk and was classified as Level 2 of the fair value hierarchy. The restricted period of Western Securities has been ended since May 2013, and the fair value of the investment was classified as Level 1 of the fair value hierarchy since then.

There were no transfers between Level 1 and 2 in 2014.

5. Capital Management and Financial Instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements:

	Available-for-sale unlisted entrusted products million
At 1 January 2014	4,036
Total gains:	
– in other comprehensive income	(13)
– cumulative gain reclassified from equity to profit or loss on disposal	–
Purchases	4,888
Settlements	(2,957)
At 31 December 2014	5,954

6. Revenue

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

	2014 RMB million	2013 RMB million
Revenue from:		
Construction contracts	**491,524**	430,868
Rendering of other services	**18,884**	17,119
Sale of properties	**28,064**	26,392
Sale of goods	**51,694**	66,015
	590,166	540,394

7. 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 revenues and results

The following is an analysis of the Group's revenue and results by reportable 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
Year ended 31 December 2014						
External revenue	508,141	9,592	12,480	29,022	49,606	608,841
Inter-segment revenue	6,404	598	1,774	–	4,944	13,720
Other operating income	2,851	75	265	233	294	3,718
Inter-segment other operating income	626	–	–	–	119	745
Segment revenue	518,022	10,265	14,519	29,255	54,963	627,024
Segment results						
Profit (loss) before tax	11,642	1,018	1,089	4,373	(121)	18,001
Segment results included:						
Share of profits (losses) of joint ventures	42	(5)	45	–	45	127
Share of profits (losses) of associates	178	(25)	12	–	(33)	132
Interest income	3,169	37	24	267	313	3,810
Interest expenses	(4,695)	(150)	(178)	(506)	(2,476)	(8,005)

7. Segment Information (continued)

Segment revenues and results (continued)

	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
Year ended 31 December 2013						
External revenue	445,952	8,560	11,322	27,293	64,249	557,376
Inter-segment revenue	8,285	560	2,213	57	3,535	14,650
Other operating income	2,035	60	176	216	580	3,067
Inter-segment other operating income	–	–	–	–	594	594
Segment revenue	456,272	9,180	13,711	27,566	68,958	575,687
Segment results						
Profit before tax	7,682	945	803	3,966	2,057	15,453
Segment results included:						
Share of profits (losses) of joint ventures	64	(3)	22	–	1	84
Share of profits (losses) of associates	33	(6)	3	1	(14)	17
Interest income	2,796	54	21	240	225	3,336
Interest expenses	(4,282)	(150)	(152)	(344)	(2,340)	(7,268)

7. Segment Information (continued)

Segment revenues and results (continued)

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

	2014 RMB million	2013 RMB million
Segment revenue	**627,024**	575,687
Inter-segment elimination	**(14,465)**	(15,244)
Reconciling items:		
Reclassification of sales tax *(note (a))*	**(18,675)**	(16,982)
Reclassification of other operating income *(note (b))*	**(3,718)**	(3,067)
Total consolidated revenue, as reported	**590,166**	540,394
Segment interest income	**3,810**	3,336
Inter-segment elimination	**(1,611)**	(1,112)
Reclassification of interest income obtained from other loans and receivables	**317**	379
Total consolidated interest income, as reported	**2,516**	2,603
Segment interest expenses	**(8,005)**	(7,268)
Inter-segment elimination	**1,214**	904
Reclassification of amortisation of financial guarantee contracts	**–**	1
Total consolidated interest expenses, as reported	**(6,791)**	(6,363)
Segment results	**18,001**	15,453
Inter-segment elimination	**(2,688)**	(1,942)
Reconciling items:		
Land appreciation tax *(note (c))*	**920**	1,308
Total consolidated profit before tax, as reported	**16,233**	14,819

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 profit or loss and other comprehensive income.

(b) Other operating income is included in revenue under segment reporting and is classified as other income in the consolidated statement of profit or loss and other 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 profit or loss and other comprehensive income.

7. Segment Information (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable 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
At 31 December 2014						
ASSETS						
Segment assets	**486,974**	**13,145**	**24,908**	**130,379**	**139,356**	**794,762**
Segment assets included:						
Interests in joint ventures	**426**	**47**	**199**	**–**	**1,534**	**2,206**
Interests in associates	**3,011**	**32**	**74**	**54**	**1,013**	**4,184**
LIABILITIES						
Segment liabilities	**434,299**	**8,057**	**16,958**	**109,347**	**113,985**	**682,646**

	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
At 31 December 2013						
ASSETS						
Segment assets	424,903	11,206	23,837	124,111	108,526	692,583
Segment assets included:						
Interests in joint ventures	609	74	179	–	53	915
Interests in associates	3,568	49	71	83	1,032	4,803
LIABILITIES						
Segment liabilities	381,663	6,892	16,492	105,003	83,579	593,629

For the purposes of monitoring segment performance 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. Goodwill is allocated to segments as described in Note 23; 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.

7. Segment Information (continued)

Segment assets and liabilities (continued)

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

	31/12/2014 RMB million	31/12/2013 RMB million
Segment assets	**794,762**	692,583
Inter-segment elimination	**(116,618)**	(68,923)
Reconciling items:		
Deferred tax assets	**4,281**	4,000
Shares conversion scheme of subsidiaries *(note (d))*	**(170)**	(170)
Current income tax recoverable	**701**	605
Prepaid land appreciation tax included in income tax recoverable	**(78)**	(65)
Total consolidated assets, as reported	**682,878**	628,030
Segment liabilities	**682,646**	593,629
Inter-segment elimination	**(112,998)**	(65,545)
Reconciling items:		
Deferred tax liabilities	**1,103**	956
Current income tax liabilities	**3,861**	2,936
Land appreciation tax payable included in current income tax liabilities	**(628)**	(576)
Total consolidated liabilities, as reported	**573,984**	531,400

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 profit or loss and other comprehensive income in prior years.*

7. Segment Information (continued)

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
Year ended 31 December 2014						
Capital expenditure:						
Property, plant and equipment	7,604	173	710	355	1,719	10,561
Lease prepayments	142	9	122	300	352	925
Intangible assets	22	7	7	7	324	367
Mining assets	–	–	–	–	17	17
Acquisition of subsidiaries	–	6	–	–	4,498	4,504
Total	7,768	195	839	662	6,910	16,374
Depreciation and amortisation:						
Property, plant and equipment	4,795	187	307	86	554	5,929
Lease prepayments	141	7	23	5	27	203
Investment properties	33	9	1	30	36	109
Intangible assets	18	13	4	2	625	662
Mining assets	–	–	–	–	68	68
	4,987	216	335	123	1,310	6,971
(Gain) loss on disposal and/or write-off of property, plant and equipment	24	(9)	1	–	(2)	14
Gain on disposal of lease prepayments	(12)	–	–	–	–	(12)
Loss on disposal of mining assets	–	–	–	–	22	22
Allowance for foreseeable loss on construction contracts	114	–	–	–	–	114
Impairment loss on property, plant and equipment	–	–	–	–	107	107
Impairment loss on trade and other receivables	726	–	69	103	1,558	2,456
Impairment loss reversed (recognised) on other loans and receivables	(252)	–	–	–	3	(249)
Impairment loss on mining assets	–	–	–	–	54	54
Impairment loss on available-for-sale financial assets	9	–	–	–	1	10

7. Segment Information (continued)

Other segment information (continued)

	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 2013						
Capital expenditure:						
Property, plant and equipment	5,967	214	528	79	2,701	9,489
Lease prepayments	144	2	222	–	42	410
Investment properties	183	–	–	–	17	200
Intangible assets	245	6	19	3	147	420
Mining assets	–	–	–	–	21	21
Total	6,539	222	769	82	2,928	10,540
Depreciation and amortisation:						
Property, plant and equipment	4,431	210	352	60	480	5,533
Lease prepayments	135	9	18	6	54	222
Investment properties	18	7	1	22	52	100
Intangible assets	39	5	4	1	752	801
Mining assets	–	–	–	–	65	65
	4,623	231	375	89	1,403	6,721
(Gain) loss on disposal and/or write-off of property, plant and equipment	(60)	(3)	1	–	(12)	(74)
Gain on disposal of lease prepayments	(12)	–	–	–	–	(12)
Gain on disposal of intangible assets	–	–	(1)	–	–	(1)
Gain on disposal of investment properties	–	–	–	(1)	–	(1)
Allowance for foreseeable loss on construction contracts	50	–	–	–	–	50
Impairment loss on trade and other receivables	401	7	53	25	102	588
Impairment loss on other loans and receivables	2	–	–	–	–	2
Impairment loss on goodwill	22	5	–	–	–	27

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 wholly state-owned enterprise of the PRC arising from infrastructure construction, survey, design and consulting service and engineering equipment and component manufacturing is approximately RMB188,092 million (2013: RMB176,088 million), which contributed 31.8% (2013: 32.6%) of the total revenue of the Group. Other than this customer, no other single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2014 and 2013.

8. Other Income and Expenses

	2014 RMB million	2013 RMB million
Other income from:		
Dividend income	**111**	67
Government subsidies *(note (a))*	**521**	553
Compensation income	**40**	26
Relocation compensation	**96**	434
Amortisation of financial guarantee contracts	**–**	1
Income from sundry operations *(note (b))*	**1,049**	1,210
Waiver of trade and other payables	**19**	31
Others	**384**	211
	2,220	2,533
Other expenses on:		
Research and development expenditure	**9,710**	8,516
	9,710	8,516

Notes:

(a) Government subsidies relating to expenses include various government subsidies received by the group entities from the 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 and when the related expenses incurred.

Government subsidies relating 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 government grant and credited to profit or loss on a straight-line basis over the expected useful lives of the relevant assets.

(b) 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.

9. Other Gains and Losses

	2014 **RMB million**	2013 RMB million
Gain (loss) on disposal and/or write-off of:		
Property, plant and equipment	**(14)**	74
Lease prepayments	**12**	12
Intangible assets	**–**	1
Mining assets	**(22)**	–
Investment properties	**–**	1
Interests in associates	**3**	1
Interests in a joint venture	**(207)**	(1)
Available-for-sale financial assets	**21**	49
Cumulative gain on disposal of available-for-sale investments	**106**	17
Impairment loss recognised in respect of goodwill	**–**	(27)
Impairment loss on property, plant and equipment	**(107)**	–
Impairment loss on mining assets	**(54)**	–
Impairment loss (recognised) reversed on financial assets		
Available-for-sale financial assets	**(10)**	(3)
Trade and other receivables	**(2,456)**	(588)
Other loans and receivables	**249**	(2)
Loss arising on change in fair value of financial assets/liabilities classified as held-for-trading	**(233)**	(46)
Gain on disposal of subsidiaries *(Note 43)*	**11**	427
Excess of fair value of the previously-held investments *(Note 42(a))*	**4**	–
Foreign exchange gains, net	**1,450**	928
	(1,247)	843

10. Interest Income and Expenses

	2014 RMB million	2013 RMB million
Interest income from:		
Cash and cash equivalents and restricted cash	**1,152**	1,279
Imputed interest income on retention receivables	**1,047**	945
Other loans and receivables	**317**	379
Total interest income	**2,516**	2,603
Interest expenses on:		
Bank borrowings:		
Wholly repayable within five years	**7,187**	7,022
Not wholly repayable within five years	**949**	1,050
Short-term debentures	**–**	10
Long-term debentures	**1,943**	1,746
Other long-term borrowings	**1,172**	874
Other short-term borrowings	**146**	84
Finance leases	**66**	68
	11,463	10,854
Imputed interest expenses on retention payables	**128**	135
Imputed interest expenses on defined benefit obligations	**209**	210
Bank charges	**69**	94
Total borrowing costs	**11,869**	11,293
Less: amount capitalised *(note)*	**(5,078)**	(4,930)
Total interest expenses	**6,791**	6,363

Note: Borrowing costs capitalised during the year are calculated by applying the capitalisation rates of 2.05%-13.5% (2013: 2.05%-13.5%) per annum to expenditure on qualifying assets.

11. Income Tax Expense

	2014 RMB million	2013 RMB million
Current tax		
Enterprise Income Tax ("EIT")	**4,719**	3,516
Land Appreciation Tax ("LAT")	**920**	1,308
Underprovision in prior years	**75**	12
Deferred tax *(Note 41)*	**(157)**	(92)
	5,557	4,744

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (2013: 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%, or 20% (2013: 12.5%, 15%, 20%) for the year ended 31 December 2014.

11. Income Tax Expense (continued)

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 profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 RMB million	2013 RMB million
Profit before tax	**16,233**	14,819
Tax at PRC EIT rate of 25% (2013: 25%) *(Note)*	**4,058**	3,704
Tax effect of:		
Non-deductible expenses	**200**	157
Non-taxable income	**(83)**	(127)
Tax losses not recognised as deferred tax assets	**593**	491
Utilisation of tax losses previously not recognised as deferred tax assets	**(103)**	(50)
Utilisation of other deductible temporary differences previously not recognised as deferred tax assets	**(18)**	(30)
Other deductible temporary differences not recognised as deferred tax assets	**442**	93
Preferential tax rates on income of group entities and other income tax credits	**(561)**	(576)
Share of profits of joint ventures	**(32)**	(22)
Share of profits of associates	**(33)**	(4)
Deferred tax changes resulting from changes in applicable tax rates	**19**	56
LAT	**920**	1,308
Tax effect of LAT	**(230)**	(327)
Underprovision in respect of prior years	**75**	12
Others	**310**	59
Income tax expense for the year	**5,557**	4,744

Note: The PRC Enterprise Income Tax rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

Income tax recognised directly in other comprehensive income

	2014 RMB million	2013 RMB million
Deferred tax *(Note 41)*		
Retirement and other supplemental benefit obligations	**12**	(180)
Fair value changes of available-for-sale financial assets	**(42)**	5
Total income tax recognised in other comprehensive income	**(30)**	(175)

12. Profit for the Year

Profit for the year has been arrived at after charging (crediting):

	2014 RMB million	2013 RMB million
Depreciation and amortisation of:		
Property, plant and equipment	**5,929**	5,533
Lease prepayments	**203**	222
Investment properties	**109**	100
Intangible assets (included in administrative expenses)	**47**	30
Intangible assets (included in cost of sales)	**615**	771
Mining assets (included in cost of sales)	**68**	65
Total depreciation and amortisation	**6,971**	6,721
Auditor's remuneration	**77**	72
Operating lease rentals in respect of		
Rented premises (included in cost of sales)	**535**	450
Rented premises (included in administrative expenses)	**229**	165
Plant and machinery (included in cost of sales)	**26,829**	25,533
Rental income from investment properties:		
Gross rental	**(316)**	(224)
Direct operating expenses (including depreciation of investment properties)	**175**	92
Net rental	**(141)**	(132)
Research and development expenditure (included in other expenses)	**9,710**	8,516
Cost of raw materials and consumables	**224,665**	206,605
Employee benefits expense:		
Contributions payable to state-managed retirement plans	**3,989**	3,483
Contributions payable to supplementary pension plans	**234**	148
Retirement and supplemental pension benefit obligations	**209**	210

13. Emoluments of Directors, Chief Executive, Supervisors and Employees

Directors', chief executive's and supervisors' emoluments

Name of directors, chief executive or supervisors	Fees RMB'000	Salaries and other benefits-in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Discretionary bonus *(note)* RMB'000	Total RMB'000
Year ended 31 December 2014					
Directors					
Li Changjin	–	404	40	432	876
Yao Guiqing	–	404	40	602	1,046
Dai Hegen (Appointed in June 2014)	–	394	40	541	975
Bai Zhongren (Passed away in January 2014)	–	2	3	618	623
Zheng Qingzhi (Appointed in June 2014)	84	–	–	–	84
Guo Peizhang (Appointed in June 2014)	78	–	–	–	78
Wen Baoman (Appointed in June 2014)	74	–	–	–	74
NGAI Wai Fung (Appointed in June 2014)	68	–	–	–	68
Gong Huazhang (Resigned in June 2014)	73	–	–	–	73
Wang Taiwen (Resigned in June 2014)	62	–	–	–	62
Sun Patrick (Resigned in June 2014)	63	–	–	–	63
Han Xiu Guo(Resigned in June 2014)	–	–	–	–	–
He Gong (Resigned in June 2014)	–	–	–	–	–
Directors' remunerations	502	1,204	123	2,193	4,022
Supervisors					
Liu Chengjun (Appointed in June 2014)	–	157	21	–	178
Liu Jianyuan	–	253	40	113	406
Wang Hongguang (Appointed in June 2014)	–	110	22	133	265
Chen Wenxin	–	195	40	263	498
Fan Jinghua (Appointed in June 2014)	–	102	21	143	266
Wang Qiuming (Resigned in June 2014)	–	–	–	355	355
Lin Longbiao (Resigned in June 2014)	–	215	19	11	245
Zhang Xixue (Resigned in June 2014)	–	36	–	7	43
Total	502	2,272	286	3,218	6,278

13. Emoluments of Directors, Chief Executive, Supervisors and Employees (continued)

Directors', chief executive's and supervisors' emoluments (continued)

Name of directors, chief executive or supervisors	Fees RMB'000	Salaries and other benefits–in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Discretionary bonus *(note)* RMB'000	Total RMB'000
Year ended 31 December 2013					
Directors					
Li Changjin	–	401	37	931	1,369
Bai Zhongren	–	401	37	921	1,359
Yao Guiqing	–	392	37	771	1,200
Han Xiu Guo	–	73	–	31	104
He Gong	134	–	–	–	134
Gong Huazhang	148	–	–	–	148
Wang Taiwen	132	–	–	–	132
Sun Patrick	132	–	–	–	132
Directors' remunerations	546	1,267	111	2,654	4,578
Supervisors					
Wang Qiuming	–	263	24	759	1,046
Liu Jianyuan	–	207	37	224	468
Lin Longbiao	–	200	37	215	452
Zhang Xixue	–	365	–	80	445
Chen Wenxin	–	193	37	242	472
Total	546	2,495	246	4,174	7,461

During both years, none of the directors, chief executive or supervisors of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the directors, chief executive or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

Five highest paid individuals

None of the directors and the chief executive was amongst the five highest paid individuals during both years.

The emoluments of the five highest paid individuals were as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits-in-kind	**5,222**	3,666
Contributions to retirement benefits schemes	**145**	157
Discretionary bonus *(note)*	**20,401**	21,554
	25,768	25,377

13. Emoluments of Directors, Chief Executive, Supervisors and Employees (continued)

Five highest paid individuals (continued)

Their emoluments were within the following bands:

	2014 No. of employees	2013 No. of employees
HK$2,000,001 to HK$2,500,000	–	4
HK$4,500,001 to HK$5,000,000	2	–
HK$6,000,001 to HK$6,500,000	1	–
HK$8,000,001 to HK$8,500,000	1	–
HK$8,500,001 to HK$9,000,000	1	–
HK$22,500,001 to HK$23,000,000	–	1

Note: The discretionary bonus is determined by the remuneration committee in accordance with the relevant human resources policies.

Employee compensation and benefits

	2014 RMB'000	2013 RMB'000
Salaries, wages and bonuses	24,534	22,015
Contribution to pension plans *(Note 39)*	4,223	3,631
Retirement and supplemental pension benefit obligations – interest cost *(Note 39)*	209	210
Housing benefits *(note)*	1,996	1,732
Welfare, medical and other benefits-in-kind	7,016	4,216
	37,978	31,804

Note: These represent contributions to the government-sponsored housing funds (at rates ranging from 8% to 20% of the employee's basic salary) in Mainland China.

14. Dividend

The final dividend of RMB0.078 per share in respect of the year ended 31 December 2014 amounting to approximately RMB1,661 million in aggregate has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

On 26 June 2014, final dividend of RMB0.066 per share in respect of the year ended 31 December 2013, amounting to RMB1,406 million in aggregate, was declared and subsequently paid in August 2014.

15. Earnings Per Share

Basic earnings per share for the year ended 31 December 2014 is calculated by dividing the profit attributable to owners of the Company of RMB10,262 million (2013: RMB9,374 million) by 21,299,900,000 shares (2013: 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.

16. Property, Plant and Equipment

	Buildings RMB million	Infrastructure construction equipment RMB million	Trans-portation equipment RMB million	Manu-facturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
COST								
At 1 January 2014	16,375	32,452	10,139	4,945	2,411	2,903	7,170	76,395
Exchange adjustments	(6)	(61)	(15)	(10)	(1)	(10)	(7)	(110)
Additions	495	4,311	1,127	250	254	593	3,531	10,561
Transfer within property, plant and equipment	4,149	254	20	1,117	7	126	(5,673)	–
Transfer from investment properties	33	–	–	–	–	–	–	33
Transfer from properties held for sale	1,362	–	–	–	–	98	–	1,460
Transfer from properties under development	152	–	–	–	–	10	17	179
Acquisition of subsidiaries *(Note 42)*	28	–	15	107	–	1	530	681
Disposal of subsidiaries *(Note 43)*	(428)	–	(29)	(271)	(3)	(1)	(1)	(733)
Write-offs/other disposals	(143)	(2,724)	(449)	(163)	(79)	(235)	(654)	(4,447)
Transfer to investment properties	(131)	–	–	–	–	–	–	(131)
At 31 December 2014	21,886	34,232	10,808	5,975	2,589	3,485	4,913	83,888
DEPRECIATION AND IMPAIRMENT								
At 1 January 2014	3,694	16,515	6,535	2,067	1,487	1,914	–	32,212
Exchange adjustments	(4)	(43)	(13)	(12)	–	(6)	–	(78)
Provided for the year	588	3,024	1,141	493	283	400	–	5,929
Transfer from investment properties	6	–	–	–	–	–	–	6
Disposal of subsidiaries *(Note 43)*	(59)	–	(14)	(114)	(1)	(1)	–	(189)
Impairment losses recognised	–	107	–	–	–	–	–	107
Eliminated on write-offs/other disposals	(41)	(1,460)	(401)	(134)	(73)	(145)	–	(2,254)
Transfer to investment properties	(11)	–	–	–	–	–	–	(11)
At 31 December 2014	4,173	18,143	7,248	2,300	1,696	2,162	–	35,722
CARRYING VALUES								
At 31 December 2014	17,713	16,089	3,560	3,675	893	1,323	4,913	48,166

16. Property, Plant and Equipment (continued)

	Buildings RMB million	Infrastructure construction equipment RMB million	Trans-portation equipment RMB million	Manu-facturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
COST								
At 1 January 2013	13,980	29,515	9,076	4,490	2,201	4,002	6,380	69,644
Exchange adjustments	(34)	(62)	(15)	(17)	–	(4)	(27)	(159)
Additions	292	3,321	1,432	74	278	72	4,020	9,489
Transfer within property, plant and equipment	1,586	261	26	625	2	18	(2,518)	–
Transfer from investment properties	14	–	–	–	–	–	–	14
Transfer from properties held for sale	1,012	–	–	–	–	–	–	1,012
Transfer from inventories	–	88	–	–	–	–	–	88
Disposal of subsidiaries *(Note 43)*	(165)	–	(48)	(53)	(8)	(842)	(244)	(1,360)
Write-offs/other disposals	(209)	(671)	(332)	(174)	(62)	(343)	(35)	(1,826)
Transfer to investment properties	(101)	–	–	–	–	–	–	(101)
Transfer to intangible assets	–	–	–	–	–	–	(406)	(406)
At 31 December 2013	16,375	32,452	10,139	4,945	2,411	2,903	7,170	76,395
DEPRECIATION AND IMPAIRMENT								
At 1 January 2013	3,301	14,334	5,518	2,000	1,218	1,760	–	28,131
Exchange adjustments	(2)	(37)	(9)	–	–	(2)	–	(50)
Provided for the year	491	2,804	1,355	217	328	338	–	5,533
Transfer from investment properties	4	–	–	–	–	–	–	4
Disposal of subsidiaries *(Note 43)*	(15)	–	(15)	(16)	(3)	(33)	–	(82)
Eliminated on write-offs/other disposals	(60)	(586)	(314)	(134)	(56)	(149)	–	(1,299)
Transfer to investment properties	(25)	–	–	–	–	–	–	(25)
At 31 December 2013	3,694	16,515	6,535	2,067	1,487	1,914	–	32,212
CARRYING VALUES								
At 31 December 2013	12,681	15,937	3,604	2,878	924	989	7,170	44,183

Property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis over their estimated useful lives as follows:

Category	Estimated useful lives
Buildings	15–50 years
Infrastructure construction equipment	8–15 years
Transportation equipment	4–12 years
Manufacturing equipment	8–18 years
Testing equipment and instruments	5–10 years
Other equipment	3–10 years

The carrying values of infrastructure construction equipment include amounts of RMB2,452 million (2013: RMB1,322 million) in respect of assets held under finance leases.

16. Property, Plant and Equipment (continued)

Bank borrowings amounting to RMB294 million (2013: RMB303 million) are secured by certain property, plant and equipment with an aggregate carrying value of RMB521 million (2013: RMB514 million) (see Note 36).

Buildings are located on land in Mainland China under the following lease term:

	31/12/2014 RMB million	31/12/2013 RMB million
Under long lease	250	265
Under medium-term lease	17,463	12,416
	17,713	12,681

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying value of RMB1,262 million (2013: RMB1,157 million) as at 31 December 2014. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

17. Lease Prepayments

Movements in lease prepayments, which represent land use rights in Mainland China, during the year are analysed as follows:

	2014 RMB million	2013 RMB million
At beginning of the year	8,277	8,253
Additions of acquisition of subsidiaries *(Note 42)*	65	–
Additions	925	410
Transfer from properties held for sale	402	–
Transfer from properties under development	–	19
Transfer to properties under development	(9)	(117)
Disposals	(429)	(35)
Disposal of subsidiaries *(Note 43)*	(10)	(31)
Released to profit or loss as expenses	(203)	(222)
At end of the year	9,018	8,277
Analysed for reporting purpose as:		
– Non-current	8,795	8,077
– Current	223	200
	9,018	8,277

17. Lease Prepayments (continued)

	31/12/2014 RMB million	31/12/2013 RMB million
Analysis of periods of land use rights in Mainland China:		
Under long lease	**116**	122
Under medium-term lease	**8,902**	8,155
	9,018	8,277

The Group is in the process of applying for or changing registration of the title certificates for certain of its land use rights with an aggregate carrying value of RMB251 million (2013: RMB167 million) as at 31 December 2014. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

Bank borrowings amounting to RMB275 million (2013: Nil) are secured by lease prepayments with an aggregate carrying value of RMB1,912 million (2013:Nil) (see Note 36).

18. Investment Properties

	2014 RMB million	2013 RMB million
COST		
At beginning of the year	**2,470**	1,726
Additions	**–**	200
Transfer from property, plant and equipment	**131**	101
Transfer from properties held for sale	**687**	496
Transfer to property, plant and equipment	**(33)**	(14)
Transfer to properties held for sale	**(20)**	(36)
Disposals	**(2)**	(3)
At end of the year	**3,233**	2,470
DEPRECIATION AND IMPAIRMENT		
At beginning of the year	**434**	316
Provided for the year	**109**	100
Transfer from property, plant and equipment	**11**	25
Transfer to property, plant and equipment	**(6)**	(4)
Transfer to properties held for sale	**(2)**	(1)
Eliminated on disposals	**(1)**	(2)
At end of the year	**545**	434
CARRYING VALUES		
At end of the year	**2,688**	2,036

The fair value of the Group's investment properties with carrying amount of RMB2,688 million (2013: RMB2,036 million) is RMB2,849 million (2013: RMB2,046 million). The fair value has been arrived at based on a valuation carried out by Jones Lang LaSalle Sallmanns Limited, independent valuers not connected with the Group, based on the depreciated replacement cost method, which the Directors are of the view that it is the best estimate of the fair value of these investment properties. The key inputs are cost of construction and installation, survey and design expense and cost of superintendence.

18. Investment Properties (continued)

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Carrying amount as at 31/12/2014 RMB million	Fair value (Level 3) as at 31/12/2014 RMB million
Commercial property units located in Sichuan Province	691	945
Commercial property units located in Jiangsu Province	413	244
Commercial property units located in Beijing	325	348
Commercial property units located in Guizhou Province	296	206
Commercial property units located in Shandong Province	604	665
Commercial property units located in Shaanxi Province	96	132
Commercial property units located in other Provinces	263	309
	2,688	2,849

The above investment properties are depreciated on a straight-line basis at the annual rates from 25 to 50 years.

Investment properties are situated on land in Mainland China under medium-term lease.

The Group is in the process of applying for the title certificates for certain of its investment properties with an aggregate carrying value of RMB293 million (2013: RMB222 million) as at 31 December 2014. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these investment properties.

19. Intangible Assets

	Service concession arrangements RMB million	Non-patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
COST						
At 1 January 2014	34,531	91	7	191	637	35,457
Additions	152	1	3	47	164	367
Exchange adjustments	–	–	–	–	(24)	(24)
Acquisition of a subsidiary *(Note 42)*	1,726	–	–	–	–	1,726
At 31 December 2014	36,409	92	10	238	777	37,526
AMORTISATION AND IMPAIRMENT						
At 1 January 2014	2,007	66	6	116	48	2,243
Provided for the year	611	4	–	26	21	662
At 31 December 2014	2,618	70	6	142	69	2,905
CARRYING VALUES						
At 31 December 2014	33,791	22	4	96	708	34,621

19. INTANGIBLE ASSETS (continued)

	Service concession arrangements RMB million	Non-patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
COST						
At 1 January 2013	34,334	75	7	164	53	34,633
Additions	197	16	–	21	186	420
Transfer from construction in progress	–	–	–	8	398	406
Write-offs/other disposals	–	–	–	(2)	–	(2)
At 31 December 2013	34,531	91	7	191	637	35,457
AMORTISATION AND IMPAIRMENT						
At 1 January 2013	1,239	63	6	96	40	1,444
Provided for the year	768	3	–	22	8	801
Eliminated on write-offs/other disposals	–	–	–	(2)	–	(2)
At 31 December 2013	2,007	66	6	116	48	2,243
CARRYING VALUES						
At 31 December 2013	32,524	25	1	75	589	33,214

The Group has entered into a number of service concession arrangements with certain government authorities in the PRC on a "Build-Operate-Transfer" ("BOT") basis in respect of its toll road operations and sewage plants. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of toll roads and sewage plants, and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain or restore the infrastructures at a specified level of serviceability; and (iii) is entitled to operate the toll roads and the sewage plants upon completion for a specified concession period from 25 to 30 years (2013: from 25 to 30 years) by charging users of the public service, which amounts are contingent on the extent that the public uses the service. The Group will not hold any residual interest in the toll roads and the sewage plants upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition.

The rights in respect of toll road income under eight (2013: eight) concession agreements with an aggregate carrying amount of RMB31,560 million (2013: RMB32,154 million) are pledged to obtain bank borrowings amounting to RMB19,100 million (2013: RMB19,715 million) (see Note 36).

Intangible assets are stated at cost less impairment. Service concession arrangements are amortised on a units-of-usage basis, except for sewage plants. Other intangible assets are amortised on a straight-line basis based on their estimated useful lives as follows:

Category	Estimated useful lives
Non-patented technologies	5 to 10 years
Patents	2 to 10 years
Computer software	2 to 10 years
Others	3 to 10 years

20. Mining Assets

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
COST			
At 1 January 2014	**2,870**	**559**	**3,429**
Additions	**1**	**16**	**17**
Acquisition of a subsidiary *(Note 42)*	**2,032**	**–**	**2,032**
Write-offs/other disposals	**(17)**	**(22)**	**(39)**
Exchange adjustments	**5**	**4**	**9**
Transfer from exploration and evaluation assets to mining rights	**89**	**(89)**	**–**
At 31 December 2014	**4,980**	**468**	**5,448**
AMORTISATION AND IMPAIRMENT			
At 1 January 2014	**96**	**–**	**96**
Provided for the year	**68**	**–**	**68**
Exchange adjustments	**2**	**–**	**2**
Impairment losses recognised in profit of loss	**54**	**–**	**54**
At 31 December 2014	**220**	**–**	**220**
CARRYING VALUES			
At 31 December 2014	**4,760**	**468**	**5,228**

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
COST			
At 1 January 2013	2,890	1,507	4,397
Additions	4	17	21
Disposal of subsidiaries *(Note 43)*	(5)	(937)	(942)
Exchange adjustments	(19)	(28)	(47)
At 31 December 2013	2,870	559	3,429
AMORTISATION			
At 1 January 2013	36	–	36
Provided for the year	65	–	65
Disposal of subsidiaries *(Note 43)*	(5)	–	(5)
At 31 December 2013	96	–	96
CARRYING VALUES			
At 31 December 2013	2,774	559	3,333

20. Mining Assets (continued)

The exploration and evaluation assets represent the expenditure on exploration and evaluation of mine projects at Inner Mongolia, Heilongjiang, Fujian, Qinghai, Guizhou, Mongolia, Australia and the Democratic Republic of the Congo. The Group did not have any attributable liabilities, income and expenses for both years. The investing cash outflows used in the exploration for and evaluation of mineral resources during the year are as follows:

	2014 RMB million	2013 RMB million
Investing cash outflows	**(17)**	(21)

21. Interests in Joint Ventures

Details of the Group's investments in joint ventures are as follows:

	31/12/2014 RMB million	31/12/2013 RMB million
Cost of unlisted investments	**2,111**	717
Share of post-acquisition profits and other comprehensive expenses, net of dividends received	**100**	203
Accumulated impairment loss recognised	**(5)**	(5)
	2,206	915

Details of Group's material joint ventures as at 31 December 2014 and 2013 are as follow:

Name of Joint venture	Place/country of establishment/ operations	Proportion of ownership interest held by the Group 2014 %	2013 %	Principal activities
重慶渝鄰高速公路有限公司 Chongqing Yulin Expressway Co., Ltd.	PRC	**49** *(note (a))*	50 *(note (a))*	Build-operate-transfer service concession arrangement
重慶墊忠高速公路有限公司 Chongqing Dianzhong Expressway Co., Ltd.	PRC	**80** *(note (b))*	80 *(note (b))*	Build-operate-transfer service concession arrangement
新鐵德奧道岔有限公司 Chinese New Turnout Technologies Co., Ltd.	PRC	**50**	50	High-speed turnout manufacturing

Notes:

(a) Pursuant to the articles of Chongqing Yulin Expressway Co., Ltd. ("ChongqingYulin"), the shareholders have joint control of Chongqing Yulin.

(b) In 2013, according to the contractual agreements between the shareholders, the Group did not have control of Chongqing Dianzhong Expressway Co., Ltd. ("Chongqing Dianzhong") but still retained significant influences in this entity and accounted it for as interest in an associate. During the current year, because the Group's interest in Chongqing Dianzhong was transferred from one subsidiary to another subsidiary of the Group, the above contract was no longer able to be executed. Pursuant to the articles of Chongqing Dianzhong, the shareholders have joint control of this entity.

21. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Chongqing Yulin Expressway Co., Ltd. ("Chongqing Yulin")

	31/12/2014 RMB million (unaudited)	31/12/2013 RMB million (unaudited)
Current assets	**23**	46
Non-current assets	**1,331**	1,392
Current liabilities	**27**	118
Non-current liabilities	**686**	769
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**17**	36
Current financial liabilities (excluding trade and other payables and provisions)	**5**	105
Non-current financial liabilities (excluding trade and other payables and provisions)	**686**	769

21. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Chongqing Yulin Expressway Co., Ltd. ("Chongqing Yulin") (continued)

	2014 RMB million (unaudited)	2013 RMB million (unaudited)
Revenue	**246**	226
Profit for the year	**91**	67
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**91**	67
Dividends received from Chongqing Yulin during the year	**–**	–
The above profit for the year includes the following:		
Depreciation and amortisation	**63**	60
Interest income	**1**	–
Interest expense	**53**	62
Income tax expense	**16**	10

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chongqing Yulin recognised in the consolidated financial statements:

	31/12/2014 RMB million	31/12/2013 RMB million
Net assets of Chongqing Yulin	**641**	551
Proportion of the Group's ownership interest in Chongqing Yulin	**49%**	50%
Other adjustments	**–**	(3)
Carrying amount of the Group's interest in Chongqing Yulin	**314**	273

21. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Chongqing Dianzhong Expressway Co., Ltd. ("Chongqing Dianzhong ")

	31/12/2014 RMB million (unaudited)	31/12/2013 RMB million (unaudited)
Current assets	**34**	84
Non-current assets	**3,968**	4,037
Current liabilities	**197**	150
Non-current liabilities	**2,444**	2,616
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**26**	74
Current financial liabilities (excluding trade and other payables and provisions)	**172**	129
Non-current financial liabilities (excluding trade and other payables and provisions)	**2,444**	2,616

	2014 RMB million (unaudited)	2013 RMB million (unaudited)
Revenue	**290**	330
Profit for the year	**5**	35
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**5**	35
Dividends received from Chongqing Dianzhong during the year	**–**	–
The above profit for the year includes the following:		
Depreciation and amortisation	**63**	69
Interest income	**2**	1
Interest expense	**170**	178
Income tax expense	**7**	3

21. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Chongqing Dianzhong Expressway Co., Ltd. ("Chongqing Dianzhong ") (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chongqing Dianzhong recognised in the consolidated financial statements:

	31/12/2014 RMB million	31/12/2013 RMB million
Net assets of Chongqing Dianzhong	**1,361**	1,355
Proportion of the Group's ownership interest in Chongqing Dianzhong	**80%**	80%
Other adjustments	**33**	36
Carrying amount of the Group's interest in Chongqing Dianzhong	**1,122**	1,120

Chinese New Turnout Technologies Co., Ltd ("CNTT")

	31/12/2014 RMB million (unaudited)	31/12/2013 RMB million (unaudited)
Current assets	**679**	604
Non-current assets	**124**	125
Current liabilities	**377**	375
Non-current liabilities	**40**	8
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**280**	113
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–

21. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Chinese New Turnout Technologies Co., Ltd ("CNTT") (continued)

	2014 RMB million (unaudited)	2013 RMB million (unaudited)
Revenue	**668**	368
Profit for the year	**90**	44
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**90**	44
Dividends received from CNTT	**25**	21
The above profit for the year includes the following:		
Depreciation and amortisation	**17**	17
Interest income	**1**	1
Interest expense	**–**	–
Income tax expense	**30**	15

Reconciliation of the above summarised financial information to the carrying amount of the interest in CNTT recognised in the consolidated financial statements:

	31/12/2014 RMB million	31/12/2013 RMB million
Net assets of CNTT	**386**	346
Proportion of the Group's ownership interest in CNTT	**50%**	50%
Other adjustments	**6**	6
Carrying amount of the Group's interest in CNTT	**199**	179

Aggregate information of joint ventures that are not individually material

	2014 RMB million	2013 RMB million
The Group's share of profit	**33**	29
The Group's share of other comprehensive expense	**–**	(4)
The Group's share of total comprehensive income	**33**	25

21A. Joint Operation

The Group has seven joint operations in Hong Kong and has 30%, 38% and 40% share in the ownership of these construction projects respectively. The Group is entitled to a proportionate share of the assets, the liabilities and the construction revenue, and bears a proportionate share of the joint operation's expenses.

22. Interests In Associates

Details of the Group's interests in associates are as follows:

	31/12/2014 RMB million	31/12/2013 RMB million
Cost of unlisted investments	**4,442**	5,204
Share of post-acquisition losses and other comprehensive expense, net of dividends received	**(257)**	(400)
Accumulated impairment loss recognised	**(1)**	(1)
	4,184	4,803

Details of Group's material associates as at 31 December 2014 and 2013 are as follow:

Name of associate	Place/country of establishment operations	Proportion of ownership interest held by the Group 2014 %	2013 %	Principal activities
鐵道第三勘察設計院集團有限公司 The Third Railway Survey and Design Institute Group Corporation	PRC	**30**	30	Engineering survey and design
武漢墨北路橋有限公司 Wuhan Mobei Road & Bridge Co., Ltd.	PRC	**50** *(note (a))*	50 *(note (a))*	Project construction and operation
武漢鸚鵡洲大橋有限公司 Wuhan Yingwuzhou Bridge Co., Ltd.	PRC	**50** *(note (b))*	50 *(note (b))*	Project construction and operation
成都同基置業有限公司 Tongji Real Estate Co., Ltd.	PRC	**48**	48	Property development

Notes:

(a) Pursuant to the articles of Wuhan Mobei Road & Bridge Co., Ltd. ("Wuhan Mobei"), the Group does not have control of Wuhan Mobei but still retain significant influences in this entity.

(b) Pursuant to the articles of Wuhan Yingwuzhou Bridge Co., Ltd. ("Yingwuzhou"), the Group does not have control of Yingwuzhou but still retain significant influences in the entity.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

22. Interests in Associates (continued)

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

The Third Railway Survey and Design Institute Group Corporation ("the third RSDI")

	31/12/2014 RMB million (unaudited)	31/12/2013 RMB million (unaudited)
Current assets	**4,648**	4,033
Non-current assets	**436**	402
Current liabilities	**3,399**	3,155
Non-current liabilities	**13**	75

	2014 RMB million (unaudited)	2013 RMB million (unaudited)
Revenue	**5,463**	4,359
Profit for the year	**617**	283
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**617**	283
Dividends received from the third RSDI during the year	**45**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2014 RMB million	31/12/2013 RMB million
Net assets of the third RSDI	**1,672**	1,205
Proportion of the Group's ownership in the third RSDI	**30%**	30%
Carrying amount of the Group's interest in the third RSDI	**502**	362

22. Interests in Associates (continued)

Summarised financial information of material associates (continued)

Wuhan Mobei Road & Bridge Co., Ltd. ("Wuhan Mobei")

	31/12/2014 RMB million (unaudited)	31/12/2013 RMB million (unaudited)
Current assets	**119**	150
Non-current assets	**1,386**	150
Current liabilities	**1**	–
Non-current liabilities	**1,005**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2014 RMB million	31/12/2013 RMB million
Net assets of Wuhan Mobei	**499**	300
Proportion of the Group's ownership in Wuhan Mobei	**50%**	50%
Carrying amount of the Group's interest in Wuhan Mobei	**250**	150

Wuhan Yingwuzhou Bridge Co., Ltd. ("Yingwuzhou")

	31/12/2014 RMB million (unaudited)	31/12/2013 RMB million (unaudited)
Current assets	**778**	319
Non-current assets	**3,176**	2,749
Current liabilities	**1,231**	1,293
Non-current liabilities	**1,720**	955

22. Interests in Associates (continued)

Summarised financial information of material associates (continued)

Wuhan Yingwuzhou Bridge Co., Ltd. ("Yingwuzhou") (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2014 RMB million	31/12/2013 RMB million
Net assets of Yingwuzhou	**1,003**	820
Proportion of the Group's ownership in Yingwuzhou	**50%**	50%
Other adjustments	**(11)**	(11)
Carrying amount of the Group's interest in Yingwuzhou	**490**	399

Chengdu Tongji Real Estate Co., Ltd. ("Tongji")

	31/12/2014 RMB million (unaudited)	31/12/2013 RMB million (unaudited)
Current assets	**1,587**	1,423
Non-current assets	**1**	1
Current liabilities	**1,106**	934
Non-current liabilities	**–**	–

	2014 RMB million (unaudited)	2013 RMB million (unaudited)
Revenue	**–**	–
Loss for the year	**(7)**	(1)
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**(7)**	(1)
Dividends received from Tongji during the year	**–**	–

22. Interests in Associates (continued)

Summarised financial information of material associates (continued)

Chengdu Tongji Real Estate Co., Ltd. ("Tongji") (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2014 RMB million	31/12/2013 RMB million
Net assets of Tongji	482	490
Proportion of the Group's ownership in Tongji	48%	48%
Goodwill	41	41
Other adjustments	(65)	(65)
Carrying amount of the Group's interest in Tongji	207	211

Aggregate information of associates that are not individually material

	31/12/2014 RMB million	31/12/2013 RMB million
The Group's share of losses	(50)	(68)
The Group's share of other comprehensive expense	(20)	(5)
The Group's share of total comprehensive expense	(70)	(73)
Aggregate carrying amount of the Group's interests in these associates	2,735	3,681

23. Goodwill

	2014 RMB million	2013 RMB million
COST		
At 1 January	888	888
Written-off	(7)	–
Liquidation of subsidiaries	(1)	–
Balance at end of year	880	888
IMPAIRMENT		
At 1 January	58	31
Written-off	(7)	–
Impairment loss recognised in the year	–	27
At 31 December	51	58
CARRYING VALUES		
At end of the year	829	830

23. Goodwill (continued)

The carrying amount of goodwill at the end of the reporting period is attributable to acquisition of subsidiaries in the following subsidiaries (whose principal activities are disclosed in Note 47) and sub-groups headed by these subsidiaries:

	2014 RMB million	2013 RMB million
China Railway No.1 Engineering Group Co., Ltd.	**66**	64
China Railway No.3 Engineering Group Co., Ltd.	**51**	51
China Railway No.4 Engineering Group Co., Ltd.	**95**	95
China Railway No.5 Engineering (Group) Co., Ltd.	**82**	82
China Railway No.8 Engineering Group Co., Ltd.	**26**	26
China Railway No.9 Engineering Group Co., Ltd.	**53**	53
China Railway No.10 Engineering Group Co., Ltd.	**26**	26
China Railway Major Bridge Engineering Group Co., Ltd.	**28**	28
China Railway Electrification Engineering Group Co., Ltd.	**26**	41
China Railway Construction Group (CRCG) Co., Ltd.	**88**	88
China Railway Tunnel Group Co., Ltd.	**19**	43
China Railway Trust Co., Ltd.	**206**	206
China Railway No.6 Survey and Design Institute Group Co., Ltd.	**24**	–
Other subsidiaries	**39**	27
	829	830

Note: Due to the restructuring within the Group, the goodwill attributable to fellow subsidiaries was transferred within the above different subsidiaries of the Group.

The basis of determining the recoverable amounts of the above subsidiaries and their major underlying assumptions are summarised below:

China Railway Trust Co., Ltd., which is included in other businesses of the Group, is principally engaged in financial trust management. The recoverable amount in respect of this subsidiary has been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 15%(2013: 15%). A decreasing growth rate has been applied over the most recent financial budgets period and a nil growth rate for the extrapolation period. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this subsidiary to exceed its recoverable amount.

The recoverable amounts in respect of subsidiaries, which are principally engaged in infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, other than China Railway Trust Co., Ltd., have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 11%(2013: 11%). One major assumption is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period and a nil growth rate for the extrapolation period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the remaining subsidiaries to exceed its recoverable amount except those subsidiaries whose goodwill was impaired.

24. Available-For-Sale Financial Assets

	31/12/2014 RMB million	31/12/2013 RMB million
Unlisted open-end equity funds, at market prices	**143**	45
Unlisted entrusted products	**5,954**	4,036
Listed equity investments in the PRC, at market prices	**751**	421
Unlisted equity investments, at cost less impairment	**3,672**	3,247
Total	**10,520**	7,749
Analysed for reporting purpose as:		
– Current	**1,733**	–
– Non-current	**8,787**	7,749
Total	**10,520**	7,749

The above unlisted entrusted products are investment products mainly relating to property development projects, construction projects and energy projects in Mainland China and are debt instruments. The fair value of the entrusted products is determined based on discounted cash flow analysis.

The above unlisted equity investments are equity securities issued by private entities established in Mainland China. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group disposed of certain unlisted entrusted products, listed equity investments and unlisted equity investments with a carrying amount of RMB3,581 million (2013: RMB2,564 million). A gain on disposal of RMB127 million (2013: RMB66 million) has been recognised in profit or loss for the current year.

25. Other Loans and Receivables

	31/12/2014 RMB million	31/12/2013 RMB million
Short-term loans and receivables	**4,164**	3,924
Long-term loans and receivables	**8,113**	7,610
	12,277	11,534
Less: Impairment on loans and receivables	**(47)**	(296)
Total other loans and receivables	**12,230**	11,238
Less: Amount due within one year included in current assets	**(4,130)**	(3,639)
Amount due after one year	**8,100**	7,599

As at 31 December 2014, other loans and receivables amounting to RMB1,275 million (2013: RMB1,244 million) do not carry interest. The remaining other loans and receivables carry fixed-rate interests within a range of 3.73% to 36% (2013: 3.73% to 36%) per annum.

25. Other Loans and Receivables (continued)

As at 31 December 2014, other loans and receivables amounting to RMB1,813 million (2013: RMB2,218 million) are secured by equity investments, RMB1,244 million (2013: RMB781 million) are secured by property, plant and equipment, RMB100 million (2013: RMB1,081 million) are secured by lease prepayments, RMB200 million (2013: RMB871 million) are guaranteed by a third party and RMB1,486 million (2013: RMB1,454 million) are secured by the rights to collect cash flows in relation to certain construction projects. The remaining balances are unsecured. For those amounts without secured assets, the management takes into consideration of the credit history and solvency of the debtors and believes these amounts are recoverable.

The Group's loan receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2014 RMB million	31/12/2013 RMB million
USD	**2,001**	1,950

Movements in impairment on receivables are as follows:

	2014 RMB million	2013 RMB million
At beginning of the year	**296**	294
Impairment losses (reversed) recognised during the year	**(249)**	2
At end of the year	**47**	296

26. Properties Held for Sale/Properties under Development for Sale

Properties under development for sale amounting to RMB23,175 million (2013: RMB35,356 million) have been pledged to secure bank borrowings amounting to RMB10,621 million (2013: RMB15,313 million) granted to the Group (see Note 36).

Properties under development for sale amounting to RMB36,502 million (2013: RMB25,672 million) are expected to be recovered beyond 12 months.

The Group's properties held for sale and properties under development for sale at the end of the reporting period are stated at cost.

27. Inventories

	31/12/2014 RMB million	31/12/2013 RMB million
Raw materials and consumables	**37,566**	39,259
Work in progress	**3,069**	3,551
Finished goods	**4,320**	3,771
	44,955	46,581

Inventories of RMB14 million (2013: RMB26 million) are expected to be recovered beyond twelve months.

28. 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.

	31/12/2014 RMB million	31/12/2013 RMB million
Trade and bills receivables	**161,623**	136,058
Less: impairment	**(3,108)**	(2,172)
	158,515	133,886
Other receivables (net of impairment)	**37,738**	33,753
Advance to suppliers	**31,640**	31,312
	227,893	198,951
Less: Amount due after one year included in non-current assets	**(8,135)**	(7,435)
Amount due within one year included in current assets	**219,758**	191,516

The Group's major customers are the wholly state-owned entities 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. Trade receivables due from the PRC government-related enterprises are disclosed in Note 46.

Included in trade and bills receivables are retention receivables of RMB53,336 million (2013: RMB48,528 million). Retention receivables are interest-free and recoverable at the end of the retention period of the respective construction contract. The Group's normal operating cycle with respect to this construction contract 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:

	31/12/2014 RMB million	31/12/2013 RMB million
Less than six months	**79,673**	70,686
Six months to one year	**26,318**	20,388
One year to two years	**30,220**	24,781
Two years to three years	**12,582**	10,160
More than three years	**9,722**	7,871
	158,515	133,886

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.

28. Trade and other Receivables (continued)

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

	2014 RMB million	2013 RMB million
At beginning of the year	**3,355**	2,806
Impairment loss recognised during the year	**2,456**	588
Written-off	**(26)**	(34)
Decrease through disposal of subsidiaries	**(26)**	(5)
At end of the year	**5,759**	3,355
Attributable to:		
Trade receivables	**3,108**	2,172
Other receivables	**2,651**	1,183
	5,759	3,355

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Age of impaired trade receivables

	31/12/2014 RMB million	31/12/2013 RMB million
Less than six months	**454**	320
Six months to one year	**148**	92
One year to two years	**726**	385
Two years to three years	**427**	326
More than three years	**1,353**	1,049
	3,108	2,172

28A. Transfer of Financial Assets

The following were the Group's financial assets as at 31 December 2014 and 31 December 2013 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured borrowings (see Note 36). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	31/12/2014		
	Bills receivable discounted to bank with full recourse RMB million	**Trade receivables discounted to bank with full recourse RMB million**	**Total RMB million**
Carrying amount of transferred assets *(note)*	**25**	**3,129**	**3,154**
Carrying amount of associated liabilities	**25**	**2,241**	**2,266**
Net position	**–**	**888**	**888**

	31/12/2013		
	Bills receivable discounted to bank with full recourse RMB million	Trade receivables discounted to bank with full recourse RMB million	Total RMB million
Carrying amount of transferred assets	288	6,246	6,534
Carrying amount of associated liabilities	288	4,690	4,978
Net position	–	1,556	1,556

Notes: Bills receivable issued among subsidiaries of the Group for intra-group transactions amounting to RMB Nil (2013: RMB35 million) have been discounted with recourse to secure short-term bank borrowings amounting to RMB Nil (2013: RMB35 million) and these bills receivable have been eliminated in the consolidated financial statements (see Note 36).

29. Amounts Due From (to) Customers for Contract Work

	31/12/2014 RMB million	31/12/2013 RMB million
Contract costs incurred plus recognised profits less recognised losses	**2,638,177**	2,209,233
Less: progress billings	**(2,556,934)**	(2,141,669)
	81,243	67,564
Analysed for reporting purpose as:		
Amounts due from contract customers	**102,200**	90,560
Amounts due to contract customers	**(20,957)**	(22,996)
	81,243	67,564

30. Held-For-Trading Financial Assets (Liabilities)

Held-for-trading financial assets

	31/12/2014 RMB million	31/12/2013 RMB million
Equity securities listed in Mainland China, at quoted prices	**35**	30
Equity securities listed in Hong Kong, at quoted prices	**73**	100
Derivative financial instruments – interest rate swaps *(note)*	**1**	2
	109	132

Held-for-trading financial liabilities

	31/12/2014 RMB million	31/12/2013 RMB million
Derivative financial instruments		
– interest rate swaps *(note)*	**286**	186
– foreign currency forward contract	**18**	–
	304	186

Note: As at 31 December 2014, the Group has two interest rate swap contracts. One Euro interest rate swap will mature in 2021 and one RMB interest rate swap will mature in 2017. Under the Euro contract, the Group will receive interest at fixed rates and pay interest at floating rates. Under the RMB contract, the Group would receive interest at fixed rates up to certain dates between December 2007 and December 2009 and will then receive interest at floating rates thereafter, and pay interest at fixed rates.

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31. Restricted Cash

	2014 **RMB million**	2013 RMB million
Restricted cash denominated in:		
RMB	**8,560**	5,631
USD	**33**	53
Other currencies	**82**	81
At end of the year	**8,675**	5,765

The restricted cash was mainly included mandatory reserves due from central bank and the cash held in dedicated bank accounts under the names of the group entities, which are for the issue of performance bonds to customers and therefore classified as current assets. The restricted cash held in central bank and dedicated bank accounts carry interest at prevailing market interest rates.

32. Cash And Cash Equivalents

	31/12/2014 **RMB million**	31/12/2013 RMB million
Bank balances and cash denominated in:		
RMB	**62,311**	70,034
USD	**4,166**	3,284
Other currencies	**2,202**	2,340
	68,679	75,658

Bank balances carry interest at market rates which range from 0.05% to 8.21% (2013: 0.35% to 7.7% per annum) per annum. The bank balances denominated in RMB are deposited with banks in Mainland China and the conversion of such balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

33. Share Capital of the Company

	At 1 January 2013, 31 December 2013 and 31 December 2014 Number of shares '000	At 1 January 2013, 31 December 2013 and 31 December 2014 Nominal value RMB million
Registered capital		
A Shares of RMB1.00 each	**17,092,510**	17,093
H Shares of RMB1.00 each	**4,207,390**	4,207
	21,299,900	21,300
Issued and fully paid		
A Shares of RMB1.00 each	**17,092,510**	17,093
H Shares of RMB1.00 each	**4,207,390**	4,207
	21,299,900	21,300

The A Shares (17,092,510,000 shares) and H Shares (4,207,390,000 shares) in issue are the ordinary shares in the share capital of the Company. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by the Company in Hong Kong dollars whereas all cash dividends in respect of A Shares are to be paid by the Company in Renminbi.

In addition, A Shares and H Shares are regarded as different classes of shares under the Company's Articles of Association. The differences between the two classes of shares, including provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different branches of the registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Company's Articles of Association.

A Shares and H Shares however rank pari passu with each other in all other respects.

There were no changes in the Company's registered, and issued and fully paid capital in both years.

34. Perpetual Notes

The Company issued the first tranche of perpetual notes on 1 July 2014, with a total principal amount of RMB3 billion. The notes will have a perpetual term until redemption by the Company in accordance with the terms of issuance, and will mature at the redemption by the Company. At the fifth and thereafter each interest payment date, the Company has the right to redeem the notes with principal amount plus all deferred interests. The coupon rate for the first five years is 6.50% per annum. If the Company will not redeem the notes, the coupon rate will be reset every five years. The coupon rate for the second five years will be reset to that period benchmark interest rate plus initial interest spread and 300 basic points per annum. And thereafter the coupon rate for each five years will be reset to that period benchmark interest rate plus initial interest spread and 300 basic points per annum.

34. Perpetual Notes (continued)

As long as the compulsory interest payment events have not occurred, the Company has the right to choose the deferred interests payment at each coupon date to the next without times limit of deferral, which does not cause the Company for breach of contract. The compound interests will be charged to the deferred interests by the interest rate of the deferred period.

The Company could not defer current interests and all deferred interests before 12 months of the interest payment date when below compulsory interest payment events occur:

- to declare and pay dividend to ordinary shareholders;

- to decrease share capital.

These perpetual notes don't have specific maturity. The Company has the right to defer interests or to redeem the notes. The Company doesn't have the contractual obligation to deliver cash or other financial assets to other parties. So the perpetual notes are recognised as an equity.

As at 31 December 2014, the interest of perpetual notes of RMB98 million for the period from 1 July 2014 to 31 December 2014 was not accrued because the compulsory interest payment events have not occurred.

35. Trade and other Payables

	31/12/2014 RMB million	31/12/2013 RMB million
Trade and bills payables	**245,447**	206,292
Advance from customers	**59,788**	57,251
Accrued payroll and welfare	**2,741**	2,607
Other taxes	**9,447**	9,289
Deposit received in advance	**148**	157
Dividend payables	**61**	153
Other payables	**38,343**	35,463
	355,975	311,212
Analysed for reporting purposes as:		
Non-current	**782**	614
Current	**355,193**	310,598
	355,975	311,212

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB5,292 million (2013: RMB4,685 million). Retention payables are interest-free and payable at the end of the retention period of the respective construction contract. The Group's normal operating cycle with respect to the construction contract 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.

35. Trade and other Payables (continued)

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

	31/12/2014 RMB million	31/12/2013 RMB million
Less than one year	**215,448**	182,473
One year to two years	**18,811**	14,308
Two years to three years	**5,764**	5,173
More than three years	**5,424**	4,338
	245,447	206,292

36. Borrowings

	31/12/2014 RMB million	31/12/2013 RMB million
Bank borrowings:		
Secured	**37,261**	38,571
Unsecured	**93,522**	98,320
	130,783	136,891
Short-term debentures, unsecured	**–**	40
Long-term debentures, unsecured	**36,091**	35,688
Other short-term borrowings, unsecured	**8,348**	4,713
Other short-term borrowings, secured	**500**	295
Other long-term borrowings, unsecured	**7,120**	6,620
Other long-term borrowings, secured	**72**	2,185
	182,914	186,432
Analysed for reporting purposes:		
Non-current	**93,655**	104,084
Current	**89,259**	82,348
	182,914	186,432

36. Borrowings (continued)

	31/12/2014 RMB million	31/12/2013 RMB million
Carrying amount repayable *(note)*		
Within one year	**89,259**	82,348
More than one year but within two years	**26,946**	31,326
More than two years but within three years	**9,794**	18,055
More than three years but within four years	**9,499**	7,177
More than four years but within five years	**3,576**	9,109
More than five years	**43,840**	38,417
	182,914	186,432

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements.

On 5 June 2014, a wholly owned subsidiary of the Group, China Railway Communications Investment Group Co., Ltd. issued the first tranche of the private placement note, which was included in "Long-term debentures, unsecured", of a principal amount of RMB250 million with a maturity date of 5 June 2016. The note bears fixed interest at 7.2% per annum. Interest is payable annually in arrears.

On 9 June 2014, a wholly owned subsidiary of the Group, China Railway No.8 Engineering Group Co., Ltd., issued the first tranche of the private placement note, which was included in "Long-term debentures, unsecured", of a principal amount of RMB500 million with a maturity date of 9 June 2017. The note bears fixed interest at 7.2% per annum. Interest is payable annually in arrears.

Bank borrowings carry interest at rates ranging from 1.53% to 10% (2013: 1.97% to 10% per annum) per annum.

Other short-term borrowings carry interest at rates ranging from 5.0% to 11.5% (2013: 5.9% to 13.5% per annum) per annum.

Long-term debentures were issued at fixed rates ranging from 3.85% to 7.2% (2013: 3.85% to 7.2% per annum) per annum.

Other long-term borrowings carry interest at rates ranging from 6.15% to 10.5% (2013: 4.39% to 11.5% per annum) per annum.

36. Borrowings (continued)

The borrowings denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2014 RMB million	31/12/2013 RMB million
USD	**4,867**	5,312
EURO	**145**	204
Others	**431**	41
	5,443	5,557

As at 31 December 2014, the Group pledged its rights to collect cash flows in relation to certain construction projects with contract value of RMB10,325 million (31 December 2013: RMB1,468 million) to secure bank borrowings amounting to RMB5,277 million (2013: RMB337 million).

As at 31 December 2013, the Group transferred its rights of return on its equity investments in two subsidiaries with an aggregate investment cost of RMB551 million to secure bank borrowings amounting to RMB370 million. Such security was released during the current year.

The details of secured borrowings are set out below:

	31/12/2014		31/12/2013	
	Secured borrowings RMB million	**Carrying amount of pledged assets and rights RMB million**	Secured borrowings RMB million	Carrying amount of pledged assets and rights RMB million
Property, plant and equipment	**294**	**521**	303	514
Lease prepayments	**275**	**1,912**	–	–
Intangible assets	**19,100**	**31,560**	19,715	32,154
Properties under development for sale	**10,621**	**23,175**	15,313	35,356
Bills receivable	**25**	**25**	323	323
Accounts receivable	**2,241**	**3,129**	4,690	6,246
Rights of return on equity investments	**–**	**–**	370	551
Rights to collect cash flows in relation to certain construction projects	**5,277**	**10,325**	337	1,468
Total	**37,833**	**70,647**	41,051	76,612

37. Obligations Under Finance Lease

The Group's leased certain of its equipment under finance leases. The average lease term is 3 years (2013: 3 years). Interest rates underlying all obligations under finance lease are set as the interest rate quoted by People's Bank of China. At the end of the lease period, the Group is entitled to acquire the leased assets at a nominal consideration.

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2014 RMB million	31/12/2013 RMB million	**31/12/2014 RMB million**	31/12/2013 RMB million
Amounts payable under finance lease				
Within one year	**774**	523	**756**	507
In more than one year but not more than two years	**1,377**	212	**1,273**	195
In more than two years but not more than five years	**466**	84	**417**	73
	2,617	819	**2,446**	775
Less: future finance charges	**(171)**	(44)	**–**	–
Present value of lease obligations	**2,446**	775	**2,446**	775
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(756)**	(507)
Amount due for settlement after twelve months			**1,690**	268

The Group's obligations under finance lease are secured by the lessors' title to the leased assets.

38. Financial Guarantee Contracts

	2014 RMB million	2013 RMB million
At beginning of the year	**1**	2
Amortisation for the year	**–**	(1)
At end of the year	**1**	1
Analysed for reporting purpose as:		
Non-current	**–**	1
Current	**1**	–
	1	1

The balances represent the fair value of financial guarantees, details of which are disclosed in Note 44.

39. Retirement and Other Supplemental Benefit Obligations

State-managed retirement plans and supplementary pension plans

The employees of the group entities established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Group also sets up supplementary pension plans. These PRC companies are required to contribute 20% and 5% of payroll costs respectively, depending on the applicable local regulations and the Group's requirements, to the state-managed retirement plans and supplementary pension plans. The only obligation of these PRC companies with respect to the state-managed retirement plans and supplementary pension plans is to make the specified contributions.

The total cost charged to profit or loss during the year is RMB3,989 million and RMB234 million respectively (2013: RMB3,483 million and RMB148 million respectively).

As at 31 December 2014, the amounts due in respect of the reporting period not yet paid to the state-managed retirement plans and supplementary pension plans, and included in trade and other payables are RMB365 million and RMB39 million respectively (2013: RMB368 million and RMB67 million respectively).

Retirement and supplemental benefit obligations

The Group paid supplementary pension subsidies and other post-employment obligations to its retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to certain former employees who were terminated or early retired and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group.

The plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and average medical expense risk.

Interest risk	The present value of the defined benefit plan obligation is calculated using a discount rate determined by reference to government bond yields. A decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligation is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Average medical expense risk	The present value of the defined benefit plan obligation is calculated by reference to the future average medical expense of plan participants. As such, an increase in the average medical expense of the plan participants will increase the plan liability.

The most recent actuarial valuations of the present value of the defined benefit obligations as at 31 December 2014 were carried out by an independent firm of actuaries, Towers Perrin, Hong Kong. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	31/12/2014	31/12/2013
Discount rate	**3.75%**	4.50%
Early-retiree's salary and supplemental benefit inflation rate	**4.50%**	4.50%
Medical cost trend rates	**8.00%**	8.00%

39. Retirement and Other Supplemental Benefit Obligations (continued)

Retirement and supplemental benefit obligations (continued)

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows.

	31/12/2014 RMB million	31/12/2013 RMB million
Service cost		
Current service cost	**–**	–
Past service cost and (gain)/loss from settlements	**–**	–
Interest cost	**209**	210
Components of defined benefit costs recognised in profit or loss	**209**	210
Remeasurement on the net defined benefit obligations:		
Actuarial (gains) and losses arising from changes in financial assumptions	**23**	(356)
Actuarial (gains) and losses arising from experience adjustments	**1**	(588)
Components of defined benefit costs recognised in other comprehensive income	**24**	(944)
Total	**233**	(734)

The expense for the year is included in the employee benefits expense in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	31/12/2014 RMB million	31/12/2013 RMB million
Present value of unfunded defined benefit obligations	**4,523**	4,892
Net liability arising from defined benefit obligations	**4,523**	4,892
Less: Amount due within one year	**(551)**	(612)
Amount due after one year	**3,972**	4,280

39. Retirement and Other Supplemental Benefit Obligations (continued)

Retirement and supplemental benefit obligations (continued)

Movements in the present value of the retirement and supplemental benefit obligations in the current year were as follows:

	2014 **RMB million**	2013 RMB million
Opening defined benefit obligations	**4,892**	6,320
Interest cost	**209**	210
Remeasurement losses/(gains):		
Actuarial gains and losses arising from changes in financial assumptions	**23**	(356)
Actuarial gains and losses arising from experience adjustments	**1**	(588)
Benefits paid	**(602)**	(694)
Closing defined benefit obligations	**4,523**	4,892

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and medical expense increase rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate on benefit obligation increases (decreases) by 0.25%, the defined benefit obligation would decrease by RMB78 million (increase by RMB80 million).

- If the benefit rate increases (decreases) by 1%, the defined benefit obligation would increase by RMB161 million (decrease by RMB142 million).

- If the average medical expenses rate increases (decreases) by 1%, the defined benefit obligation would increase by RMB19 million (decrease by RMB18 million).

39. Retirement and Other Supplemental Benefit Obligations (continued)

Retirement and supplemental benefit obligations (continued)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior.

The average duration of the benefit obligation as at 31 December 2014 is 12.4 years (2013: 12.8 years). This number can be analysed as follows:

- Civil Retirees: 5.2 years (2013: 5.5 years);
- retired members: 12.7 years (2013: 13.2 years); and
- beneficiaries: 13.4 years (2013: 13.4 years).

40. Provisions

	2014 **RMB million**	2013 RMB million
At beginning of the year	**319**	243
Provided for the year	**264**	164
Utilisation for the year	**(65)**	(88)
At end of the year	**518**	319
Analysed for reporting purpose as:		
Non-current	**260**	260
Current	**258**	59
	518	319

The balance represents the provision recognised for the toll roads' repair and maintenance obligation, product warranties and the probable losses to the Group on lawsuits when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice.

41. Deferred Taxation

The following are the major deferred tax balances recognised and movements thereon during the current and prior years:

	Tax losses RMB million	Impairment of assets RMB million	Excess of accounting depreciation over tax depreciation RMB million	Retirement and other supplemental benefit obligations RMB million	Fair value changes of available-for-sale financial assets RMB million	Mining assets RMB million	Others RMB million	Total RMB million
At 1 January 2013	343	707	(8)	1,248	(82)	(414)	1,118	2,912
Credit (charge) to profit or loss	72	79	(178)	(119)	–	–	294	148
(Charge) credit to other comprehensive income	–	–	–	(180)	5	–	–	(175)
Disposal of subsidiaries *(Note 43)*	–	–	–	–	(2)	221	(10)	209
Effect of change in tax rate charged to profit or loss	(6)	(16)	–	(10)	–	–	(24)	(56)
Effect of change in currency exchange rate	–	–	–	–	–	6	–	6
At 31 December 2013	409	770	(186)	939	(79)	(187)	1,378	3,044
Credit (charge) to profit or loss	123	126	(120)	(114)	–	–	161	176
Credit (charge) to other comprehensive income	–	–	–	12	(42)	–	–	(30)
Acquisition of subsidiaries	–	–	2	–	–	–	–	2
Effect of change in tax rate charged to profit or loss	(14)	(6)	–	1	–	–	–	(19)
Effect of change in currency exchange rate	–	–	–	–	–	(5)	10	5
At 31 December 2014	518	890	(304)	838	(121)	(192)	1,549	3,178

Note: *Impairment of assets is mainly attributable to impairment loss on trade and other receivables, other loans and receivables, property, plant and equipment, allowance for foreseeable losses on construction contracts and inventories.*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2014 RMB million	31/12/2013 RMB million
Deferred tax assets	**4,281**	4,000
Deferred tax liabilities	**(1,103)**	(956)
	3,178	3,044

41. Deferred Taxation (continued)

Details of the Group's unused tax losses and other deductible temporary differences are as follows:

	31/12/2014 RMB million	31/12/2013 RMB million
Tax losses recognised as deferred tax assets	**2,273**	1,578
Tax losses not recognised as deferred tax assets	**8,104**	6,958
Total tax losses	**10,377**	8,536
Other deductible temporary differences not recognised as deferred tax assets	**2,785**	1,053
Tax losses unrecognised as deferred tax assets that will expire in		
2014	**–**	894
2015	**899**	932
2016	**1,452**	1,562
2017	**1,681**	1,815
2018	**1,652**	1,755
2019	**2,420**	–
Total	**8,104**	6,958

No deferred tax asset is recognised in relation to such tax losses and other deductible temporary differences due to the unpredictability of future profit streams.

42. Acquisition of Subsidiaries

(a) Acquisition of businesses

During 2014, in order to continue the expansion of the Group's activities, the Group performed the following acquisitions:

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred RMB million
貴州麓島鄉村運動投資管理有限公司 Guizhou Ludao Rural Sports Investment Management Co., Ltd ("Guizhou Ludao")	Hotel & Investing	01/07/2014	70	10
貴州中澤酒店投資管理有限公司 Guizhou Zhongze Hotel Investment Management Co., Ltd ("Guizhou Zhongze")	Hotel & Investing	01/07/2014	70	10
蕪湖市建築工程施工圖設計文件審查中心有限公司 Wuhu Construction Engineering Construction Drawings review center ("Review Center")	Engineering Design	01/07/2014	100	9
陝西榆林神佳米高速公路有限公司 Shaanxi Yulin Shenjiami Highway Co., Ltd ("Shenjiami")	Build-operate-transfer service concession arrangement	31/12/2014	70	203
				232

Consideration transferred

	Guizhou Ludao RMB million	Guizhou Zhongze RMB million	Review Center RMB million	Shenjiami RMB million	Total RMB million
Cash	7	7	9	143	166
Carrying amounts of previously-held investment	3	3	–	60	66
Excess of fair value of the previously-held investment	–	–	–	4	4
Total	10	10	9	207	236

42. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Assets acquired and liabilities recognised at the date of acquisition

	Guizhou Ludao RMB million	Guizhou Zhongze RMB million	Review Center RMB million	Shenjiami RMB million	Total RMB million
Current assets					
Cash and cash equivalents	22	3	–	35	60
Other current assets	23	7	6	189	225
Non-current assets					
Intangible assets	–	–	–	1,726	1,726
Lease prepayments	15	50	–	–	65
Property, plant and equipment	89	116	6	–	211
Current liabilities					
Trade payables	(90)	(81)	–	(1,146)	(1,317)
Other current liabilities	(3)	(85)	(3)	(597)	(688)
Non-current liabilities					
Other non-current liabilities	(46)	–	–	–	(46)
Net assets acquired	10	10	9	207	236
Non-controlling interests	–	–	–	–	–
Total	10	10	9	207	236

Bargain purchase gains arising on acquisition

	RMB Million
Consideration transferred	236
Plus: non-controlling interests	–
Less: fair value for identifiable net assets acquired	(236)
Bargain purchase gains arising on acquisition	–

Net cash outflows on acquisition of subsidiaries

	2014 RMB Million
Consideration paid in cash	**(166)**
Less: cash and cash equivalent balances acquired	**60**
	(106)

42. Acquisition of Subsidiaries (continued)

(b) Acquisition of assets through acquisition of subsidiaries

During the year, the Group acquired certain assets through acquisition of a 100% interest in EVER SINO LIMITED for a consideration of RMB1,774 million. The acquisition was accounted for as an acquisition of assets and liabilities as the subsidiaries are not business.

The carrying amounts of net assets acquired are as follows:

	2014 RMB Million
Fair value of net assets acquired:	
Cash and cash equivalents	**8**
Other current assets	**139**
Mining assets	**2,032**
Property, plant and equipment	**470**
Other non-current assets	**2**
Trade and other payables	**(876)**
Other current liabilities	**(1)**
Net assets acquired	**1,774**

Net cash outflows arising from acquisitions

	2014 RMB Million
Consideration paid in cash	**(1,774)**
Less: cash and cash equivalent balances acquired	**8**
	(1,766)

In 2013, the Group acquired certain assets through acquisition of a 100% interest in 昆明水岸青城房地產開發有限公司 for a consideration of RMB473 million. The acquisition was accounted for as acquisition of assets and liabilities as the subsidiary is not business.

42. Acquisition of Subsidiaries (continued)

(b) Acquisition of assets through acquisition of subsidiaries (continued)

The carrying amounts of net assets acquired are as follows:

	2013 RMB million
Fair value of net assets acquired:	
Properties under development for sale	473
Net assets acquired	473
Satisfied by:	
Cash	473
Total consideration	473

Net cash outflow arising from acquisition

	2013 RMB million
Consideration paid	(473)
Cash and cash equivalents acquired	–
	(473)

43. Disposal of Subsidiaries

During the year, a third party made additional capital contribution to 中鐵十局招遠城建有限公司 and the Group's interest therein was diluted from 100% to 20% leading to loss of control over the entity, but the Group still has significant influence on the entity. Pursuant to the revised articles of Congo International Mining Corporation ("CIMC"), the Group lost control over the entity and the shareholders have joint control of CIMC. The remaining equity interests in above two entities were measured at fair value at the date when the control was lost, and were accounted for as interest in an associate and a joint venture respectively from that date onwards. The Group also disposed of its entire equity interests in 葫蘆島渤海熱電有限公司, 北京中鐵新業投資顧問有限公司 and 深圳市中鐵諾德投資有限公司 for a total consideration of RMB17 million.

Consideration received

	2014 RMB Million
Consideration received in cash and cash equivalents	**17**

43. Disposal of Subsidiaries (continued)

Analysis of asset and liabilities over which control was lost

	2014 RMB Million
Current assets	
Cash and cash equivalents	885
Other current assets	796
Non-current assets	
Property, plant and equipment	544
Lease prepayments	10
Other non-current assets	17
Current liabilities	
Trade and other payables	(999)
Other current liabilities	(6)
Non-current liabilities	
Borrowings – non-current	(1,046)
Net assets disposed of	201

Gain on disposal of subsidiaries

	2014 RMB Million
Consideration received	17
Net assets disposed of	(201)
Non-controlling interests	17
Transfer to interest in an associate	162
Transfer to interest in a joint venture	16
Gain on disposal	11
Net cash inflow on disposal of subsidiaries	
Consideration received in cash and cash equivalents	17
Less: cash and cash equivalent balances disposed of	(885)
	(868)

43. Disposal of Subsidiaries (continued)

Gain on disposal of subsidiaries (continued)

In 2013, partial interests in 成都同基置業有限公司, 中鐵成都投資發展有限公司, 內蒙古郭白鐵路有限責任公司 and Manglai Mining were disposed by the Group for a consideration of RMB212 million. The Group lost control over these entities, but still has significant influence on these entities. The remaining equity interests were measured at fair value at the date when the control was lost, and were accounted for as interests in associates from that date onwards. The Group also disposed of its entire interests in 南京中鐵電化投資管理有限公司, 西安卓豐置業有限公司 and 杰盛商貿有限公司 for a total consideration of RMB799 million.

Consideration received

	2013 RMB million
Consideration received in cash and cash equivalents	1,011

Analysis of assets and liabilities over which control was lost

	2013 RMB million
Current assets	
Cash and cash equivalents	666
Other current assets	968
Non-current assets	
Property, plant and equipment	1,278
Mining assets	937
Lease prepayments	31
Trade and other receivables – non-current	5,958
Other non-current assets	306
Current Liabilities	
Trade and other payables	(3,679)
Other non-current liabilities	(2,800)
Non-current Liabilities	
Borrowings – non-current	(1,177)
Other non-current liabilities	(224)
Net assets disposed of	2,264

43. Disposal of Subsidiaries (continued)

Gain on disposal of subsidiaries

	2013 RMB million
Consideration received	1,011
Net assets disposed of	(2,264)
Non-controlling interests	736
Transfer to interest in an associate	944
Gain on disposal	427
Net cash inflows on disposal of subsidiaries	
Consideration received in cash and cash equivalents	1,011
Less: cash and cash equivalent balances disposed of	(666)
	345

44. Contingent Liabilities

	2014 RMB million	2013 RMB million
Pending lawsuits		
– arising in the ordinary course of business *(note (a))*	**680**	840
– oversea lawsuits *(note (b) & note (c))*	**854**	1,117
	1,534	1,957

Notes:

(a) *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 (see Note 40).*

No provision has been made for those 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.

(b) *Two subsidiaries of the Group, China Overseas Engineering Group Co., Ltd. ("COVEC") and China Railway Tunnel Group Co., Ltd., established a consortium (the "Consortium") with another 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 ("PLN") 1,160 million (equivalent to approximately USD402 million or RMB2,741 million) and PLN116 million (equivalent to 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.*

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 and interests of an aggregate amount of PLN129 million (equivalent to approximately USD42 million or RMB263 million), whereas all parties in the Consortium bear liabilities joint and severally. The lawyer of the Consortium then raised an objection to the payment order and the payment order became void under Polish law. The relevant parties have since commenced to resolve the matter in dispute under litigation procedures.

44. Contingent Liabilities (continued)

Notes: (continued)

During the year, the Consortium began to settle the above case through the negotiation with PGDNRM by coordination of relevant parties. The Consortium withdrew the protective measures of the performance bond and agreed the banks to pay the Group's performance bond of Polish Zloty ("PLN") 1,160 million (equivalent to approximately RMB209 million) to PGDNRM at the beginning of 2015, which loss has been recognised in the Group's consolidated financial statements for the year then ended.

On 25 February 2015, the Poland Warsaw District Court decided to suspend the lawsuit procedure due to the amicable motion of all parties. There is no significant progress up to the date of issuance of these consolidated financial statements. At this stage, the Directors consider it premature to assess the outcome of this case.

(c) Exploitations Artisanales Au Congo ("EXACO") was a former shareholder of La Miniere De Kalumbwe Myunga sprl ("MKM"), an indirectly owned subsidiary of the Company. As at 30 August 2011, EXACO had disposed of its entire interests in MKM. In November 2012, EXACO was of the view that MKM and China Railway Resources Global Holding Limited ("CRRG") (which is also an indirectly owned subsidiary of the Company and the controlling shareholder of MKM) breached relevant terms and other relevant obligations pursuant to the undertakings under the initial agreement signed before the share transfer agreement. EXACO applied to the Congo district court for a compensation of their losses amounting to USD136 million (equivalent to approximately RMB829 million).

MKM and CRRG had raised objection to the jurisdiction of the local courts according to the relevant arbitration clause. Until November 2013, although MKM and CRRG did not receive the verdict, MKM and CRRG filed an appeal with the Lubumbashi Court of Appeal on 26 November 2013 due to prudent consideration and the needs to push the case on. And when the Lubumbashi Count of Appeal ordered certiorari from the local court, MKM and CRRG found that the local court made a judgment to MKM and CRRG for a total of USD31 million compensation (equivalent to approximately RMB189 million) on 8 February 2013. MKM and CRRG appealed to the Supreme Court for the fraud of the presiding judge of the local court existing in the above case. On 23 July 2014, the Supreme Court convicted and canceled the above judgment amounting to USD31 million compensation made by the local court on 8 February 2013.

In addition, on 15 January 2014, EXACO made another request to the Commercial Court of Lubumbashi for not receiving the fee of the previous 43.5% share transfer. EXACO applied to the Court for a compensation from CRRG amounting to USD109 million (equivalent to approximately RMB671 million), and for taking protective measures against MKM. On 20 January 2014, the Commercial Court of Lubumbashi agreed to take the protective measures, but did not hear the request of compensation. MKM and CRRG immediately filed an appeal. The Lubumbashi Court of Appeal ruled the protective measures not be executed on 30 January 2014. As of the date of issuance of these consolidated financial statements, the case has not yet been substantive hearing. MKM and CRRG have appealed to the Supreme Court for the fraud of the presiding judge of the Commercial Court of Lubumbashi in the above case and this appeal process is still on-going.

The Directors are of the view that these lawsuits filed by EXACO have violated the arbitration clause, and there is no factual or legal basis about these lawsuits. However, due to the various uncertainties of the case, the Directors consider that it is premature to assess the outcome of this case.

The Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties. The financial impact of the financial guarantees is disclosed in Note 38. The maximum exposure of these financial guarantees to the Group is as follows.

	31/12/2014		31/12/2013	
	RMB million	**Expiry period**	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**2,940**	**2015-2025**	2,169	2014-2025
A joint venture	**230**	**2017-2018**	–	–
Other government-related enterprise	**54**	**2015**	55	2014
Property purchasers	**17,149**	**2015-2019**	14,877	2014-2019
An investee of the Group	**12**	**2016**	12	2016
A former subsidiary	**650**	**2021-2023**	758	2022
	21,035		17,871	

45. Commitments

Capital expenditure

	31/12/2014 RMB million	31/12/2013 RMB million
Contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**972**	1,481

Investment commitment

According to relevant agreements, the Group has the following commitments:

	31/12/2014 RMB million	31/12/2013 RMB million
Investment commitment to an associate	**19,730**	19,651

The above amount represents the Group's commitment in respect of the Group's investment in certain mining projects (including development and construction expenditures) in the Democratic Republic of the Congo pursuant to co-operation agreements signed between the co-operation partners. The co-operation partners have been discussing the mining project details and negotiating the investment amounts. The negotiation was still in progress as at the date of issuance of these consolidated financial statements. The amount of investment commitment disclosed above was based on the latest status of the negotiation between the co-operation partners which is subject to change as the project and the negotiation progress in the future.

Operating lease commitments

The Group as lessor

Rental income earned in respect of investment properties was set out in Note 12. The investment properties held for rental purposes are expected to generate rental yields of 4% to 18.20% (2013: 3% to 21.84%) on an ongoing basis. The tenancy periods are for a term of one to ten years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2014 RMB million	31/12/2013 RMB million
Within one year	**350**	155
In the second to fifth year inclusive	**765**	395
After five years	**696**	257
	1,811	807

45. Commitments (continued)

Operating lease commitments (continued)

The Group as lessee

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2014 RMB million	31/12/2013 RMB million
Within one year	**270**	262
In the second to fifth year inclusive	**148**	149
After five years	**68**	34
	486	445

46. Related Party Transactions

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("**government-related entities**"). In addition, the Group itself is part of a larger group of companies under CRECG (CRECG and its subsidiaries are referred to as the "**CRECG Group**") which is controlled by the PRC government.

During the year, the Group conducts business with government-related entities, including the provision of infrastructure construction services to and purchases from government-related entities, deposits with and borrowings from banks which are government-related entities. The Directors consider that the transactions with these government-related entities are within normal business operations and are carried out on market terms. The Group has also developed service and product pricing policies and these policies do not depend on whether or not the customers are government-related entities.

The following is a summary of significant related party transactions between the Group and its related parties (other than transactions with government-related entities which are not individually or collectively significant) during the year and balances arising from related party transactions at the end of the reporting period.

46. Related Party Transactions (continued)

Significant related party transactions

The Group had the following significant transactions with related parties:

	2014 RMB million	2013 RMB million
Transactions with the CRECG Group		
Revenue from construction contracts	17	–
Service expenses paid	39	49
Rental expense	38	30
Interest expenses	92	26
Transactions with joint ventures		
Revenue from construction contracts	17	58
Revenue from sales of goods	42	19
Interest income	12	1
Interest expense	4	–
Purchases	1,251	325
Revenue from rendering of services	1	1
Progress billing on behalf of customers	2,414	–
Rental income	–	1
Transactions with associates		
Revenue from construction contracts	1,056	242
Revenue from sales of goods	869	163
Interest income	49	22
Progress billing on behalf of customers	5,634	3,535
Rental income	5	2
Revenue from rendering of services	–	213
Purchases	193	22
Service expense paid	8	2
Transactions with other government-related enterprises		
Revenue from construction contracts	309,404	309,053
Revenue from design and other services	9,057	8,269
Revenue from sales of goods	23,226	25,474
Purchases	100,775	100,189
Interest income on bank balances	778	742
Interest expenses on bank borrowings	5,264	5,123

46. Related Party Transactions (continued)

Balances with related parties

	31/12/2014 RMB million	31/12/2013 RMB million
Balances with the CRECG Group		
Trade receivables	4	–
Advance to supplier	74	–
Trade payables	8	10
Other payables	135	95
Borrowings – current	4,242	1,253
Balances with joint ventures		
Trade receivables	1,126	32
Other receivables	912	106
Advance to suppliers	31	12
Amounts due from customers for contract work	360	–
Trade payables	182	40
Other payables	382	20
Advance from customers	1,105	125
Loans receivables	1,227	–
Dividend receivables	–	69
Balances with associates		
Trade receivables	2,615	2,405
Other receivables	1,394	582
Advance to suppliers	3	100
Trade payables	7	14
Other payables	139	79
Advance from customers	831	646
Borrowings – current	451	–
Loans receivable	1,706	2,008
Dividends receivable	39	37
Balances with other government-related enterprises		
Trade receivables	89,359	85,385
Other receivables	28,227	24,189
Bank balances	36,908	41,247
Trade payables	46,678	43,233
Other payables	45,141	47,892
Bank borrowings	84,934	86,134
Debentures and other borrowings	42,500	49,541

In addition, the Group provided guarantees to banks in respect of banking facilities utilised by four associates, a joint venture, an investee of the Group, a former subsidiary and a government-related enterprise, the maximum exposure of which are disclosed in Note 44.

46. Related Party Transactions (continued)

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries, allowances and other benefits-in-kind	**4,060**	4,719
Contributions to pension plans	**418**	440
Discretionary bonus	**6,379**	9,389
	10,857	14,548

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committee having regard to the performance of the respective individuals and the market trends.

Guarantees and security

At the end of the reporting period, details of amount of borrowings of the Group guaranteed by a related party were as follows:

	31/12/2014 RMB million	31/12/2013 RMB million
CRECG	**12,000**	12,000

47. Subsidiaries

General information of subsidiaries

As at 31 December 2014 and 2013, the Company had the following principal subsidiaries:

Name of subsidiary	Country/place of establishment and operation	Issued and paid in capital '000	Class of capital	Proportion of interest and voting power held by the Group 2014 %	2013 %	Principal activities
中國海外工程有限責任公司 China Overseas Engineering Group Co., Ltd.	PRC	RMB978,537	Registered	**100**	100	Infrastructure construction
中鐵一局集團有限公司 China Railway No.1 Engineering Group Co., Ltd.	PRC	RMB2,790,164	Registered	**100**	100	Infrastructure construction

47. Subsidiaries (continued)

General information of subsidiaries (continued)

Name of subsidiary	Country/place of establishment and operation	Issued and paid in capital '000	Class of capital	Proportion of interest and voting power held by the Group 2014 %	2013 %	Principal activities
中鐵二局集團有限公司 China Railway No.2 Engineering Group Co., Ltd.	PRC	RMB1,663,820	Registered	**100**	100	Infrastructure construction
中鐵三局集團有限公司 China Railway No.3 Engineering Group Co., Ltd.	PRC	RMB2,347,980	Registered	**100**	100	Infrastructure construction
中鐵四局集團有限公司 China Railway No.4 Engineering Group Co., Ltd.	PRC	RMB2,202,950	Registered	**100**	100	Infrastructure construction
中鐵五局(集團)有限公司 China Railway No.5 Engineering (Group) Co., Ltd.	PRC	RMB1,731,587	Registered	**100**	100	Infrastructure construction
中鐵六局集團有限公司 China Railway No.6 Engineering Group Co., Ltd.	PRC	RMB1,706,806	Registered	**100**	100	Infrastructure construction
中鐵七局集團有限公司 China Railway No.7 Engineering Group Co., Ltd.	PRC	RMB1,727,122	Registered	**100**	100	Infrastructure construction
中鐵十局集團有限公司 China Railway No.10 Engineering Group Co., Ltd.	PRC	RMB1,333,943	Registered	**100**	100	Infrastructure construction
中鐵大橋局集團有限公司 China Railway Major Bridge Engineering Group Co., Ltd.	PRC	RMB2,149,503	Registered	**100**	100	Infrastructure construction
中鐵電氣化局集團有限公司 China Railway Electrification Engineering Group Co., Ltd.	PRC	RMB2,008,223	Registered	**100**	100	Infrastructure construction
中鐵建工集團有限公司 China Railway Construction Group Co., Ltd.	PRC	RMB2,385,003	Registered	**100**	100	Infrastructure construction

47. Subsidiaries (continued)

General information of subsidiaries (continued)

Name of subsidiary	Country/place of establishment and operation	Issued and paid in capital '000	Class of capital	Proportion of interest and voting power held by the Group 2014 %	2013 %	Principal activities
中鐵隧道集團有限公司 China Railway Tunnel Group Co., Ltd.	PRC	RMB2,279,415	Registered	**100**	100	Infrastructure construction
中鐵國際集團有限公司 China Railway International Group Co., Ltd.	PRC	RMB1,000,000	Registered	**100**	100	Infrastructure construction
中鐵二院工程集團有限責任公司 China Railway Eryuan Engineering Group Co. Ltd.	PRC	RMB1,195,038	Registered	**100**	100	Survey and design
中鐵山橋集團有限公司 China Railway Shanhaiguan Bridge Group Co., Ltd.	PRC	RMB1,670,000	Registered	**100**	100	Bridge steel structure manufacturing
中鐵置業集團有限公司 China Railway Real Estate Group Co., Ltd.	PRC	RMB3,439,011	Registered	**100**	100	Property development
中鐵資源集團有限公司 China Railway Resources Group Co., Ltd.	PRC	RMB5,427,127	Registered	**100**	100	Mining
中鐵交通投資集團有限公司 China Railway Communications Investment Group Co., Ltd.	PRC	RMB6,000,000	Registered	**100**	100	Build-operate-transfer service concession arrangement
中鐵信托有限責任公司 China Railway Trust Co., Ltd.	PRC	RMB2,000,000	Registered	**93**	93	Financial trust management
中鐵財務有限責任公司 China Railway Finance Co., Ltd.	PRC	RMB1,500,000	Registered	**95** *(note)*	–	Comprehensive Financial service

Note: This subsidiary was newly set up by the Company during the current year.

All the above subsidiaries were established as limited liability companies in the PRC, which have similar characteristics of limited liability company incorporated under the Hong Kong Companies Ordinance.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

47. Subsidiaries (continued)

General information of subsidiaries (continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these subsidiaries operate in PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Country/Place of establishment and operation	Number of subsidiaries 31/12/2014	Number of subsidiaries 31/12/2013
Infrastructure construction	PRC	**12**	14
Survey, design and consulting services	PRC	**5**	5
Engineering equipment and component manufacturing	PRC	**3**	3
Property development	PRC	**1**	2
Other Businesses	PRC	**2**	4
		23	28

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Country/ place of establishment and operation	Proportion of interest and voting power held by non-controlling interests 2014 %	2013 %	Profit attributable to non-controlling interests 2014 million	2013 million	Accumulated non-controlling interests 2014 million	2013 million
中鐵二局股份有限公司 China Railway Erju Co., Ltd.	PRC	**48**	48	**216**	457	**3,742**	3,684
雲南富硯高速公路有限公司 Yunnan Fuyan Expressway Co., Ltd.	PRC	**10**	10	**(25)**	(25)	**1,341**	1,366
中鐵電化集團南京有限公司 China Railway Electrification Engineering Group Nanjing Co., Ltd.	PRC	**30**	30	**–**	–	**900**	780
廣西岑興高速公路發展有限公司 Guangxi Cenxing Expressway Development Co., Ltd.	PRC	**34**	15	**78**	26	**699**	836
						6,682	6,666

47. Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

China Railway Erju Co., Ltd.

	31/12/2014 RMB million	31/12/2013 RMB million
Current assets	**54,157**	46,233
Non-current assets	**4,824**	4,913
Current liabilities	**49,030**	42,207
Non-current liabilities	**3,069**	2,195
Equity attributable to owners of the Company	**6,082**	5,945
Non-controlling interests	**800**	800
Non-current financial liabilities (excluding trade and other payables and provisions)	**3,069**	2,195

47. Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

China Railway Erju Co., Ltd. (continued)

	2014 RMB million	2013 RMB million
Revenue	**69,806**	77,807
Expenses	**69,437**	77,132
Profit for the year	**369**	675
Profit attributable to owners of the Company	**283**	422
Profit attributable to non-controlling interests	**86**	253
Profit for the year	**369**	675
Other comprehensive income for the year	**–**	–
Total comprehensive income attributable to owners of the Company	**283**	422
Total comprehensive income attributable to non-controlling interests	**86**	253
Total comprehensive income for the year	**369**	675
Dividends paid to non-controlling interests	**158**	175
Net cash inflow from operating activities	**1,500**	135
Net cash outflow from investing activities	**(13)**	(134)
Net cash outflow from financing activities	**(326)**	(812)
Net cash inflow (outflow)	**1,161**	(811)

47. Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Yunnan Fuyan Expressway Co., Ltd.

	31/12/2014 RMB million	31/12/2013 RMB million
Current assets	**61**	39
Non-current assets	**7,425**	7,553
Current liabilities	**236**	170
Non-current liabilities	**5,930**	5,857
Equity attributable to owners of the Company	**1,320**	1,565
Non-controlling interests	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**4,602**	4,812

	2014 RMB million	2013 RMB million
Revenue	**321**	296
Expenses	**567**	550
Loss for the year	**(246)**	(254)
Loss attributable to owners of the Company	**(246)**	(254)
Loss attributable to non-controlling interests	**–**	–
Loss for the year	**(246)**	(254)
Other comprehensive expense for the year	**–**	–
Total comprehensive expense attributable to owners of the Company	**(246)**	(254)
Total comprehensive expense attributable to non-controlling interests	**–**	–
Total comprehensive expense for the year	**(246)**	(254)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**259**	255
Net cash outflow from investing activities	**(3)**	(8)
Net cash outflow from financing activities	**(250)**	(264)
Net cash inflow (outflow)	**6**	(17)

47. Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Guangxi Cenxing Expressway Development Co., Ltd.

	31/12/2014 RMB million	31/12/2013 RMB million
Current assets	**659**	534
Non-current assets	**4,487**	4,639
Current liabilities	**202**	203
Non-current liabilities	**2,887**	2,946
Equity attributable to owners of the Company	**2,057**	2,024
Non-controlling interests	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**2,887**	2,946

	2014 RMB million	2013 RMB million
Revenue	**635**	559
Expenses	**407**	385
Profit for the year	**228**	174
Profit attributable to owners of the Company	**228**	174
Profit attributable to non-controlling interests	**–**	–
Profit for the year	**228**	174
Other comprehensive income for the year	**–**	–
Total comprehensive income attributable to owners of the Company	**228**	174
Total comprehensive income attributable to non-controlling interests	**–**	–
Total comprehensive income for the year	**228**	174
Dividends paid to non-controlling interests	**29**	–
Net cash inflow from operating activities	**567**	498
Net cash outflow from investing activities	**(15)**	(30)
Net cash outflow from financing activities	**(412)**	(203)
Net cash inflow	**140**	265

47. Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

China Railway Electrification Engineering Group Nanjing Co., Ltd.

	31/12/2014 RMB million (unaudited)	31/12/2013 RMB million (unaudited)
Current assets	**782**	436
Non-current assets	**8,280**	4,730
Current liabilities	**161**	1,606
Non-current liabilities	**5,860**	960
Equity attributable to owners of the Company	**3,041**	2,600
Non-controlling interests	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**5,860**	960
Net cash outflow from operating activities	**(3,691)**	(3,289)
Net cash outflow from investing activities	**–**	(10)
Net cash inflow from financing activities	**4,180**	2,752
Net cash inflow (outflow)	**489**	(547)

47. Subsidiaries (continued)

Information of debt securities

As at 31 December 2014, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB Million	Maturity date
China Railway Group Limited	**1,000**	**27/01/2015**
	5,000	**27/01/2020**
	2,500	**19/10/2020**
	3,500	**19/10/2025**
	8,000	**23/03/2021**
	4,000	**17/10/2018**
	1,000	**24/09/2017**
China Railway No.2 Engineering Group Co., Ltd.	**1,500**	**23/11/2015**
	300	**17/02/2015**
	300	**25/03/2016**
	500	**07/11/2016**
China Railway No.6 Engineering Group Co., Ltd.	**500**	**13/05/2016**
China Railway No.8 Engineering Group Co., Ltd.	**500**	**25/03/2016**
	500	**09/06/2017**
China Railway Major Bridge Engineering Group Co., Ltd.	**800**	**17/05/2016**
China Railway Construction Group Co., Ltd.	**1,000**	**24/05/2016**
China Railway Resources Group Co., Ltd	**2,000**	**19/06/2018**
	3,060	**05/02/2023**
China Railway Communications Investment Group Co., Ltd	**250**	**05/06/2016**

As at 31 December 2013, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB Million	Maturity date
China Railway Group Limited	1,000	27/01/2015
	5,000	27/01/2020
	2,500	19/10/2020
	3,500	19/10/2025
	8,000	23/03/2021
	4,000	17/10/2018
	1,000	24/09/2017
China Railway No.2 Engineering Group Co., Ltd.	1,500	23/11/2015
	400	23/11/2014
	300	17/02/2015
	300	25/03/2016
	500	07/11/2016
China Railway No.6 Engineering Group Co., Ltd.	500	13/05/2016
China Railway No.8 Engineering Group Co., Ltd.	500	25/03/2016
China Railway Major Bridge Engineering Group Co., Ltd.	800	17/05/2016
China Railway Construction Group Co., Ltd.	1,000	24/05/2016
China Railway Resources Group Co., Ltd	2,000	19/06/2018
	3,143	05/02/2023

48. Events After the Reporting Period

Subsequent to 31 December 2014, the following significant events took place:

1) The final dividend of RMB0.078 per share in respect of the year ended 31 December 2014 amounting to approximately RMB1,661 million in aggregate has been approved at the meeting of board of directors held on 30 March 2015, which is subject to approval by the shareholders in general meeting.

2) The Company issued 2015 first tranche of medium term notes on 21 January 2015, with a total principal amount of RMB4 billion. The medium term notes will have a perpetual term until redeemed by the Company in accordance with the terms of issuance, and will mature at the redemption. The coupon rate for the first five interest-bearing years is 5.65% per annum.

49. Information About the Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2014 **RMB million**	2013 RMB million
Bank balances and cash	**16,489**	7,896
Amount due from subsidiaries – current	**35,773**	25,540
Other current assets	**8,186**	6,163
Unlisted investments in subsidiaries	**79,513**	69,823
Amount due from subsidiaries – non-current	**14,489**	11,730
Other non-current assets	**4,673**	4,624
Total assets	**159,123**	125,776
Total liabilities	**74,374**	50,165
Share capital *(see Note 33)*	**21,300**	21,300
Perpetual notes *(see Note 34)*	**3,080**	–
Share premium and reserves	**60,369**	54,311
Total equity	**84,749**	75,611

49. Information About the Statement of Financial Position of the Company (continued)

Movement in reserves

	Share premium RMB million	Capital reserve RMB million	Statutory reserve RMB million	Retained profits RMB million	Total RMB million
At 1 January 2013	33,647	7,735	1,588	8,372	51,342
Profit for the year	–	–	–	4,075	4,075
Other comprehensive income for the year	–	4	–	–	4
Total comprehensive income for the year	–	4	–	4,075	4,079
Disposal of partial interest in a subsidiary and transfer to an investment in an associate	–	–	–	(2)	(2)
Transfer to reserves	–	–	409	(409)	–
Dividend recognised as distribution	–	–	–	(1,108)	(1,108)
At 31 December 2013	**33,647**	**7,739**	**1,997**	**10,928**	**54,311**
Profit for the year	**–**	**–**	**–**	**7,464**	**7,464**
Total comprehensive income for the year	**–**	**–**	**–**	**7,464**	**7,464**
Transfer to reserves	**–**	**–**	**748**	**(748)**	**–**
Dividend recognised as distribution *(Note 14)*	**–**	**–**	**–**	**(1,406)**	**(1,406)**
At 31 December 2014	**33,647**	**7,739**	**2,745**	**16,238**	**60,369**

SIGNIFICANT EVENTS

I. Material Litigation, Arbitration and Matters Generally Concerned by Media

1. Litigation, arbitration and matters generally concerned by media which were disclosed in announcement without subsequent progress

Not applicable

2. Litigation, arbitrations which were not disclosed in announcement and might have subsequent progress

Outline and category	Query Link
Poland A2 Highway construction disputes: The consortium comprising China Overseas Engineering Group Co., Ltd. (subsidiary of the Company), China Railway Tunnel Group Co., Ltd. and two third-party companies terminated the contact and had dispute with PGDNRM, the project owner, in respect of the bid won for sections A and C of Poland A2 Highway.	Interim Report of 2011 and subsequent regular reports of China Railway Group Limited is available at Shanghai Stock Exchange http://www.sse.com.cn.

During the reporting period, the above litigation progressed as follows:

The Consortium has commenced to settle the above case through the negotiation with PGDNRM by taking relevant authority as mediator. The involved subsidiary of the Company has withdrawn the protective measures for the performance bond while the bank that issued the performance bond has paid the performance bond of Polish Zloty116 million (equivalent to approximately RMB209 million) to PGDNRM at the beginning of 2015. On 25 February 2015, the Poland Warsaw District Court decided to suspend the lawsuit procedure due to the amicable motion of all parties.

3. Matters generally concerned by media which were not disclosed in announcement and might have subsequent progress

Not applicable

II. Defalcation and Debt Repayment during the Reporting Period

Not applicable

III. Events regarding Bankruptcy and Restructuring

Not applicable

IV. Asset Transactions and Mergers

Not applicable

V. Implementation of Share Incentive Scheme of the Company and its Effects

Not applicable

VI. Significant Related Party Transactions

1. Related party transactions in ordinary course of business

(1) Matters which were disclosed in a provisional announcement without subsequent progress or changes

Not applicable

(2) Matters which were disclosed in a provisional announcement with subsequent progress or changes

Unit: Thousand Currency: RMB

Related party	Related relationship	Type of related transaction	Particulars of the related transaction	Pricing method of related transaction	Price of related transaction	Amount of related transaction	Percentage of transaction value to the same type of transactions
China Railway Hongda Asset Management Center	Wholly owned subsidiary of parent company	Receipt of services	Lease office premises etc	Contract price	38,046	38,046	Less than 1%
China Railway Hongda Asset Management Center	Wholly owned subsidiary of parent company	Receipt of services	Receipt of comprehensive services	Contract price	38,898	38,898	Less than 1%
Total					76,944	76,944	
Description of related party transactions:				The above two transactions were resulted from the implementation of the comprehensive services agreement and premises leasing agreement entered into by the Company and CRECG on 28 March 2013. The terms of both agreements are three years. The total transaction amount involved was within the authority of the Board and was approved in the 19th meeting of the second session of the Board, which complied with the relevant requirements of "The Rules Governing the Listing of Stock on Shanghai Stock Exchange". Meanwhile, the premises leasing agreement was exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval as the annual caps of this transaction was within the de minimis exemption under the Hong Kong Listing Rules. The comprehensive service agreement was exempted from the independent shareholders' approval requirement under the Hong Kong Listing Rules.			

(3) Matters were not disclosed in provisional announcement

Not applicable

VI. Significant Related Party Transactions (continued)

2. Related party transactions in relation to acquisition and disposal of asset

During the reporting period, the Company did not have any related party transactions in relation to acquisition and disposal of asset.

3. Significant related party transactions in relation to joint external investment

During the reporting period, there was no significant related party transactions in relation to joint external investment by the Company.

4. Amounts due from/to related parties

Not applicable

5. Other related party transactions

(1) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
China Railway Group Limited *(Note 1)*	Lince Railway Co., Ltd.	783,000	June 2008	June 2025	No
CRECG *(Note 2)*	China Railway Group Limited	5,000,000	January 2010	January 2020	No
CRECG *(Note 2)*	China Railway Group Limited	3,500,000	October 2010	October 2025	No
CRECG *(Note 2)*	China Railway Group Limited	2,500,000	October 2010	October 2020	No
CRECG *(Note 2)*	China Railway Group Limited	1,000,000	January 2010	January 2015	No

Note 1: *At the 2007 annual general meeting of the Company held on 25 June 2008, the proposal of "Provision of a Guarantee with Respect to the Loans for Lince Railway Co., Ltd. and China Railway Engineering Sunite Railway Co., Ltd." was considered and approved, thereby it was agreed that a guarantee should be provided with respect to the bank loan for Lince Railway Co., Ltd. in the amount of RMB820.7 million for a guarantee period of 17 years. In June 2008, the Company and Huhhot Xincheng Dongjie Sub-branch of the Industrial and Commercial Bank of China Limited entered into a Guarantee Contract agreeing that a guarantee in the total amount of RMB783 million (resulted from the total loan amount of RMB2.7 billion multiplied by the shareholding percentage of 29%) with a joint and several liability and a guarantee period commencing on 30 June 2008 and ending on 20 June 2025 should be provided to Lince Railway Co., Ltd..*

Note 2: *These are 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. As at 31 December 2014, the remaining payable amount of above-mentioned corporate bonds was RMB11,958.037 million (31 December 2013: RMB11,951.506 million).*

VI. Significant Related Party Transactions (continued)

5. Other related party transactions (continued)

(2) Fund borrowing from/to related parties

Unit: Thousand Currency: RMB

Related party	Borrowings made in the current period	Commencement date	Due date	Interest rate (%)	Balance at period end
Borrowed from					
CRECG *(Note)*	1,258,190	December 2014	December 2015	5.00	1,258,190
CRECG *(Note)*	700,000	March 2014	December 2014	4.20	–

Note: The resolution of "China Railway Group Limited's application for entrusted loan in the amount not exceeding RMB2 billion from China Railway Engineering Corporation" was resolved in the 16th meeting of the second session of the Board of Directors, and was exempted from disclosure by the Shanghai Stock Exchange. Based on the operational needs, the Company applied to CRECG for entrusted loan amounted to RMB626.16 million and RMB626.93 million for the year 2012 and 2013 respectively. During the reporting period, the Company applied again to CRECG for entrusted loan amounted to RMB5.10 million and RMB700.00 million respectively based on its operational needs, and renewed the entrust loan applied in 2012 and 2013.

(3) Related party transactions in relation to financial services

Unit: Thousand Currency: RMB

Item	Related party	31 December 2014	31 December 2013
Deposits taking *(Note)*	CRECG	2,983,369	–

Note: In order to increase the utilisation efficiency of funds, reduce settlement fees, lower interest expenses and obtain funding support, the "Resolution in relation to the Financial Services Framework Agreement between China Railway Finance Co., Ltd. and China Railway Engineering Corporation" was considered and passed at the 27th meeting of the second session of the Board convened by the Company on 29 April 2014, in which it is approved that China Railway Finance Co., Ltd., the subsidiary of the Company will sign the "Financial Services Framework Agreement" (the agreement will expire on 31 December 2015) with China Railway Engineering Corporation, the controlling shareholder of the Company, and provide deposit, loan and other financial services to China Railway Engineering Corporation pursuant to the agreement. For details of the Financial Services Framework Agreement, please see the relevant announcements of Company dated 30 April 2014 and disclosed at the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange.

During the reporting period, the maximum daily amount of deposits (including interest accrued) provided by China Railway Finance Co., Ltd. to China Railway Engineering Corporation did not exceed the maximum amount stipulated in the Financial Services Framework Agreement. Such deposit services are exempted from all reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

(4) Other related party transactions

Unit: Thousand Currency: RMB

Item	Related party	From January to December 2014	From January to December 2013
Interest expenses	CRECG	92,327	26,226

Note: The interest expenses arise from the interest payable by the Company to CRECG for the entrust loan and the interest payable by its subsidiary China Railway Finance Co., Ltd. to CRECG for the taking of deposits.

VII. Material Contracts and Their Performance

1. Trusteeship, contracting and leasing

Not applicable.

2. Guarantees

Unit: Thousand Currency: RMB

Guarantee provided by the Company (excluding those to subsidiaries)

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter guarantee available	Guarantee provided to related parties	Related party relationship
China Railway Group Limited	The same entity	Lince Railway Co., Ltd	783,000	2008/6/30	2008/6/30	2025/6/20	Suretyship of joint and several liability	No	No	0	No	Yes	Other
China Railway Group Limited	The same entity	Inner Mongolia Sunite Railway Co., Ltd	370,000	2008/11/24	2008/11/24	2020/11/30	Suretyship of joint and several liability	No	No	0	No	No	
China Railway No. 2 Engineering Group Co. Ltd.	Wholly owned subsidiary	China Railway Bohai Train Ferry Co., Ltd	11,930	2004/12/24	2004/12/24	2016/12/23	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Electrification Engineering Group Co., Ltd.	Wholly owned subsidiary	Nanjing China Railway Electrification Investment Management Co., Ltd.	649,500	2012/9/30	2012/9/30	2023/12/11	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Tunnel Group Co., Ltd.	Wholly owned subsidiary	China Shanghai Foreign Trade Co., Ltd.ng Co., Ltd.	53,847.2	2011/12/29	2011/12/29	2015/12/28	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly owned subsidiary	Wuhan Mobei Road & Bridge Co., Ltd.	502,500	2014/9/23	2014/9/23	2017/12/28	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly owned subsidiary	Wuhan Yingwuzhou Bridge Co., Ltd	1,285,000	2013/2/8	2013/2/8	2019/1/13	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly owned subsidiary	Yichang Miaozui River Bridge Construction Engineering Co., Ltd.	230,000	2013/12/20	2013/12/20	2018/12/19	Suretyship of joint and several liability	No	No	0	No	No	

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	1,605,000
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	3,885,777.2
Guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	11,246,219.5
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	32,766,020.2
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	36,651,797.4
Percentage of aggregate guarantee to net assets of the Company (%)	33.61
Representing:	
Amount of guarantee provided for shareholders, ultimate controller and their related parties (C)	
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)	29,921,598.7
Excess amount of aggregate guarantee over 50% of net assets (E)	
Aggregate amount of the above three categories (C+D+E)	29,921,598.7
Statement on the contingent joint and several liability in connection with unexpired guarantee	–
Statement on guarantee	As at 31 December 2014, the Group's aggregate guarantee in relation to real estate mortgage was RMB16,680.113 million.

VII. Material Contracts and Their Performance (continued)

3. Other material contracts

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

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract Sum (RMB'0,000)	Construction period
Railway						
1	China Railway Major Bridge Engineering	Fujian Fuping Railway Co., Ltd.	New Fuzhou-Pingtan railway pre-construction stage FPZQ-3 Section	2013-10	879,909	2,007 calendar days
2	China Railway No. 1 Engineering	Zhengxi Passengers Railway Co., Ltd.	New Zhengzhou-Xuzhou passenger railway line ZXZQ-6 Section	2013-01	367,356	48 months
3	China Railway Electrification Engineering	Jinyulu Railway Passage Co., Ltd.	System integration of new railway channel of Central-south of Shanxi (including Linxian North to Mengmen section of Luliang to Linxian (Mengmen) railway) and related engineering ZNZH-1 Section	2013-09	344,892	396 calendar days
Highway						
1	China Railway Major Bridge Engineering	Hong Kong-Zhuhai-Macao Bridge Authority	Section CB05 of the Main Project, Bridge Engineering, Civil Engineering and Construction of Composite Beams of Hong Kong-Zhuhai-Macao Bridge	2012-06	373,885	36 months
2	China Railway No. 10 Engineering	Guangdong Chaohui Highway Co., Ltd.	Chaozhou, Guangdong Province to Huizhou Expressway project Mark TJ1	2013-07	182,600	39 months
3	China Railway No. 5 Engineering	Qinghai Shixia to Jiuzhi Highway Construction Headquarter	Section DJ16 and HD6 of Huashixia to Jiuzhi section (Province border) of Chengdu to Xiangride Highway, Qinghai province	2013-07	109,458	24 months
Municipal Works						
1	China Railway	Shenzhen Metro Group Co., Ltd.	BT Project of Shenzhen City Railway Line 11	2012-06	2,555,000	48 months
2	China Railway No. 4 Engineering	Guangdong Pearl River Delta Rail Transport Co., Ltd.	Pre-construction of Guangzhou north to Qingyuan section of Guangzhou-Qingyuan intercity railway	2013-09	275,746	38 months
3	China Railway Major Bridge Engineering	Wuhan Construction and Investment Development Group Co., Ltd.	Construction of Yangtze River Bridge of Wuhan Yingwuzhou	2011-04	247,500	44 months

VII. Material Contracts and Their Performance (continued)

3. Other material contracts (continued)

(1) Material contracts executed before the reporting period but remained effective during the reporting period: (continued)

(ii) Survey and design business

No.	Signatory	Owner	Name of contract	Date of contract	Contract Sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Ethiopian Railway Corporation	Turnkey Contract of Sebeta-Adama-Mieso EPC for Addis AbabaDjibouti Railway Project (Sections 1 and 2)	2011-10	208,153	48 months
2	China Railway Eryuan Engineering	Bangladesh Railway Administration	Construction of the second railway line project of Dongji-Paibuluobazhaer Bengal, including the main track signal project EPC Contract of Dhaka-Chittagong	2011-07	130,597	36 months
3	China Railway Eryuan Engineering	Yunnan-Guizhou Railway Yunnan Co., Ltd.	The new Yungui Railway (Yunnan section) Project Survey and Design Contract	2011-05	81,000	72 months

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract Sum (RMB'0,000)	Construction period
Steel Structure						
1	China Railway Shanhaiguan Bridge	Hong Kong-Zhuhai-Macao Bridge Authority	Purchasing and Manufacturing Contract CB01 of steel box girder for the Bridge Project of Main Project of Hong Kong-ZhuhaiMacao Bridge	2012-04	283,912	36 months
2	China Railway Shanhaiguan Bridge	Highway Bureau of Liaoning Province Communications Department	China-Korea Yalu River Border Highway Bridge	2011-12	36,340	31 months
3	China Railway Science and Technology	Guizhou Expressway Co., Ltd.	Production Contract of Beipanjiang Steel Truss Bridge of Bijie to Duge highway of Guizhou Province	2013-09	31,175	28 months
Turnout						
1	China Railway Turnout & Bridge	Lanzhou-Xinjiang Railway Co., Ltd.	Lanzhou-Xinjiang Railway 2nd double line (Gan Qing section) turnout purchase contract	2012-11	38,964	36 months
2	China Railway Shanhaiguan Bridge	Chengyu Passenger Railway Line Co., Ltd	New Chengdu-Chongqing Railway Passenger Line Project	2013-06	27,891	16 months
3	China Railway Shanhaiguan Bridge	Jinyulu Railway Passage Co., Ltd.	New railway channel of Central-south of Shanxi Project (Wa Tang – Tang Yin East section)	2013-11	18,642	9 months
Construction Machinery						
1	China Railway Engineering Equipment	China State Civil Engineering Construction Co., Ltd.	Shield procurement contracts	2013-06	8,670	8 months
2	China Railway Engineering Equipment	Taiwan New Taipei Qiang Quan Co., Ltd.	Manufacturing Contract of Steel Fiber	2012-03	5,800	36 months
3	China Railway Science and Technology	Sichuan Yibin Harbour Co., Ltd.	Manufacturing contract of portal crane	2013-06	4,181	8 months

VII. Material Contracts and Their Performance (continued)

3. Other material contracts (continued)

(1) Material contracts executed before the reporting period but remained effective during the reporting period: (continued)

(iv) Property development business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	Guiyang China Railway • Yidu International	Guiyang, Guizhou	Residential	230.6
2	Bairuijing Central Living Area	Wuhan, Hubei	Residential	105.5
3	Nobel Mingdu	Jinan, Shandong	Residential	89.34
4	China Railway • Huaxu Meibang	Qingdao, Shandong	Residential	53.45
5	Dalian Nobel Binhai Garden	Dalian, Liaoning	Residential	52.09

(v) Other businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract Sum (RMB'0,000)	Construction period	Operation (Repurchase) term
BOT							
1	China Railway No. 2 Engineering	Yulin Bureau of communications	BOT Project of Yulin (Shaanxi)-Shenmu Expressway	2007-10	517,000	36 months	30 years
2	China Railway	Guangxi Department of communications	BOT Project of Guangxi Cenxi-Xingye Expressway	2005-08	516,361	36 months	28 years
3	China Railway	Yunan Department of communications	BOT Project of Yunan Funing-Guangnan, Guangnan-Yanshan Expressway	2005-12	644,000	36 months	27 years

VII. Material Contracts and Their Performance (continued)

3. Other material contracts (continued)

(2) Material contracts signed during the reporting period:

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract Sum (RMB'0,000)	Construction period
Railway						
1	China Railway Major Bridge Engineering	The China Railway Corporation	New Hutong Railway Hutong Yangtze River Bridge HTQ-2 Section	2014-02	751,789	1,645 calendar days
2	China Railway No. 5 Engineering	Jingshen Passenger Railway Line Liaoning Co., Ltd.	New Beijing – Shenyang Passenger Railway Line (Liaoning Section) construction JSLNTJ-6 Section	2014-06	277,955	1,708 calendar days
3	China Railway No. 6 Engineering	Huzhang Passenger Railway Line Co.,Ltd.	New Zhangjiakou – Hohhot railway construction ZHZQ-7 Section	2014-04	266,056	1,465 calendar days
Highway						
1	China Railway Major Bridge Engineering	Bangladesh Ministry of Transportation Bridge Authority	Main Bridge of Bangladesh Padma Multi-functional Bridge Project	2014-06	967,490	3.5 years
2	China Railway	Jingxin Highway Linhe-Baigeda Section (in Alxa League) Construction Management Office	Jingxin Highway Linhe-Baigeda (in Alxa League) LBAMSG-2 Section	2014-12	869,121	30 months
3	China Railway No. 1 Engineering	Yunnan Fulong Highway Construction Headquarter	Yunnan Province Funing-Diangui Boundary (Longliu) Highway 1 Section	2014-01	107,878	30 months
Municipal Works						
1	China Railway Harbor Bureau	Hainan Ruyi Island Resort Investment Co., Ltd.	EPC Construction Contract for Land Reclamation (West Section) of Haikou Ruyi Island Project	2014-05	240,921	548 calendar days
2	China Railway No. 4 Engineering	Guizhou Southeast High Investment Properties Limited	Kaili Future City Phase II Plots No. 10-13 Building Construction Project	2014-12	188,000	5 years
3	China Railway Electrification Engineering	Beijing Urban Rapid Rail Construction Management Ltd.	Construction Contract for Engineering and Electrical Systems of Beijing Subway Line 16 Project	2014-05	162,908	12 months

VII. Material Contracts and Their Performance (continued)

3. Other material contracts (continued)

(2) Material contracts signed during the reporting period: (continued)

(ii) Survey and design business

No.	Signatory	Owner	Name of contract	Date of contract	Contract Sum (RMB'0,000)	Construction period
1	China Railway Major Bridge Engineering	The China Railway Corporation	New Hutong Railway Hutong Yangtze River Bridge Project	2014-02	40,600	4 years
2	China Railway Major Bridge Engineering	Fujian Fuping Railway Co., Ltd.	New Fuzhou-Pingtan railway Pingtan Cross-Strait Highway-Railway Bridge Project	2014-01	29,940	2014 to expiry of engineering warranty period
3	China Railway Consultancy	Mengxi Huazhong Railway Company	West Inner Mongolia-Central China Coal Transportation Railway Channel	2014-12	23,963	Until all obligations under the contract are performed

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract Sum (RMB'0,000)	Construction period
Steel Structure						
1	China Railway Science and Technology Engineering	Ningbo Meishan Island Development Investment Co,. Ltd.	Construction Contract of Meishan Chunxiao Bridge Steel Structure	2014-06	34,302	24 months
2	China Railway Turnout & Bridge	Xiamen Engineering Heavy Industries Steel Structure Co., Ltd.	Steel Box Girder Installation and Manufacturing Contract for Xianyue Road and Chenggong Avenue Interchange Reconstruction and Development Project	2014-04	14,270.9	9 months
Turnout						
1	China Railway Shanhaiguan Bridge	Daxi Passenger Railway Line Co., Ltd.	Daxi Railway Passenger Line Project	2014-01	35,855.6	5 months
2	China Railway Shanhaiguan Bridge	Hukun Passenger Railway Line Zhejiang Co., Ltd./Guizhou Co., Ltd.	Hukun Railway Passenger Line Project	2014-01	20,803.3	3 months
Construction Machinery						
1	China Railway Engineering Equipment	CCCC Tunnel Engineering Co., Ltd.	Shield Purchase Contract	2014-06	8,270	7 months
2	China Railway Shanhaiguan Bridge	Mozambique Ports and Railways (CFM)	Mozambique Vehicle Maintenance Contract	2014-04	US$5.776 million	15 months

(iv) Property development business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	Century Golden Bridge	Wuhan, Hubei	Residential, Office	55.4
2	Jinghe Garden	Hengshui, Hebei	Residential	51
3	Mentougou Dongxincheng Land	Beijing	Residential	19.4

VII. Material Contracts and Their Performance (continued)

4. Particulars of material properties

(i) Property held for investment

Building name	Location	Use	Tenure	Interest of the Company and subsidiaries
Tanmulin Hotel	No. 2, Xinhua Neighbourhood, Dongxing Temple Road, Ziliujing District, Zigong City, Sichuan	Hotel	Medium term	100%
Huaxi Changan Center Building A1, Floor 1-2	No. 69 Fuxing Road, Haidian District, Beijing	Commercial	Medium term	100%
Gongti Building 3/F Section 2	Restaurant No. 3, 3/F Section 2, Workers Stadium Building, Chaoyang District, Beijing	Commercial	Medium term	100%
Huilong Bay Yichulianghua Mall	No. 1 Shawan Road, Jinniu District, Chengdu, Sichuan	Commercial	Medium term	100%
Beijing Chaowai Research Building and Ancillary Space	No. 227, Chaowai Road, Chaoyang District, Beijing	Commercial	Medium term	100%
Tianyu Shopping Center	No. 17 North Part of Yanta Road, Xi'an City	Commercial	Medium term	100%
Celebrity Resort Huashuiwan	Huashuiwan Town, Dayi County, Chengdu, Sichuan	Hotel	Medium term	100%
15-17/F, Jingxin Building	A2 Dongsanhuanbei Road, Chaoyang District, Beijing	Commercial	Medium term	100%
China Railway Consultation Mansion	No. 15 Guangan Road, Fengtai District, Beijing	Commercial	Medium term	100%

(ii) Property held for development and/or for selling

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
China Railway International Eco City Phase I	Gujiao Town, Longli County, Guizhou	Comprehensive	8,000,000	6,150,000	Under construction	2019	100%
China Railway International Eco City Phase II	Gujiao Town, Longli County, Guizhou	Comprehensive	3,000,000	5,260,000	Under construction	2022	100%
Guiyang China Railway • Yidu International	No. 1 North Part Jinyang Avenue, Jinyang District, Guiyang	Commercial, Residential	1,060,000	2,306,000	Under construction	2018	80%
Bairuijing Central Living Area	No. 586, Wuluo Road, Wuchang District, Wuhan city, Hubei Province	Residential	528,000	1,060,000	Under construction	2015	67%
China Railway Nord Center Phase III	Zhongguancun Science Park, Sihezhuang, Huaxiang, Fengtai District, Beijing	Commercial, financial	55,400	166,400	Under construction	2016	100%

VIII. Performance Status of Undertakings

1. Undertakings by the Company or shareholders holding more than 5% of the shares of the Company, controlling shareholders and ultimate controller given or subsisting in the reporting period or continuing during the reporting period

Undertaking	Details of undertaking	Performance status
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 assist in the engagement or participation in any business that competes, or is 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 core 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 pre-emptive 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 the use of 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.

2. Profit forecast has been made in respect of the assets or projects of the Company and such profit forecast applies to the reporting period. The Company's statement of whether its assets or projects meet the original profit forecast and the reason therefor.

Not applicable

IX. Appointment and Removal of Auditors

Unit: ten thousand   Currency: RMB

	Former appointment	Current appointment
Name of domestic auditors	Deloitte Touche Tohmatsu CPA LLP	Deloitte Touche Tohmatsu CPA LLP
Remuneration of domestic auditors	4,050	4,050
Term of domestic auditors	7 years	8 years
Name of international auditors	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
Remuneration of international auditors	250	250
Term of international auditors	7 years	8 years
	Name	**Remuneration**
Auditor for internal control audit	Deloitte Touche Tohmatsu CPA LLP	251

X. Penalty and Rectification Order against the Listed Company and its Directors, Supervisors, Senior Management, Shareholders Holding more than 5% of the Shares of the Company, Ultimate Controller and Acquirer

Not applicable

XI. Risks of Suspension of Listing and Delisting

1. Reasons for suspension and delisting and the measures taken by the Company to end the suspension or delisting

Not applicable

2. Detailed arrangement and plan of investor relations management work after delisting

Not applicable

XII. Convertible Corporate Bonds

Not applicable

XIII. Impacts of the Application of New Accounting Standards on Consolidated Financial Statements

In 2014, the Ministry of Finance successively formulated seven accounting standards including the Accounting Standard for Business Enterprises No. 9 – Employee Compensation, which the domestic enterprises are required to adopt from 1 July 2014, and encouraged overseas listed companies to adopt in advance. Given the fact that the Company was listed in both domestic and overseas markets, pursuant to the Rule No. 1 of Interpretation No. 2 of the Accounting Standard for Business Enterprises and the approval of the board of directors of the Company, standards including the Accounting Standard for Business Enterprises No. 9 – Employee Compensation, the Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements, the Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements, the Accounting Standard for Business Enterprises No. 39 – Fair Value Measurement, the Accounting Standard for Business Enterprises No. 40 – Joint Venture Arrangements, the Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments and the Accounting Standard for Business Enterprises No. 41 – Disclosure of Interests in Other Entities had been adopted in the Company's 2013 Annual Report and 2014 Interim Report in advance. In the 2014 Annual Report, Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments was adopted.

1. Impacts of the change of the Long-term Equity Investments Standard on consolidated financial statements – part 1

Unit:'000 Currency: RMB

Investees	Basic information of the transaction	As at 1 January 2013 Equity attributable to shareholders of the parent company as at 1 January 2013 (+/–)	As at 31 December 2013 Long-term equity investments (+/–)	As at 31 December 2013 Financial assets available for sale (+/–)	As at 31 December 2013 Equity attributable to shareholders of the parent company (+/–)
Taizhongyin Railway Co., Ltd.		–	-2,000,000	2,000,000	–
Beijing Dongzhimen Airport Express Co., Ltd.		–	–185,000	185,000	–
China Railway Bohai Train Ferry Co., Ltd		–	–180,000	180,000	–
Other		–	–882,074	882,074	–
Total		–	–3,247,074	3,247,074	–

Notes to "Impacts of the change of the Long-term Equity Investments Standard on consolidated financial statements – part 1":

Before 1 January 2014, the Company recorded equity instrument investments over which the Company had no control, joint control or material influence on the investees, and which had no quoted price in active markets, and the fair value of which cannot be reliably measured, in long-term equity investments.

XIII. Impacts of the Application of New Accounting Standards on Consolidated Financial Statements (continued)

1. Impacts of the change of the Long-term Equity Investments Standard on consolidated financial statements – part 1 (continued)

Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments, issued in March 2014, reduces the scope of the standard and excludes the above equity instrument investments from its scope of application. In the meantime, the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments applied to other equity investments that are not mentioned in Accounting Standard for Business Enterprises No. 2.

The Company adopted retrospective adjustment for the above changes in accounting policies.

2. Impacts of the change of the Long-term Equity Investments Standard on consolidated financial statements – part 2

Not applicable

3. Impacts of the change of the Employee Compensation Standard

Not applicable

4. Impacts after the change of scope of consolidation

Not applicable

5. Impacts of the change of the classification of joint ventures arrangements

Not applicable

6. Impact of other changes of standards

Not applicable

7. Other

Not applicable

XIV. Other Significant Events

Not applicable

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1	the Company, China Railway:	China Railway Group Limited
2	the Group:	the Company and its subsidiaries
3	CRECG:	China Railway Engineering Corporation
4	BT:	"Build-Transfer" mode
5	BOT:	"Build-Operate-Transfer" mode
6	Turnout:	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks
7	BIM:	Building Information Modeling, a new tool for architecture, engineering and civil engineering
8	One belt, one road:	the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road"
9	Four developing regions:	the development of West China, revitalisation of Northeast China, rise of Central China and leading position of East China
10	Three supporting belts:	"One belt, one road", co-development of Beijing-Tianjin-Hebei and Yantze River Economic Belt

COMPANY INFORMATION

Directors

Executive directors
LI Changjin *(Chairman)*
YAO Guiqing
DAI Hegen

Independent non-executive directors
GUO Peizhang
WEN Baoman
ZHENG Qingzhi
NGAI Wai Fung

Supervisors

LIU Chengjun *(Chairman)*
LIU Jianyuan
WANG Hongguang
CHEN Wenxin
FAN Jinghua

Joint Company Secretaries

YU Tengqun
TAM Chun Chung *CPA, FCCA*

Authorised representatives

YAO Guiqing
TAM Chun Chung *CPA, FCCA*

Audit and Risk Management Committee

ZHENG Qingzhi *(Chairman)*
WEN Baoman
NGAI Wai Fung

Remuneration Committee

GUO Peizhang *(Chairman)*
WEN Baoman
ZHENG Qingzhi

Strategy Committee

LI Changjin *(Chairman)*
YAO Guiqing
DAI Hegen
GUO Peizhang
ZHENG Qingzhi

Nomination Committee

LI Changjin *(Chairman)*
DAI Hegen
GUO Peizhang
WEN Baoman
ZHENG Qingzhi

Safety, Health and Environmental Protection Committee

DAI Hegen *(Chairman)*
YAO Guiqing
GUO Peizhang
WEN Baoman
NGAI Wai Fung

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8/F, Tower W2
The Towers, Oriental Plaza
1 East Chang An Avenue
Beijing, PRC

International
Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Legal Advisors

For PRC Law
Jia Yuan Law Firm
F407, Ocean Plaza
158, Fuxing Men Nei Street
Beijing 100031
PRC

For Hong Kong Law
Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

Shares Registrars

A Shares
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building
No.166, Lu Jia Zui Road East
Pudong New District, Shanghai
PRC

H Shares
Computershare Hong Kong Investor Services Limited
Floor 17M, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing information

A Shares

Place of listing	: Shanghai Stock Exchange
Stock name	: China Railway
Stock code	: 601390

H Shares

Place of listing	: The Stock Exchange of Hong Kong Limited
Stock name	: China Railway
Stock code	: 00390

Principal Bankers

The Export-Import Bank Of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Bank of China
Bank of Communications
China Minsheng Bank
China Merchants Bank
China CITIC Bank

Company website

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