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中国铁建

中國鐵建股份有限公司

China Railway Construction Corporation Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1186)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Board announces that, on 28 December 2009, the Company and CRCCG renewed the Construction and Related Services Framework Agreement and Services Mutual Provision Framework Agreement respectively, for a term from 1 January 2010 to 31 December 2012. On the effective date of the renewed Framework Agreements, the former Construction and Related Services Framework Agreement and Services Mutual Provision Framework Agreement, which were signed by the Company and CRCCG respectively on 5 November 2007, and their respective supplementary agreements, shall be terminated simultaneously.

The Company estimates that the annual caps of revenues from the continuing connected transactions under the Construction and Related Services Framework Agreement for the three years ending 31 December 2012 will amount to RMB800 million, RMB200 million and RMB200 million respectively; the annual caps of revenues from the continuing connected transactions under the Services Mutual Provision Framework Agreement for the three years ending 31 December 2012 will amount to RMB300 million, RMB500 million and RMB200 million respectively, while the annual caps of expenditures incurred for the three years ending 31 December 2012 will amount to RMB800 million, RMB600 million and RMB600 million, respectively.

CRCCG is the controlling shareholder and connected person of the Company. Therefore, the transactions under the Construction and Related Services Framework Agreement and Services Mutual Provision Framework Agreement between the Company and/or its subsidiaries and CRCCG, its subsidiaries and/or its associates constitute continuing connected transactions of the Company.

As one or more applicable percentage ratio(s) exceed(s) 0.1% but all applicable percentage ratios are less than 2.5% in respect of the continuing connected transactions under the Construction and Related Services Framework Agreement and Services Mutual Provision Framework Agreement, such transactions are therefore only subject to the reporting and announcement requirements of the Hong Kong Listing Rules but are exempted from the independent shareholders' approval requirement.

1. BACKGROUND

In order to regulate, among other things, the provision of construction services by the Group in respect of the office building of CRCCG and the provision of ancillary services by CRCCG (and/or its associates) to the Group, and the provision of construction and related services by the Group to CRCCG for its Retained BOT Projects, the Company and CRCCG entered into Construction and Related Services Framework Agreement (as supplemented by a supplementary agreement dated 29 January 2008) and Services Mutual Provision Framework Agreement (as supplemented by a supplementary agreement dated 29 January 2008) respectively on 5 November 2007, and set the annual cap of each of such continuing connected transactions under the Framework Agreements for the three years from 2007 to 2009 (as revised by the announcements of the Company dated 2 April and 30 June 2009) in the Prospectus.

2. CONSTRUCTION AND RELATED SERVICES FRAMEWORK AGREEMENT AND SERVICES MUTUAL PROVISION FRAMEWORK AGREEMENT

(1) Construction and Related Services Framework Agreement

- Date : 5 November 2007, as supplemented by a supplementary agreement dated 29 January 2008
- Parties : CRCCG (Party A, as recipient)
The Company (Party B, as provider)
- Term : From 5 November 2007 to 31 October 2010
- Principal terms :
- Subsidiaries of the Company shall continue to provide construction and related services (including but not limited to survey, design and supervision services) to the Retained BOT Projects, which have not yet been completed.
 - The contracts in relation to the provision of construction and related services to the Retained BOT Projects entered into with subsidiaries of the Company shall continue to be performed by the relevant contracting parties.
 - If the Company (and/or its subsidiaries) and CRCCG (or its relevant associates) enter into further contracts in relation to the provision of construction and related services to the Retained BOT Projects, such contracts shall set out the specific terms and conditions of providing the services according to the principles, and within the parameters, provided for under the Construction and Related Services Framework Agreement.

- Pricing :
 - The fees payable shall be determined by the tender price if the selection of the relevant service providers has to be determined through a tender process. Where service fees are not required to be determined by a tender process, the service fees shall be determined based on market price.
 - When the bidding price and other terms offered by the Company are equal to or better than those offered by other independent service providers participating in the tender, the Retained BOT Projects must select the Company in preference to such independent service providers.
- Payment term : Payable in cash according to the progress of the projects, or on a yearly or quarterly or monthly basis, subject to actual situation

(2) Services Mutual Provision Framework Agreement

- Date : 5 November 2007, as supplemented by a supplementary agreement dated 29 January 2008
- Parties : CRCCG (Party A, as provider and recipient)
The Company (Party B, as provider and recipient)
- Term : From 5 November 2007 to 31 October 2010
- Principal terms :
 - CRCCG and its associates will provide ancillary services including ancillary construction survey and supervision services, such as photocopying and printing of construction drawings, provision of labor services such as lawn laying and railway survey services etc., and other services such as printing, nurseries, reception centers and property management services to the Company.

- The Company will continue to provide the minor construction services to finalize the construction of the office building of CRCCG at Fuxing Road, Beijing, the PRC.
- The provision of any of the above services by either party shall be made on terms no less favorable than those available to or, as appropriate, from an independent third party under comparable conditions. Otherwise, either party is entitled to engage such other supplier(s) for the raw materials and/or services required.
- The parties (or their relevant associates or subsidiaries) shall enter into separate contracts to set out the specific terms and conditions of providing the services according to the principles, and within the parameters, provided for under the Services Mutual Provision Framework Agreement.

Pricing : Either party shall provide services to the other party, according to the following pricing principles (and in the following order):

- price prescribed by the PRC Government; or
- where there is no government-prescribed price, the guidance price set by the PRC Government; or
- where there is neither a government-prescribed price nor a government guidance price, a price determined through tender process or other available market price; or

- where none of the above is applicable or available, a price to be agreed between the parties. The agreed price will be calculated based on the reasonable costs incurred in providing the services plus profits reasonably earned. In setting the price, the parties may refer to prices for previous related transactions if available.

Payment term : Payable in cash according to the progress of the projects, or on a yearly or quarterly or monthly basis, subject to actual situation

3. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

As the annual caps of the continuing connected transactions determined by the Company respectively when entering into the above Framework Agreements in 2007 will expire on 31 December 2009, and the Framework Agreements which were signed on 5 November 2007 will also expire on 31 October 2010, to regulate such continuing connected transactions, on 28 December 2009, the Company and CRCCG renewed such Framework Agreements on the same terms and conditions for a term from 1 January 2010 to 31 December 2012, and set the annual caps of the continuing connected transactions thereunder for the three years ending 31 December 2012, provided that under the Services Mutual Provision Framework Agreement, the corresponding provision:

- The Company will continue to provide the minor construction services to finalize the construction of the office building of CRCCG at Fuxing Road, Beijing, the PRC.

shall be revised as:

- The Company will provide construction and related services of the Engineering Technology Research and Development Base of China Railway Construction Corporation (Research Building) to CRCCG until the completion of such construction project.

as the construction services in respect of the office building of CRCCG provided by the Company to CRCCG will be completed in 2009.

The Research Building of CRCCG is located in Haidian District, Beijing, with a total gross floor area of approximately 54,002m². The Company estimates that the main construction work of the new Research Building will commence in the first half of 2010, and relevant preparations and preliminary constructions have been initiated since September 2009. The Research Building will be used as the engineering technology research and development base of CRCCG upon completion of construction. Upon renewal of the Services Mutual Provision Framework Agreement, the Company will enter into specific contract with CRCCG in respect of the construction services of the Research Building.

4. THE HISTORICAL AMOUNTS OF CONTINUING CONNECTED TRANSACTIONS FOR 2007, 2008 AND THE ELEVEN MONTHS ENDED 30 NOVEMBER 2009

Set out below are historical amounts of the continuing connected transactions under the Framework Agreements of the Group for the two years ended 31 December 2008 and the eleven months ended 30 November 2009:

	2007	2008	For the eleven months ended 30 November 2009
		<i>(RMB million)</i>	
<i>Expenditure</i>			
Expenditure incurred by the Group for provision of services by CRCCG (or its associates) under Services Mutual Provision Framework Agreement	249	418	718

Revenue

Revenue recognized by the Group for provision of construction and related services to CRCCG under Services Mutual Provision Framework Agreement	100	121	46
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Revenue recognized by the Group for provision of construction and related services in respect of the Retained BOT Projects to CRCCG under Construction and Related Services Framework Agreement	850	1,002	582
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5. THE PROPOSED ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS FOR THE THREE YEARS ENDING 31 DECEMBER 2012

Set out below are proposed annual caps of the continuing connected transactions under Construction and Related Services Framework Agreement and Services Mutual Provision Framework Agreement for the three years ending 31 December 2012:

	2010	2011	2012
		<i>(RMB million)</i>	
<i>Expenditure</i>			
Expenditure incurred by the Group in respect of the services provided by CRCCG (or its associates) under Services Mutual Provision Framework Agreement	800	600	600

Revenue

Revenue recognized by the Group for provision of construction and related services to CRCCG under Services Mutual Provision Framework Agreement	300	500	200
Revenue recognized by the Group for provision of construction and related services in respect of the Retained BOT Projects to CRCCG under Construction and Related Services Framework Agreement	800	200	200

The above proposed annual caps of the continuing connected transactions are determined based on the estimated amount of transactions involved with reference to the historical transaction volumes.

When determining the annual caps of revenue achieved by the Company from CRCCG under the Construction and Related Services Framework Agreement and Services Mutual Provision Framework Agreement from 2010 to 2012, the Company has taken into consideration of:

- (1) As disclosed in the Prospectus of the Company, among the Retained BOT Projects, Beijing Tongda Jingcheng Highway Co., Ltd. project and Chongqing Tiefu Suiyu Highway Co., Ltd. project were expected to complete construction in 2006 and 2007, respectively, and Nanjing Changjiang Tunnel Co., Ltd. project would be completed in 2009. However,
 - Nanjing Changjiang Tunnel Co., Ltd. project postponed its completion deadline due to high technical difficulty of the project and long downtime for changing construction equipments during the construction of the project. The main construction work of the project is expected to be completed around the end of 2010;
 - the main construction work of Beijing Tongda Jingcheng Highway Co., Ltd. project and Chongqing Tiefu Suiyu Highway Co., Ltd. project had been completed before 2009, but certain ancillary constructions is still in the process in 2009 and will remain in 2010;

- Save as the aforesaid delay of construction which resulted in the continuation of the relevant continuing connected transactions, the Company is still adjusting the budgets for certain Retained BOT Projects. As the adjusted revenue will be accounted for from 2010 to 2012, the Company took this into consideration when determining the annual caps for the years from 2010 to 2012 accordingly.

As the main construction work of all Retained BOT Projects will be completed by 2010, the Company substantially decreased the annual caps for 2011 and 2012 as compared with that for 2010;

- (2) Research Building acts as the new research centre of CRCCG. The standard and scale of construction has a significant improvement as compared with that of the office building of CRCCG, mainly attributable to the special purpose of the Research Building which led to an increase in the construction cost, high procurement cost for research equipments and substantial improvement in decoration. Therefore, the amount of the relevant continuing connected transactions will increase significantly as compared with the revenue achieved for the provision of construction service for the office building of CRCCG from 2007 to 2009. The relevant caps are determined by the Company according to the estimation of relevant costs and also by including a buffer for such estimated amounts for any unexpected growth potential for such transactions in future.

Meanwhile, according to the progress of the construction estimated by the Company, the preliminary work and structure of the Research Building will be completed by 2010 and equipment installation and fine decoration will be completed by 2011, while the relevant ancillary constructions will be completed by 2012. The Company estimates a higher annual cap for 2011 due to higher cost of equipment installation and fine decoration, and a lower annual cap for 2012 due to lower cost for ancillary constructions.

Directors (including independent non-executive Directors) consider that the above annual caps are fair and reasonable.

6. REASONS FOR AND BENEFIT OF RENEWAL OF CONSTRUCTION AND RELATED SERVICES FRAMEWORK AGREEMENT AND SERVICES MUTUAL PROVISION FRAMEWORK AGREEMENT

When the Company was listed, CRCCG retained equity interests in the construction project companies of five BOT projects (please refer to the Prospectus of the Company for details), among which, certain construction works of Nanjing Changjiang Tunnel Co., Ltd. project, Beijing Tongda Jingcheng Highway Co., Ltd. project and Chongqing Tiefa Suiyu Highway Co., Ltd. project remain to be completed. It is expected that relevant construction services are still required during 2010 to 2012. Therefore, the Company renewed the Construction and Related Services Framework Agreement with CRCCG to regulate the relevant continuing connected transactions.

When the Company was listed, CRCCG retained certain ancillary operations, mainly including the provision of printing, nurseries, reception centre, property management and other support services to the Company (please refer to the Prospectus of the Company for details). It is expected that CRCCG will continue to provide such ancillary services to the Company during the period from 2010 to 2012. In addition, the provision of construction services of the Research Building by the Company to CRCCG will increase the operating revenue of the Company, accumulate experience in construction and establish good corporate image by construction of high quality project. Therefore, the Company renewed the Services Mutual Provision Framework Agreement with CRCCG to regulate the relevant continuing connected transactions.

The Directors, including independent non-executive Directors, are of the view that the aforesaid renewed Construction and Related Services Framework Agreement and Services Mutual Provision Framework Agreement are entered into after arm's length negotiation and on normal commercial terms, and the terms of the transactions under such agreements and the relevant annual caps are fair and reasonable, and are in the interest of the Company and its Shareholders as a whole.

7. LISTING RULES IMPLICATIONS

CRCCG is the controlling shareholder and connected person of the Company. Therefore, the transactions under the Construction and Related Services Framework Agreement and Services Mutual Provision Framework Agreement between the Company and/or its subsidiaries and CRCCG, its subsidiaries and/or its associates constitute continuing connected transactions of the Company.

As one or more applicable percentage ratio(s) exceed(s) 0.1% but all applicable percentage ratios are less than 2.5% in respect of the continuing connected transactions under the Construction and Related Services Framework Agreement and Services Mutual Provision Framework Agreement, such transactions are therefore only subject to the reporting and announcement requirements of the Hong Kong Listing Rules but are exempted from the independent shareholders' approval requirement.

8. INFORMATION ON PARTIES TO THE RELEVANT TRANSACTIONS

As one of the largest integrated construction groups in the world, the Company is principally engaged in construction operations, survey, design and consultancy operations, manufacturing operations, and other businesses including logistics and goods and materials trade, capital investment operations and real estate development.

CRCCG is the controlling shareholder of the Company, holding approximately 61.33% equity interest in the Company. As a State-owned enterprise, CRCCG is wholly owned by SASAC and mainly engaged in equity management and capital management.

9. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	means the board of Directors of the Company
“Company”	means China Railway Construction Corporation Limited, a joint stock limited company incorporated in the PRC with limited liability, whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
“Construction and Related Services Framework Agreement”	means the Construction and Related Services Framework Agreement dated 5 November 2007 entered into between the Company and CRCCG (as supplemented by a supplementary agreement dated 29 January 2008) and renewed on 28 December 2009 for a term from 1 January 2010 to 31 December 2012
“CRCCG”	means 中國鐵道建築總公司, China Railway Construction Corporation, the controlling shareholder of the Company
“Director”	means the directors of the Company
“Framework Agreements”	means collectively the renewed Construction and Related Services Framework Agreement and Services Mutual Provision Framework Agreement
“Group”	means the Company and its subsidiaries

“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“PRC”	means the People’s Republic of China
“Prospectus”	means the Company’s prospectus dated 29 February 2008 in respect of the initial public offering of H shares of the Company
“Research Building”	means the Engineering Technology Research and Development Base of China Railway Construction Corporation
“Retained BOT Projects”	means five BOT projects retained by CRCCG during the restructuring of the Company, namely, Chongqing Tiefa Suiyu Highway Co., Ltd. project, Nanjing Changjiang Tunnel Co., Ltd. project, Beijing Tongda Jingcheng Highway Co., Ltd. project, Xianyang Zhongtie Road and Bridge Co., Ltd. project and Guangdong Chaojie Highway Co., Ltd. project
“SASAC”	means the State-owned Assets Supervision and Administration Commission of the State Council

“Services Mutual Provision
Framework Agreement”

means the Services Mutual Provision Framework Agreement dated 5 November 2007 entered into between the Company and CRCCG (as supplemented by a supplementary agreement dated 29 January 2008) and renewed on 28 December 2009 for a term from 1 January 2010 to 31 December 2012

“Shareholder(s)”

means shareholders of the Company

By order of the Board
China Railway Construction Corporation Limited
LI Guorui
Chairman

Beijing, the PRC
29 December 2009

As at the date of this announcement, the board of directors of the Company comprises Mr. LI Guorui (Chairman and Non-executive Director), Mr. DING Yuanchen (Vice Chairman and Executive Director), Mr. ZHAO Guangfa (President and Executive Director), Mr. HUO Jingui (Non-executive Director), Mr. ZHU Mingxian (Non-executive Director), Mr. LI Kecheng (Independent Non-executive Director), Mr. ZHAO Guangjie (Independent Non-executive Director), Mr. WU Taishi (Independent Non-executive Director) and Mr. NGAI Wai Fung (Independent Non-executive Director).