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)

CONNECTED TRANSACTION
ACQUISITION OF CHINA AIRPORT CONSTRUCTION CO., LTD.

SUMMARY

The Board is pleased to announce that the Company entered into the Equity Transfer Agreement with CRECG on 28 December 2010. Pursuant to the Equity Transfer Agreement, the Company agreed to purchase and CRECG agreed to sell its 100% equity interest in CACCL, a company primarily engaged in survey, construction and equipment installation businesses in relation to airport engineering, industrial and civil construction, road and bridge engineering, underground and tunnel engineering, and related technology consultancy services. The consideration is RMB372,919,000 (equivalent to approximately HK$434,490,673) and will be satisfied in cash within 5 days of the effective date of the Equity Transfer Agreement. The consideration will be funded by internal resources of the Company.

Pursuant to the Listing Rules, CRECG is a connected person of the Company by virtue of it being the controlling shareholder of the Company, holding approximately 56.10% interest in the Company. Accordingly, the acquisition of 100% equity interest in CACCL by the Company from CRECG constitutes a connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Equity Transfer Agreement is less than 5%, the Equity Transfer Agreement is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement.

INTRODUCTION

Reference is made to the Announcement in relation to the transfer of CACC to CRECG issued by the Company on 18 December 2009 and the Announcement of the Resolution of the Thirty-ninth Meeting of the First Session of the Board of Directors issued by the Company on 23 December 2010 (the "Announcements"). As disclosed in the Announcements, the Company consented to the transfer to CRECG of the entire interest in CACC with nil consideration and reserved the rights of option and pre-emption to acquire CACC after the completion of the restructuring of CACC, in compliance with the terms of the Non-competition Agreement entered into by the Company and CRECG on 18 September 2007. The restructuring of CACC was completed and it was re-registered as CACCL on 29 November 2010 and became a wholly-owned subsidiary of CRECG.

The Board is pleased to announce that the Company entered into the Equity Transfer Agreement with CRECG on 28 December 2010. Pursuant to the Equity Transfer Agreement, the Company agreed to purchase and CRECG agreed to sell its 100% equity interest in CACCL for the consideration of RMB372,919,000 (equivalent to approximately HK$434,490,673). The consideration will be satisfied in cash within 5 days of the effective date of the Equity Transfer Agreement and will be funded by internal resources of the Company.

THE EQUITY TRANSFER AGREEMENT

1 Date

Execution and effective date: 28 December 2010

2 Parties

Vendor: CRECG

Purchaser: the Company

3 Consideration

Pursuant to the Equity Transfer Agreement, the consideration for the 100% equity interest in CACCL is RMB372,919,000 (equivalent to approximately HK$434,490,673), which will be satisfied in cash within 5 days of the effective date of the Equity Transfer Agreement and will be funded by internal resources of the Company.

The consideration was determined with reference to the valuation report dated 20 December 2010 prepared by Zhongshui, an independent valuer, where asset-based valuation methods (other than methods based on discounted cash flows or projections of profits or cash flows) are employed for the purpose of such valuation, and on the basis of normal commercial terms and arm's length negotiation between the parties to the Equity Transfer Agreement. According to the valuation report, the net assets value of CACCL as at 30 November 2010 is RMB372,919,000 (equivalent to approximately HK$434,490,673).

4 Information on CACCL

4.1 General information on CACCL

CACCL is primarily engaged in survey, construction and equipment installation businesses in relation to airport engineering, industrial and civil construction, road and bridge engineering, underground and tunnel engineering, and related technology consultancy services.

The total registered capital of CACCL is RMB360,000,000 (equivalent to approximately HK$419,438,651), of which CRECG holds 100%.

4.2 Financial Information of CACCL

According to the Auditor's Report issued by BDO China Li Xin Da Hua CPA Co., Ltd., an independent auditor, as of 30 November 2010, CACCL had total assets of RMB2,832,650,337.86 (equivalent to approximately HK$3,300,341,770), total liabilities of RMB2,541,457,128.61 (equivalent to approximately HK$2,961,070,417), net assets of RMB291,193,209.25 (equivalent to approximately HK$339,271,353), and for the eleven months ended 30 November 2010, CACCL had a net loss of RMB73,796,536.65 (equivalent to approximately HK$85,980,888).

For the year ended 31 December 2009 and as disclosed in CACC's audited income statement prepared in accordance with CAS, CACC had a net loss of RMB431,559,522.35 (equivalent to approximately HK$502,813,178). For the year ended 31 December 2008, the net profit before taxation and net profit after taxation of CACC as disclosed in its audited income statement prepared in accordance with CAS were RMB20,081,875.72 (equivalent to approximately HK$23,397,541) and RMB19,589,638.99 (equivalent to approximately HK$22,824,033), respectively.

5 Completion

The completion of the transaction contemplated under the Equity Transfer Agreement is not subject to any conditions. Pursuant to the Equity Transfer Agreement, CRECG agreed to use its best efforts to assist in the completion of the registration or filing with the Administration for Industrial and Commerce in relation to the change of shareholders of CACCL. Upon completion, the total registered capital of CACCL remains RMB360,000,000 (equivalent to HK$419,438,651), and CACCL will become a wholly-owned subsidiary of the Company.

INFORMATION ON CRECG

CRECG, a state-owned enterprise, is the Company's controlling shareholder holding 56.10% of the outstanding shares of the Company. Its principal activities are management of equity investment and assets and other businesses.

The Company is primarily engaged in the infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing and property development and other businesses.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

CACCL has special-grade contracting qualification in respect of property development, first-grade contracting qualification in respect of airport runway engineering, highway roadbed and substructure engineering, renovation and decoration, steel structure engineering, and also the qualification of import-export trading business and labor export business. The acquisition will enhance the Company's ability in the property development and airport runway engineering fields and will have a positive effect on the Company's efforts in strengthening its core businesses. It will also effectively reduce competition between the businesses of CRECG, the Company's controlling shareholder, and that of the Company, and avoid potential connected transactions with CRECG and its subsidiaries. In view of the above, the Directors are of the view that the acquisition of CACCL is in line with the development strategy of the Company.

LISTING RULES IMPLICATIONS

Pursuant to the Listing Rules, CRECG is a connected person of the Company by virtue of it being the controlling shareholder of the Company, holding approximately 56.10% interest in the Company. Accordingly, the acquisition of 100% equity interest in CACCL by the Company from CRECG constitutes a connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Equity Transfer Agreement is less than 5%, the Equity Transfer Agreement is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement.

The Company and its subsidiaries do not have any other prior transactions or relationship with CRECG and its associates which require aggregation with the acquisition of CACCL under Rule 14A.25 of the Listing Rules.

The independent non-executive Directors consider that the acquisition is on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The remaining Directors (Mr. Li Changjin (the chairman of CRECG), Mr. Bai Zhongren (a director of CRECG) and Mr. Yao Guiqing (a director of CRECG) who are deemed interested in the acquisition abstained from voting on the board resolution about the acquisition) concurred with the view of the independent non-executive Directors.

DEFINITIONS

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

"Board"	the board of Directors of the Company
"CACC"	中國航空港建設總公司 (China Airport Construction Corporation) (being unofficial English translation), the predecessor of CACCL
"CACCL"	中國航空港建設有限公司 (China Airport Construction Co., Ltd.) (being unofficial English translation), a company incorporated in the PRC with limited liability
"CAS"	Chinese Accounting Standards for Business Enterprises
"Company"	China Railway Group Limited, a joint stock limited company incorporated in the PRC with limited liability and whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Shanghai Stock Exchange
"CRECG"	China Railway Engineering Corporation, a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company
"Directors"	the directors of the Company
"Equity Transfer Agreement"	the equity transfer agreement entered into between the Company and CRECG in respect of the acquisition of 100% equity interest in CACCL on 28 December 2010
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholders"	the shareholders of the Company

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Zhongshui"	Zhongshui Asset Valuation Company Limited, an independent assets valuer

For reference only, the figures in RMB referred to in this announcement have been translated into Hong Kong dollars on the basis of an assumed exchange rate of HK$1 = RMB0.85829.

By Order of the Board
China Railway Group Limited
Li Changjin
Chairman

Beijing, the PRC
28 December 2010

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