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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)

**CONNECTED TRANSACTION
SIGNING OF THE AGREEMENT ON THE ARRANGEMENT OF
MATTERS IN RELATION TO
THE MECCA LIGHT RAIL PROJECT
AND
RESUMPTION OF TRADING**

Reference is made to the announcement of the Company dated 25 October 2010 in relation to the Mecca Light Rail Project.

In order to facilitate the implementation of the Mecca Light Rail Project, ensure a smooth completion thereof and to properly deal with the claim issues thereunder, on 21 January 2011, the Company entered into the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project with CRCCG, the controlling shareholder of the Company. Pursuant to the Agreement, from 31 October 2010, CRCCG shall exercise and perform all the rights and obligations of the Company under and arising from the EPC Contract of the Project. In consideration of the aforesaid arrangement, CRCCG shall pay RMB2.077 billion to the Company, and the Company shall cease to bear/enjoy the Subsequent Loss/Profit of the Project, all of which shall be borne/ enjoyed by CRCCG.

CRCCG is the controlling shareholder and a connected person of the Company. Therefore, the entering into of the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project between the Company and CRCCG constitutes a connected transaction of the Company. As one or more applicable percentage ratio(s) exceed(s) 0.1% but all applicable percentage ratios are below 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

Trading in the H shares of the Company on the Hong Kong Stock Exchange has been suspended with effect from 9:30 a.m. on 20 January 2011, pending the release of this announcement by the Company. An application has been made to the Hong Kong Stock Exchange for the resumption of trading in the H shares of the Company with effect from 9:30 a.m. on 24 January 2011.

BACKGROUND

The Company's Mecca Light Rail Project has commenced operation in November 2010 and has achieved more than 35% of the full transport capacity as agreed in the EPC Contract.

Currently, the Project is proceeding smoothly and is expected to complete all testing and achieve 100% full transport capacity in May 2011. As provided in the EPC Contract, the Company shall be responsible for the operation and maintenance of the Project for three years.

Due to the reasons as previously disclosed by the Company (Please refer to the Announcement in Relation to Mecca Light Rail Project published by the Company on 25 October 2010 for details), as at 31 October 2010 (being the reference date for making the arrangements on relevant matters of the Project), and translated at the exchange rate on 31 October 2010, the estimated net loss of Mecca Light Rail Project (including provision for the estimated contract loss for the uncompleted part) amounted to RMB4.148 billion, which was arrived at after taking into account the estimated total contract revenue of the Project of RMB12.051 billion (based on the total contract value of 6.650 billion Saudi Riyals), the estimated total cost of RMB16.045 billion and a finance cost of RMB154 million. Of the aforesaid loss, the accumulated net loss attributable to the part of construction work that has been completed as at 31 October 2010 amounted to RMB3.462 billion and the provision made for the expected loss of the uncompleted part was RMB686 million.

AGREEMENT ON THE ARRANGEMENT OF MATTERS IN RELATION TO THE MECCA LIGHT RAIL PROJECT

In order to facilitate the implementation of the Mecca Light Rail Project, ensure a smooth completion thereof and to properly deal with the claim issues thereunder, on 21 January 2011, the Company entered into the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project with CRCCG, the controlling shareholder of the Company, details of which are set out as follows:

Date: 21 January 2011

Parties: the Company and CRCCG

Effective conditions : After being signed by the respective legal representatives or authorized representatives of both parties and being chopped with the respective official chops of both parties, the Agreement shall come into effect on the date when all the following conditions are satisfied:

- Relevant transactions and the Agreement having been approved by the Board of the Company;
- Relevant transactions and the Agreement having been approved by the board of directors of CRCCG;

Effective date: Unless the aforesaid effective conditions are waived, the effective date of the Agreement shall be the date when all of the aforesaid effective conditions are fulfilled.

Principal terms of the Agreement:

- From 31 October 2010, CRCCG shall exercise and perform all the rights and obligations of the Company under and arising from the EPC Contract;
- In consideration of the aforesaid arrangement, CRCCG shall pay RMB2.077 billion to the Company; the Company shall cease to bear/enjoy the Subsequent Loss/Profit of the Project, all of which shall be borne/ enjoyed by CRCCG;
- The income from claims against the owner under the Project (if any) shall be subject to the following arrangement: (1) if the income from claims is less than RMB1.385 billion, then all such income shall be enjoyed by the Company; the sum of RMB1.385 billion represents the remaining loss of the Company, being the difference of the accumulated loss attributable to the completed portion of the Project as at 31 October 2011 of RMB3.462 billion less RMB2.077 billion; (2) if the income from claims is more than RMB1.385 billion but less than RMB3.462 billion, RMB1.385 billion shall be enjoyed by the Company and the remaining part (being RMB2.077 billion in maximum) shall be enjoyed by CRCCG to make up for the consideration paid by it; (3) if the income from claims is more than RMB3.462 billion, then RMB1.385 billion shall belong to the Company and RMB2.077 billion shall belong to CRCCG, and the remaining balance shall be used to make up for the Subsequent Loss (if any) incurred by CRCCG under the Project; and (4) if there are still any remaining income from claims after making up for the Subsequent Loss of the Project, the remaining part shall be enjoyed by Company.

Payment of consideration: Pursuant to the Agreement, CRCCG shall pay RMB2.077 billion in cash to the Company in accordance with the following arrangement:

An accumulative total of RMB577 million shall be paid no later than 30 June 2011; an accumulative total of RMB1.077 billion shall be paid no later than 30 June 2012; an accumulative total of RMB1.577 billion shall be paid no later than 30 June 2013 and full settlement shall occur no later than 30 June 2014.

The aforesaid total net loss (including provision for the estimated contract loss for the uncompleted part) of RMB4.148 billion under the Project as of 31 October 2010 shall be still accounted for in the income statements of the Company for 2010 and prior years, while the reversal of the provision for estimated contract loss and payments by CRCCG shall be accounted for as “capital surplus”.

CONSIDERATION BY THE BOARD

As the entering into of the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project constitutes a connected transaction between the Company and CRCCG, Mr. MENG Fengchao and Mr. ZHAO Guangfa, both connected Directors, did not exercise their voting rights nor exercise voting rights on behalf of other Directors on the relevant resolution. The remaining six non-connected Directors with voting rights have considered and unanimously approved the aforesaid resolution, and were of the view that the Agreement is on normal commercial terms and entered into after arm’s length negotiations between the parties; the terms of the Agreement are fair and reasonable and are in the interests of the Company and all the shareholders as a whole.

All the independent non-executive Directors of the Company are of the view that the arrangement on matters in relation to the Mecca Light Rail Project allows the Company to cease bearing any risks arising from the Subsequent Implementation of the Project. The maximum losses to be incurred by the Company in respect of the Project have been fixed. In addition, the arrangements on allocation of the income from claims may help further cut the losses from the Project or even achieve a turnaround in respect of the Project. Therefore, the interests of the Company's shareholders, especially the minority shareholders, could be protected. Given that the consideration of the transactions under the arrangement on matters in relation to the Mecca Light Rail Project is fair and reasonable, and the voting procedures for the relevant resolution were in compliance with the laws and regulations and other regulatory documents as well as the Articles of Association, all the independent non-executive Directors approved the implementation of the arrangement on matters in relation to the Mecca Light Rail Project.

REASONS FOR AND BENEFIT OF ENTERING INTO THE AGREEMENT IN RELATION TO THE ARRANGEMENT ON THE MECCA LIGHT RAIL PROJECT

As CRCCG is a central enterprise in which SASAC performs its duties as a capital contributor, and an investment institution authorized by the State, the aforesaid arrangement on matters in relation to the Mecca Light Rail Project made by the Company will further facilitate the implementation of the Mecca Light Rail Project, ensure a smooth completion thereof and help properly deal with the claim issues relating to the Project.

Upon the signing of the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project, the Company will cease to bear any risks arising from the Subsequent Implementation of the Project. The maximum losses to be incurred by the Company in respect of the Project have been fixed. In addition, the arrangement on allocation of the income from claims may help further cut the losses from the Project or even achieve a turnaround in respect of the Project. Such arrangement is favourable in protecting the interests of the Company's shareholders, especially those of the minority shareholders.

INFORMATION ON THE COMPANY

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 material trade, capital investment operations, real estate development and the development of mineral resources.

INFORMATION ON CRCCG

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

HONG KONG LISTING RULES IMPLICATIONS

CRCCG is the controlling shareholder and a connected person of the Company. Therefore, the entering into of the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project between the Company and CRCCG constitutes a connected transaction of the Company. As one or more applicable percentage ratio(s) exceed(s) 0.1% but all applicable percentage ratios are below 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

RESUMPTION OF TRADING

Trading in the H shares of the Company on the Hong Kong Stock Exchange has been suspended with effect from 9:30 a.m. on 20 January 2011, pending the release of this announcement by the Company. An application has been made to the Hong Kong Stock Exchange for the resumption of trading in the H shares of the Company with effect from 9:30 a.m. on 24 January 2011.

DEFINITIONS

“Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project” or the “Agreement”	means the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project entered into by the Company and CRCCG on 21 January 2011
“Articles of Associations”	means Articles of Associations of China Railway Construction Corporation Limited
“Board”	means the board of Directors of the Company
“Company”	means China Railway Construction Corporation Limited, a joint stock 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
“Controlling shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“CRCCG”	means China Railway Construction Corporation (中國鐵道建築總公司), the controlling shareholder of the Company, which holds 61.33% equity interest of the Company as at the date of this announcement
“Directors”	means the directors of the Company
“EPC Contract”	means the Contract for the Mecca Light Rail Project in Saudi Arabia signed by the Company with the Ministry of Municipality and Rural Affairs of the Kingdom of Saudi Arabia on 10 February 2009, pursuant to which the parties agreed to adopt the EPC+O&M general contracting model
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China

“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“less than”	means less than (the underlying number inclusive)
“Mecca Light Rail Project” or the “Project”	means Al-Mashaaer Al-Mugadassah metro light rail project in Saudi Arabia
“more than”	means greater than (the underlying number exclusive)
“Owner”	means the contractee of the EPC Contract, namely the Ministry of Municipality and Rural Affairs of the Kingdom of Saudi Arabia and its authorized agencies, organizations or relevant authorities
“PRC”	means the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan region
“RMB”	means Renminbi, the lawful currency of the PRC
“SASAC”	means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Subsequent Implementation”	means the implementation of the Mecca Light Rail Project after 31 October 2010
“Subsequent Loss/Profit”	means the loss/profit incurred/earned by the Mecca Light Rail Project after 31 October 2010, excluding income from claims obtained from the Owner

“Subsequent Loss Amount”

means the difference between the costs and expenses incurred by CRCCG for carrying out the Subsequent Implementation of the Mecca Light Rail Project under the Agreement and the revenue recognized in respect of the Subsequent Implementation of the Project (excluding income from claims obtained from the Owner)

By order of the Board

China Railway Construction Corporation Limited

Chairman

MENG Fengchao

Beijing, the PRC

21 January 2011

As at the date of this announcement, the Board comprises: Mr. MENG Fengchao (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).