OUR ONE-OFF CONNECTED TRANSACTIONS IN CONNECTION WITH THE REORGANIZATION

1. Reorganization Agreement

We entered into a Reorganization Agreement with CRECG on 18 September 2007, pursuant to which the Reorganization took effect as of 1 January 2007. Under the Reorganization Agreement, CRECG has given us certain indemnities against losses or damages suffered by us in connection with the Reorganization. See ''History, Reorganization and Corporate Structure — The Reorganization'' for details.

2. Non-Competition Agreement

In connection with the Reorganization, we entered into the Non-Competition Agreement with CRECG on 18 September 2007, pursuant to which CRECG agreed not to compete with us in our core business and granted us options and pre-emptive rights to acquire certain future business from CRECG. See ''Relationship with CRECG — Non-Competition'' for details.

OUR ONE-OFF CONNECTED TRANSACTIONS BETWEEN THE COMPANY'S SUBSIDIARIES AND SUBSTANTIAL SHAREHOLDERS OF OUR SUBSIDIARIES

1. Entrusted loan from China Railway Major Bridge Engineering Group Co., Ltd. (''CRMBEG'') to Hubei Minmetals Industrial Investment Company Limited (''Hubei Minmetals'') through Equity Trust Co., Ltd. (''Equity Trust'') and related equity pledge

Both CRMBEG and Equity Trust are our subsidiaries. Hubei Minmetals owns 33.33% of the equity interest in Wuhan Sanfang Real Estate Co., Ltd. (''Wuhan Sanfang''), and the remaining 66.67% is owned by CRMBEG. Hence, Wuhan Sanfang is one of our indirect subsidiaries. CRMBEG, formerly known as Major Bridge Engineering Department of the MOR, was established in April 1953. It is one of our wholly-owned direct subsidiaries and has a registered capital of RMB896,860,000. The scope of operations of CRMBEG includes, but is not limited to, provision of infrastructure construction services, survey, design and consulting services for civil and airport construction, manufacturing and installation of engineering equipment, foreign construction contracting services, export of equipment, materials and labour in relation to the aforesaid services, wholesale, retail and leasing of equipment, food and beverage. Hubei Minmetals, as a substantial shareholder of one of our subsidiaries, is one of our connected persons under the Hong Kong Listing Rules and transactions between us and Hubei Minmetals will constitute connected transactions. The connected transaction below was entered into in connection with the acquisition by CRMBEG and Hubei Minmetals of the entire equity interests and debt obligations of Wuhan Sanfang. This is a cooperation between the two entities to jointly upgrade and develop a boiler chassis factory in Wuhan. As Hubei Minmetals required financing to pay the consideration for the acquisition of its portion of the entire equity interests and debt obligations of Wuhan Sanfang, CRMBEG, through Equity Trust, granted an entrusted loan of RMB0.17 billion to Hubei Minmetals for it to acquire 33.33% equity interest in Wuhan Sanfang, which shall be used to secure the entrusted loan. In that connection, CRMBEG and Equity Trust entered into a single trust funds contract on 22 December 2006, Equity Trust entered into a loan agreement with Hubei Minmetals on 22 December 2006 and Hubei Minmetals entered into an equity pledge agreement with Equity Trust on 15 March 2007.

According to the loan agreement between Equity Trust and Hubei Minmetals, the term of the loan is twelve months and Hubei Minmetals shall repay the principal of RMB0.17 billion and pay interests amounting to RMB13.6 million (calculated at the interest rate of 8% per annum as provided in the loan agreement) by 24 December 2007. Pursuant to the pledge agreement between Equity Trust and Hubei Minmetals, Hubei Minmetals pledged its 33.33% equity interest in Wuhan Sanfang to Equity Trust as security for the loan. If Hubei Minmetals fails to fulfil its obligation to repay the principal and pay interests due to Equity Trust, then Equity Trust has the right to dispose of such equity interest held by Hubei

Minmetals in Wuhan Sanfang and the proceeds of such disposal shall be used to repay the principal and interests due to Equity Trust.

Hubei Minmetals has paid up all interests due to Equity Trust in accordance with the loan agreement, and intends to raise funds to repay the principal and future interests before the expiry of the term.

2. Capital expansion and equity transfer agreement between China Railway NO. 2 Engineering Group Co., Ltd. (''China Railway NO. 2''), Equity Trust and Beijing Yuantong Investment Management Co., Ltd. (''BYIM'')

Both China Railway NO. 2 and Equity Trust are our subsidiaries. They are two of the three shareholders of Huludao Binhai New District Investment Co., Ltd. (''Huludao''), one of our indirect subsidiaries. BYIM is the third shareholder and owns 24.5% of the equity interest in Huludao. Therefore BYIM, as a substantial shareholder of one of our subsidiaries, is one of our connected persons under the Hong Kong Listing Rules and transactions between us and BYIM will constitute connected transactions.

China Railway NO. 2, Equity Trust and BYIM entered into a shareholders agreement on 29 March 2007 for the capital expansion and the equity transfer in relation to Huludao. According to the shareholders agreement, BYIM agreed to contribute additional registered capital in the sum of RMB9.8 million to Huludao, and after a period of 30 months from the completion of the capital expansion in Huludao, which capital expansion took place on 14 May 2007, China Railway NO. 2 and BYIM would purchase all of the equity interest in Huludao held by Equity Trust at a total consideration of RMB36.375 million, of which BYIM would pay RMB14.7 million. Upon completion of the equity transfer, China Railway NO. 2 will hold 51% of the equity interest, while BYIM will hold the remaining 49% of the equity interest in Huludao.

3. Construction contracting agreement between China National Overseas Engineering Corporation, which subsequently changed its name to China Overseas Engineering Group Co., Ltd. (''China National Overseas'') and LA GENERALE DES CARRIERES ET DES MINES (''GECAMINES'')

China National Overseas is our subsidiary. Our Company, China National Overseas and GECAMINES are the three shareholders of our indirect subsidiary, Luisha Mining Co., Ltd., holding 36.72%, 35.28% and 28% of its equity interest, respectively. Accordingly, GECAMINES, as a substantial shareholder of one of our subsidiaries, is one of our connected persons under the Hong Kong Listing Rules and transactions between us and GECAMINES will constitute connected transactions.

China National Overseas and GECAMINES entered into a construction contracting agreement on 13 November 2007, pursuant to which China National Overseas agreed to provide construction contracting services and equipment amounting to a total value of US$60 million to GECAMINES for the purpose of developing its business including upgrading its refinery. Out of the US$60 million, approximately US$20 million worth of services and equipment were provided and incurred by China National Overseas prior to the date of the agreement. GECAMINES shall pay for the construction services and equipment at a rate which will provide a 5.75% annual return to China National Overseas over the amount of services and equipment incurred by China National Overseas and not repaid by GECAMINES, for the period beginning 18 months after the full US$60 million worth of construction services and equipment have been provided until full payment has been made. GECAMINES agreed to pay 8% of the value of the services and equipment provided plus the return every year until full payment is made. To guarantee its payment under the construction contracting agreement, GECAMINES pledged its equity interest and future distributions in Luisha Mining Co., Ltd. to China National Overseas.

OUR CONTINUING CONNECTED TRANSACTIONS

SUMMARY TABLE OF OUR CONTINUING CONNECTED TRANSACTIONS

		Historical Amounts (RMB million)				Caps (RMB million)		
Transaction	Waiver Sought	2004	2005	2006	Six months ended 30 June 2007	2007	2008	2009
1 Social Services Agreement	Waiver from announcement requirement	226.8	218.5	200.4	100.9	200.0	185.0	190.0
2 Purchase of raw materials from Wuhan Iron and Steel Company Limited	Waiver from announcement requirement	112.6	138.1	254.6	113.1	600.0	800.0	1,000.0

I. CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND CRECG

CRECG is our sole promoter and controlling shareholder and is therefore one of our connected persons under the Hong Kong Listing Rules. Transactions between us and CRECG and/or its associates will constitute connected transactions.

1. Social Services Agreement

As part of the Reorganization, CRECG retained interests in certain entities, including those that are involved in the provision of social services, such as healthcare and education.

We entered into a social services agreement with CRECG on 18 September 2007 (the ''Social Services Agreement''), pursuant to which CRECG and/or its associates will provide social services to our Group, including health check, vaccination and preventive medical services, on-site medical services, prevention of occupational-illness and other specialist medical services to employees of our Group as well as training to our Group's employees.

The medical services provided by CRECG and/or its associates to us are charged at rates which are determined in accordance with relevant regulations or government prescribed standards. In determining the fees for the provision of training, the content of the training, the number of employees attending the training and the training time are taken into account and the fees are determined with reference to market rates such that the fees charged cannot be higher than market rates.

The term of the Social Services Agreement commences on the date of the agreement and expires on 31 December 2009. The agreement may be renewed upon agreement of the parties provided the requirements of the Hong Kong Listing Rules in relation to connected transactions are complied with.

For the three years ended 31 December 2004, 2005 and 2006 and for the six months ended 30 June 2007, the payments made by us in relation to the social services covered under the agreement amounted to RMB 226.8 million, RMB 218.5 million, RMB 200.4 million and RMB 100.9 million, respectively. Since 2005, the provision of social services has gradually been taken up by the government so that the volume of such services provided by corporations has reduced. Hence the amounts paid by our Company for social services in respect of the three years ended 31 December 2004, 2005 and 2006 have shown a decreasing trend.

Our growth in business is likely to result in an increase in workforce. However, our employees are free to engage other third parties to provide healthcare and medical services and gradually, these services will be provided directly to our employees as opposed to our Group as benefits in kind to our employees. We therefore expect that for the three years ending 31 December 2007, 2008 and 2009, the payments to be made by us to CRECG for social services under the Social Services Agreement will be no more than RMB 200.0 million, RMB 185.0 million and RMB 190.0 million, respectively.

II. CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND PROMOTER OF THE COMPANY'S SUBSIDIARIES

1. Purchase of raw materials from Wuhan Iron and Steel Company Limited (''WISC'')

WISC is a promoter of China Railway Major Bridge Engineering Group Co., Ltd., an indirect subsidiary of our Company. Accordingly, WISC, as a promoter of one of our subsidiaries, is one of our connected persons under the Hong Kong Listing Rules and transactions between us and WISC and/or its associates will constitute connected transactions.

In the ordinary and usual course of business, our subsidiaries purchase iron and steel products and other raw materials from WISC and its associates. The above raw materials are provided by WISC and its associates to us on normal commercial terms after arm's length negotiation. The price for these raw materials is determined with reference to market price of the relevant products prevailing at the time of purchase.

WISC is one of the largest iron and steel manufacturers in China which produces and supplies a wide range of iron and steel products, in particular, bridge steel structure products, used by us in our infrastructure construction business and equipment manufacturing and component manufacturing business, in particular steel bridge products. We are not obligated to purchase any raw materials from WISC or any of its associates.

As our subsidiaries will be purchasing different iron and steel products from WISC and its associates, we will not enter into any framework purchase agreement with WISC or its associates. Instead, our subsidiaries will enter into written agreement with WISC or its associates each time it purchases raw materials from WISC or its associates. Such written agreements will regulate one-off transactions and therefore their tenure will be less than three years.

For each of the three years ended 31 December 2004, 2005 and 2006, payments made by us to WISC and/or its associates for raw materials were approximately RMB112.6 million, RMB138.1 million and RMB254.6 million, respectively. For the six months ended 30 June 2007, payments made by us to WISC and its associates for raw materials were approximately RMB113.1 million. The purchase from WISC and its associates amounted to only 0.3%, 0.2%, 0.3% and 0.3% of our total cost of raw materials and consumables for the three years ended 31 December 2004, 2005 and 2006 and for the six months ended 30 June 2007, respectively.

For the three years ending 31 December 2007, 2008 and 2009, we expect that the annual aggregate payments by us to WISC and its associates for raw materials will not exceed RMB600.0 million, RMB800.0 million and RMB1,000.0 million, respectively.

In arriving at the above caps, we have taken into account (i) the historical amounts paid by us to WISC and its associates; (ii) the historical contribution of purchases from WISC and its associates to our total purchases; (iii) our expected increase in demand for iron and steel products as a result of anticipated growth in infrastructure construction market and our dominant market position; and (iv) potential fluctuations in iron and steel prices. Our revenue increased from RMB86,829 million for the year ended 31 December 2004 to RMB153,568 million for the year ended 31 December 2006. Our costs for raw materials consumed increased from RMB42,307 million for the year ended 31 December 2004 to RMB82,060 million for the year ended 31 December 2006. Due to the expected continued growth in the PRC construction and engineering market, we expect to experience significant growth in our infrastructure construction business and engineering equipment and component manufacturing business, which will in turn result in an increase in raw material purchases, including purchases of iron and steel products. As we plan to consolidate our purchases to a small number of major suppliers to take advantage of economies of scale and since WISC is one of the largest producers of iron and steel products in the PRC, we expect that purchases from WISC, in terms of quantity, made by our Group will increase as a result of such consolidation and our growth in infrastructure construction business and engineering equipment and component manufacturing business. Also, iron and steel prices have experienced significant fluctuations in the last few years. Taking into account all these factors, the above caps are significantly higher than the historical purchases from WISC made by our Group.

III. APPLICATION FOR WAIVERS

We will continue to carry out the continuing connected transactions as disclosed above after our H shares are listed on the Hong Kong Stock Exchange and therefore those continuing connected transactions will be subject to the requirements of the Hong Kong Listing Rules.

Waiver from Strict Compliance with Announcement Requirement

Pursuant to the Hong Kong Listing Rules, the relevant percentage ratio for each of the above continuing connected transactions is less than 2.5% but more than 0.1% on an annual basis. Accordingly, all the above continuing connected transactions are exempted from the independent shareholders approval requirement under the Hong Kong Listing Rules. But all the above disclosed continuing connected transactions would still be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, if these requirements are strictly applied.

As these connected transactions are expected to be carried out on a continuing and recurring basis and are expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirement under the Hong Kong Listing Rules would be impractical and would add unnecessary administrative costs to our Company. Accordingly our Company has applied to the Hong Kong Stock Exchange pursuant to Rule 14A.42(3) of the Hong Kong Listing Rules for a waiver from strict compliance with the announcement requirement set out in Rule 14A.47 of the Hong Kong Listing Rules. The Hong Kong Stock Exchange has agreed to grant such waiver. Nevertheless, our Company has to comply with the reporting requirements set out in Rules 14A.45 and 14A.46 of the Hong Kong Listing Rules.

IV. OPINION OF OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the opinion that each of the annual caps set out in the table below for the continuing connected transactions disclosed above is fair and reasonable.

	Caps (in RMB million)		
Transaction	2007	2008	2009
1 Social Services Agreement — service fees payable by us to China Railway Hongda Asset Management Center	200.0	185.0	190.0
2 Purchase of raw materials by us and our subsidiaries from WISC and its associates	600.0	800.0	1,000.0

Our Directors (including the independent non-executive Directors) are also of the opinion that each of the continuing connected transactions disclosed above has been entered into, and will be carried out in our ordinary and usual course of business and on normal commercial terms, and that each of these continuing connected transactions is fair and reasonable and in the interest of our shareholders as a whole.

V. CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (1) the continuing connected transactions described above for which waivers are sought are in the ordinary and usual course of our business, on normal commercial terms, fair and reasonable and in the interest of our shareholders as a whole, and (2) the annual caps for such continuing connected transactions (where applicable) are fair and reasonable as far as our shareholders as a whole are concerned.