You should read the whole document before you decide to invest in our H Shares, and you should not rely solely on key or summarized information. The financial information in this section has been extracted without material adjustment from "Appendix I — Accountants' Report".

OVERVIEW

We are one of the ultra-large integrated construction enterprises in the world. In 2007, we were listed among the Fortune Global 500 companies, ranking 384th in terms of total revenue. In the same year, we were also ranked sixth out of the Top 225 Global Contractors in terms of total revenue from 2006 construction operations according to ENR magazine and 15th out of the Top 500 Chinese Enterprises elected by the Chinese Enterprise Confederation and the China Enterprise Directors Association in terms of total revenue.

Our businesses are divided into four major segments, namely: (i) construction operations; (ii) survey, design and consultancy operations; (iii) manufacturing operations; and (iv) other businesses, including real estate development and the provision of logistics services that relate to our main businesses. In addition, we generate revenue from our capital investment operations, which involve investments in certain BT, BOT and BOO projects.

Construction Operations

Our construction operations, primarily focusing on infrastructure construction, constitute our core business and cover nearly all types of construction projects, including railway, highway, metropolitan railway, water conservancy and hydropower facility, airport, port, industrial and civil construction and municipal projects. We are one of the largest providers of railway construction services in China. We have participated in the construction of almost all railway lines in China constructed after 1949 and have independently constructed approximately 34,000 km of railways, which account for the majority of China's railway lines constructed since 1949. We are the largest provider of highway construction services in China, with a focus on the construction of freeways as well as bridges and tunnels as part of our highway construction projects, and we have constructed more than 100 freeways and highways with a total length of approximately 22,600 km. Moreover, we are a leading provider of construction services in terms of revenue in the domestic market for bridges and tunnels, and have completed various bridge, tunnel and underground construction projects that meet international standards. We are also a leader in the construction of metropolitan railways, having participated or are currently participating in the survey, design and construction of metropolitan railway projects in all cities throughout China with such projects. As of 30 November 2007, we had provided construction services in 31 provinces, autonomous regions and municipalities in China, Hong Kong, Macau and more than 60 countries and territories around the world. The largest customers of our domestic construction operations are primarily business entities, such as project companies, set up and managed by central and local governments. The largest customers of our overseas construction operations are primarily governmental and semi-official entities. We have completed 287 overseas projects and are currently engaged to provide construction services for 137 overseas projects located in 27 different countries and territories. Major overseas projects completed by us include the Hong Kong West Rail, the rehabilitation of the Nigeria Railway Systems, the Macau Parliament Building, the East Wing of the Venetian Casino in Macau and the Tanzania-Zambia Railway Project. Significant overseas projects in which we were engaged as of the Latest Practicable Date include the Algerian East-west Expressway Project, Nigeria's Lagos-Kano Railway Modernization Project, the Saudi Arabia North-South Railway Line CTW200 Section, the Israel Camel Tunnel and the Turkey Ankara-Istanbul Railway Reconstruction Project. Although we generated insignificant

revenue from overseas projects during the Track Record Period, which represented only 1.6%, 2.0%, 2.3% and 3.4% of our total revenue for the years ended 31 December 2004, 2005, 2006 and the eleven months ended 30 November 2007, respectively, based on the substantial amount of the new contract value and backlog for the eleven months ended 30 November 2007, which represented 39.8% and 40.0% of our total new contract value and backlog of the construction operations for the same period, respectively, we expect that the revenue from our overseas construction projects will increase in coming years and constitute a larger part of our total revenue from construction operations.

Survey, Design and Consultancy Operations

We are a leading provider of survey, design and consultancy services in terms of revenue to the domestic infrastructure construction industry. We focus our survey, design and consultancy business mainly on the infrastructure construction of railways, bridges, tunnels, metropolitan railways, freeways, municipal projects, industrial and civil buildings, airports and ports. As of 30 November 2007, we had provided survey, design and consultancy services for 117 major construction projects at the national or provincial level as well as survey and design services for 12 of the 17 passenger railways currently under construction in China. We are highly competitive in the survey, design and consultancy industry in China, and two of the only four large-scale railway survey and design institutes servicing China's railway systems are our subsidiaries, while the other two are owned by the MOR and another domestic company, respectively. We held 61 government-issued certificates relating to our survey, design and consultancy operations as of 30 November 2007, and have assisted the MOR in setting over 40 industry standards currently in effect in China through our survey and design institutes. We possess comprehensive technologies for the survey and design of railways, including those situated on high plateaus and in mountainous regions, permafrost zones and deserts, as well as sophisticated technologies for electrified railway lines, passenger railway lines, underwater construction, long tunnels, wireless train dispatching and scheduling systems and large interchange traffic construction. Our survey and design technologies are among the most advanced in China and are considered advanced by international standards, and we have received over 430 awards for our survey, design and consultancy work since 1982. Our survey, design and consultancy operations extend throughout China and a number of overseas countries and territories. Major customers of our survey, design and consultancy operations include government agencies and business entities set up and managed by central and local governments, such as construction project companies. In 2007, we were ranked 69th out of the Top 150 Global Design Firms in terms of revenue for design services performed during 2006 according to ENR magazine.

Manufacturing Operations

We are the second largest manufacturer of large track maintenance machinery in the world in terms of annual production volume. As of the Latest Practicable Date, we were the largest company in both China and Asia engaging in the research and development, manufacturing, sales, maintenance and repair of large track maintenance machinery, occupying more than 80% of the domestic market share for large track maintenance machinery.

We participated in the recent development of the large track maintenance machinery industry in China, having imported leading technologies for the manufacturing of large track maintenance machinery and, within two years, successfully manufactured our proprietary machinery domestically by utilizing our strong research and development capabilities. Our state-of-the-art track maintenance machinery products promoted the significant upgrades from manual to automatic railway maintenance practices in China, as well as the successful increases in maximum train speeds on China's railway networks on numerous occasions. In

addition, we recently entered the high-speed railway track components market, an emerging market in China, and have been appointed by the MOR as one of only two designated manufacturers of high-speed railway switches in China. We successfully developed and produced a line of components manufactured specifically for China's high-speed railways, such as high-speed railway switches and rail fasteners. Major customers of our manufacturing operations include large enterprises, such as state-owned railway operators, construction companies, local railway companies, subway companies and mining companies with railway facilities.

Other Businesses

In addition to the foregoing operations, we have developed various businesses that relate to our construction and design operations and demonstrate potential for growth, such as businesses involving real estate development and logistics. We are also engaged in capital investment operations. Although contribution from our real estate development, logistics and capital investment operations was insignificant to our overall operations in terms of revenue and profit during the Track Record Period, we believe that these new businesses will not only promote our main operations because of their synergies with and utilization of our well-established expertise, but may also become our significant businesses in the future because of their tendency to have higher profit margins compared to our other operations.

As an important and profitable growth area, our real estate development business is a major focus of our business growth strategy. We plan to consolidate our resources and increase our capital and land reserves through various means to promote our real estate development business. We focus on the development of residential buildings as our main business, and the development of commercial properties, such as shopping malls and office buildings, as ancillary businesses primarily intended for sale to the public. We principally carry out real estate development in economically developed cities with a focus on municipalities, such as Beijing, and provincial capitals. As of 31 December 2007, we had 21 on-going real estate development projects which occupy an aggregate site area of approximately 2.3 million m^2, an expected GFA of approximately 5.4 million m^2 and an unsold GFA of approximately 4.9 million m^2. As of 31 December 2007, our major real estate development projects were expected to be completed within the next three to four years. Our subsidiary, China Railway Real Estate Group Co., Ltd., has also successfully established the brand "Zhong Tie Di Chan" ("中鐵地產"), which was ranked one of the Top 10 real estate brands in Beijing in 2007. Our logistics operations include the transportation of railway materials, storage of construction equipment and materials and trading of construction materials. We have enhanced the competitiveness of our modern logistics operations and trading operations through the expansion of our business scale and development of our business strategic partnerships. China Railway Goods and Materials Co., Ltd., our subsidiary specializing in logistic operations, was ranked the largest railway construction logistics services provider in China and the second largest railway materials logistic enterprise in the world. It has also been ranked 20th among the 50 most competitive supplier in China in 2006. Our capital investment operations involve investments in certain BT, BOT and BOO projects, which are usually implemented according to customers' requests and are fully or partially financed by contractors. We believe that infrastructure construction projects completed on a BT, BOT, BOO and PPP basis will be increasingly common in China, and therefore intend to expand our capital investment operations by increasing our involvement in BT, BOT, BOO or PPP projects in relation to our construction operations and increasing our relevant operating capacities.

Notable Achievements

We possess leading technologies relating to infrastructure construction and design and have made notable achievements in recent years. For example:

- We undertook all the survey and design work for Phase I and Phase II of the Qinghai-Tibet Railway Line, and were solely responsible for the construction of 71.1%, or approximately 1,406 km of both phases of the Qinghai-Tibet Railway Line, including all construction beyond 4,900 m above sea level and the majority of the difficult railway lines beyond 4,600 m above sea level of Phase II of the railway, as well as the sections of the railway crossing the Tanggula and Kunlun mountains. We overcame three significant challenges presented by permafrost, low oxygen levels due to high altitudes and the fragile ecology of the Qinghai-Tibet Plateau. The Qinghai-Tibet Railway Line was completed in 2006.
- We are currently the only company in China possessing proprietary knowledge of high-precision maglev track beam manufacturing technology, and we participated in the construction of the world's first commercially operated high-speed maglev line, the Shanghai Maglev Demonstration Line, which recorded maglev train speeds of up to 432 km/h.
- We participated in the construction of the Qinhuangdao-Shenyang Passenger Railway Line, including the testing section, which recorded train speeds of up to 321 km/h during trial operations. The project was completed in 2002.
- We designed and constructed the Wushaoling Tunnel, which was the longest tunnel in Asia at the time of its completion in 2006.
- We participated in the construction of Asia's longest pipeline, the East-West Gas Pipeline, and completed construction of the section of the pipeline that crosses over the Yellow River at Zhengzhou at the end of 2004.
- We are currently constructing the Nanjing Yangtze River Tunnel utilizing shield tunneling machines. This is the longest tunnel with the widest shield diameter crossing the Yangtze River.
- We are also undertaking the majority of the survey and design work for the Beijing-Shanghai High-Speed Railway Project, which is expected to commence construction soon. As of the Latest Practicable Date, we were independently awarded two sections of the Beijing-Shanghai High-Speed Railway Project with a construction contract value of RMB33.7 billion. In addition, we were awarded another section of this project with a construction contract value of RMB14.3 billion through a consortium entered into with China Hydraulic and Hydroelectric Construction Group Corporation, and our share in the total construction contract value is expected to be over RMB5.2 billion. As a result, we expect to be awarded over RMB38.9 billion, or over 46.5%, of the total contract value for Beijing-Shanghai High-Speed Railway Project. Of the four companies awarded the contract for this project, we were awarded the highest proportion of the project in terms of contract value.
- In 2006, we completed the construction of over 1,038.5 km and 1,076.0 km of bridges and tunnels, respectively.

For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2007, our new contract value amounted to approximately RMB144,539.8 million, RMB193,044.2 million, RMB202,341.4 million and RMB232,928.7 million, respectively. For the years ended 31 December 2004,

2005 and 2006 and the eleven months ended 30 November 2006 and 2007, our total revenue was RMB86,187.5 million, RMB110,794.7 million, RMB153,609.0 million, RMB138,283.7 million and RMB146,667.0 million, respectively, while our net profit was RMB192.6 million, RMB525.9 million, RMB1,502.0 million, RMB1,233.4 million and RMB2,005.5 million, respectively.

OUR COMPETITIVE STRENGTHS

As one of China's largest integrated construction companies primarily focusing on infrastructure construction, and with our long operating history, comprehensive range of qualifications, extensive experience and strong capabilities, we have the potential for continued growth and are well-positioned to take advantage of business opportunities in both domestic and international markets.

We are a leader in the domestic construction market. Our extensive business scope, which includes infrastructure construction, survey, design, consultancy, as well as the manufacture of large track maintenance machinery and logistics operations, enables us to provide comprehensive construction services. We have made a number of notable achievements through our ability to offer integrated, multifaceted services to our customers by effectively utilizing the facilities and resources from our various business segments, which has given us significant advantages in the undertaking of large-scale and complicated projects.

As of 30 November 2007, we held through our subsidiaries hundreds of qualifications which enable us to undertake 44 different types of construction projects in China. These include a large number of special qualifications which cover a broad range of construction projects including railway, highway, bridge, tunnel, metropolitan railway, water conservancy and hydropower facility, airport, port, real estate, municipal projects, as well as geological hazards prevention projects and which are obtainable only by large-scale construction companies with reputable track records and operational assets. We are ranked among the top companies in terms of both the number of qualifications we held and the broad coverage of our qualifications. As of 30 November 2007, we had 19 special qualifications and 251 Grade A qualifications to conduct general construction contracting services, 324 Grade A qualifications to conduct specialized construction contracting services, and 17 qualifications to conduct specialized construction services for metropolitan railway lines. We have the most special qualifications to conduct construction services for railway projects among all domestic construction companies and are one of the few integrated construction contractors in China that have 20 Grade A qualifications to provide general construction contracting services for water conservancy and hydropower facility projects. With our broad range of qualifications, we are able to bid for and to undertake an expansive portfolio of projects and to focus on emerging market opportunities created by the continued development of the infrastructure construction industry, allowing us to effectively diversify our operational risks and ensuring the sustainable development of our Company.

We inherited a prominent history and extensive expertise from our predecessor, the Railway Engineering Corps which was established in July 1948. As of 30 November 2007, we had constructed more than 100 new and existing multi-track and main railway lines, with a total length of approximately 34,000 km, which account for the majority of China's railway lines constructed since 1949. Landmark railway lines include the Qinghai-Tibet (Phases I and II), Beijing-Kowloon, Datong-Qinhuangdao, Southern Xinjiang, Nanning-Kunming, Neijiang-Kunming, Guangzhou-Shenzhen, Qinhuangdao-Shenyang, Chongqing-Huaihua, Xi'an-Hefei, Yangshou-Huanghe, Xiangfan-Chongqing, Chengdu-Kunming, Yingtan-Xiamen, Baoji-Lanzhou railway lines and the Guangdong Sea Passageway. Our participation in the four-electrification projects increases with our ability to construct electrified railway lines. We won approximately 42% of all the four-electrification projects in the bidding program of the MOR between 30 November 2006 and 30 November 2007. We have also constructed more than 100 freeways and highways, with a total length of

approximately 22,600 km. Landmark freeways and highways we have constructed include the Shenyang-Dalian, Jinan-Qinghai, Taiyuan-Yangquan, Xuanwu-Dalian, Tongjiang-Sanya, Chengdu-Chongqing, Beijing-Zhuhai, Beijing-Shanghai, Beijing-Fujian, Beijing-Shenzhen, Beijing-Chengde and Jiangxi-Guangdong freeways. We have participated in the construction of 30 airports, 130 large-scale water conservancy and hydropower facilities, 148 subways and metropolitan railways, and 41.14 million m^2 of buildings. Our accumulated experience in construction and technological know-how over the years have become a highly valued asset and are instrumental to our continued growth.

Our comprehensive abilities and expertise, the growth of the domestic and international construction markets and our solid customer relationships have provided us with opportunities for business development. The PRC Government plans to develop China's transportation network in the next five years through increased investment in China's railway network, particularly in passenger railway lines, highway networks and metropolitan railway lines, as well as investment in port construction, river treatment, the development and usage of water resources, alternative energy resources, real estate development, environmental protection and ecological engineering. In addition, the outlook for the global construction market continues to be positive due to increasing globalization of the world economy, a growing investment in Asia's construction industry, continued investment in infrastructure construction in African countries, and the substantial increase in infrastructure construction in developing countries and regions.

We believe that, with our comprehensive strengths and extensive experience, the opportunities created by the growth of the global construction industry and the "going out" strategy encouraged by the PRC Government, we will be able to strengthen our core operations and develop our businesses both domestically and in overseas markets, ensuring the continued growth of our Company.

We possess a solid foundation for continued growth of our core operations as a result of our numerous core technologies in each of our business operations, ability to develop proprietary technologies and use of sophisticated equipment.

We continually import sophisticated technologies and develop innovative, proprietary technologies, ensuring that we possess the core technologies needed to develop our businesses in various markets. During the Track Record Period, we participated in complex and challenging projects and, in doing so, accomplished the following:

- Undertook all survey and design work for Phase I and Phase II of the Qinghai-Tibet Railway Line, and overcame three significant challenges presented by permafrost, low oxygen levels due to high altitudes and the fragile ecology of the Qinghai-Tibet Plateau. We were solely responsible for the construction of 71.1%, or approximately 1,406 km of both phases of the Qinghai-Tibet Railway Line, including all construction beyond 4,900 m above sea level and the majority of the difficult railway lines beyond 4,600 m above sea level of Phase II of the railway, as well as the sections of the railway crossing the Tanggula and Kunlun mountains. The project was completed in 2006.
- Mastered advanced technologies used in constructing foundations and surfaces of freeways and airport runways.
- Achieved a leading position internationally in bridge construction technologies, such as those for the construction of cable-stayed bridges, cable supported bridges, light rail PC beams and high-precision maglev track beams. We are currently the only company in China possessing proprietary knowledge of high-precision maglev track beam manufacturing technology. We also mastered the advanced

box-beam and mobile frame construction and assembly technologies. We successfully increased the maximum weight of our bridge beam construction technology to 900 tonnes and extended bridge spans from less than 200 m to operating spans of 430 m and design spans of 580 m.

- Acquired sophisticated design and construction techniques for passenger railways and participated in the construction of the Qinhuangdao-Shenyang Passenger Railway Line, which was completed in 2002 including the testing section, which recorded train speeds of up to 321 km/h during trial operations; participated in the construction of the world's first commercially operated high-speed maglev line, the Shanghai Maglev Demonstration Line, which was completed in 2002 and recorded maximum train speeds of up to 432 km/h; and successfully utilized breakthrough technology for long rail track-laying; mastered design and construction technologies for the foundation of passenger railways and contributed to the substantial improvement in railway construction technology in China. As of the Latest Practicable Date, we were independently awarded two sections of the Beijing-Shanghai High-Speed Railway Project with a construction contract value of RMB33.7 billion. In addition, we were awarded another section of this project with a construction contract value of RMB14.3 billion through a consortium entered into with China Hydraulic and Hydroelectric Construction Group Corporation, and our share in the total construction contract value is expected to be over RMB5.2 billion. As a result, we expect to be awarded over RMB38.9 billion, or over 46.5%, of the total contract value for Beijing-Shanghai High-Speed Railway Project. Of the four companies awarded the contract for this project, we were awarded the highest proportion of this project in terms of contract value.

- Undertook and participated in almost all of China's major landmark underground construction projects by leveraging our globally leading expertise for tunnel and underground construction. The projects that we have worked on include the longest tunnel in Asia at the time of its completion in 2006 — the Wushaoling Tunnel; the longest railway tunnel built using the TBM construction method in China at the time of its completion — the Qinling Tunnel of the Xi'an-Ankang Railway Line, which was completed in 2000; the longest highway tunnel in China at the time of its completion — the Qinling Zhongnanshan Tunnel which was completed in 2007; and the world's highest rail tunnel — the Fenghuoshan Tunnel, which was completed in 2007. Utilizing the shield tunneling method, we also designed the longest tunnel with the widest shield diameter crossing the Yangtze River in Nanjing and completed the section of Asia's longest pipe jacking project that crosses the Yellow River. We are currently participating in the construction of mainland China's first undersea tunnel in Xiamen.

- Achieved a leading position in China for our line of high-precision automated maintenance machinery, thereby changing the traditional manual track maintenance practice in China.

- Applied sophisticated technologies of shield tunneling, permafrost excavation, pile foundation underpinning and excavation in complex geographical conditions, and participated in the construction of metropolitan railway lines in various cities in China.

As of the Latest Practicable Date, we owned 87 patents and 67 National Construction Methods in China. We also have four design institutes and a team of experts consisting of one academic from the Chinese Academy of Engineering, five national design master expert, 6,375 senior engineers and 16,207 engineers. Our subsidiary, Kunming Zhong-Tie, also possesses research and development capabilities for large track maintenance machinery and equipment. We believe the core technologies we possess in our business operations and our capacity in research and development enable us to continue growing our operations.

With our extensive experience in the overseas construction business and notable accomplishments in the industry, we are currently the largest, fastest-growing Chinese construction contractor in the overseas infrastructure construction market.

Our overseas operations are conducted mainly through our major subsidiary CCECC, which was established in 1979 and is one of the first Chinese companies to enter the international market. CCECC's predecessor, the Foreign Aid Office of the MOR, had organized, designed and constructed China's largest foreign aid project at the time — the Tanzania-Zambia Railway Project. The successful completion of this significant international, cross-border project was of significant importance to the development of China's overseas market. CCECC specializes in railway construction, including construction, design and consultancy, and cooperative labor arrangements in overseas countries and regions. In 2007, 49 Chinese construction companies were elected among the Top 225 International Contractors, with CCECC alone ranking 82nd in terms of construction revenue generated outside of the home country (the PRC) in 2006. We have established 31 representative offices, project engineering departments and branch offices in over 20 countries and regions around the world, and our operations extend across more than 60 countries and regions. We have a team of experts who are familiar with international commerce, tendering and construction management. We have developed our operations in overseas markets by leveraging CCECC's strength and presence in such markets since it joined our Company in February 2004, and by building upon our own design and construction expertise and the expertise of our other subsidiaries. Over the years, we have gradually established "CRCC" and "CCECC", the two brand names we own, and our reputation in the international construction industry. We have achieved preeminent status in countries and regions such as Hong Kong, Nigeria, the United Arab Emirates, Tanzania, Algeria, Turkey, Saudi Arabia, Israel and Botswana.

As a result of the efforts and resources we have expended in overseas markets, the contracts we have won since 2005 include: (i) construction of a high-speed railway in Turkey, a joint construction project led by our Company, valued at U.S.$1.27 billion; (ii) construction of the central and western sections of the Algerian East-West Expressway Project, a joint project with the CITIC Group pursuant to a standard contract valued at U.S.$6.25 billion; and (iii) Nigeria's Lagos-Kano Railway Modernization Project with a total investment of U.S.$8.3 billion, the largest project ever tendered by a Chinese construction company in the international market. In recent years, we have been the fastest-growing Chinese construction contractor in the overseas infrastructure construction market in terms of the growth of new contract value. For the year ended 31 December 2006 and the eleven months ended 30 November 2007, our new overseas contract value was approximately RMB43.6 billion and RMB89.1 billion, respectively, which was the highest among all Chinese construction companies with overseas operations.

We believe that, with the experience we continue to acquire through our overseas design and construction projects, our well-established brand name and the encouragement of the PRC Government's "going out" strategy, we will be able to continue with our fast-paced growth in the overseas infrastructure construction market and increase our market share in overseas markets.

We are a leading and highly proficient provider of survey, design and consultancy services for major infrastructure construction projects, and have made notable achievements in the domestic industry.

As of 30 November 2007, we owned five Grade A construction design and research institutes in China, namely, the China Railway First Survey and Design Institute, China Railway Fourth Survey and Design Institute, China Railway Fifth Survey and Design Institute, China Railway Shanghai Design Institute Group Co., Ltd. and Beijing China Railway Construction Electrification Design and Research Institute. China Railway First Survey and Design Institute and China Railway Fourth Survey and Design Institute are two of

the four large-scale survey and design institutes servicing China's railway systems, while the other two large-scale survey and design institutes are owned by the MOR and another large domestic construction company, respectively. In 2007, China Railway First Survey and Design Institute was ranked the first among Chinese construction survey, design and consultancy enterprises in terms of project management and operation revenue in an evaluation jointly organized by China Exploration and Design Association and China National Consulting Association. In addition, China Railway First Survey and Design Institute and the China Railway Fourth Survey and Design Institute are fellow members of the *International Federation of Consulting Engineers,* or FIDIC, and were listed among the *Top One Hundred Chinese Survey and Design Enterprises* for eight consecutive years.

As of 30 November 2007, we employed 2,116 senior survey and design engineers for large-scale infrastructure projects in China, including designs for railway, highway, bridge, tunnel, metropolitan railway, water conservancy and hydropower facility, airport, port, industrial and civil construction and municipal projects. Through our research institutes, we assisted the MOR in setting over 40 industry standards relating to railway construction design, quality inspection and other project-specific standards currently in effect in China. During the Track Record Period, our institutes provided survey and design services to 117 key projects at the national or provincial levels, including:

- all of Phase I and Phase II of the Qinghai-Tibet Railway Line, the highest plateau railway in the world;
- the Beijing-Kowloon Railway Line, which has received the largest amount of investment at the time for any railway project in China and is China's largest and longest railway line constructed in a single phase;
- the Zhengzhou Hub, the largest railway hub in Asia;
- the Dayaoshan Railway Tunnel, the longest electrified twin-track railway tunnel in China; and
- the Guangzhou-Shenzhen Quasi High-Speed Railway Line, the first quasi high-speed railway in China.

As of the Latest Practicable Date, we had provided survey and design services for approximately 70% of the existing passenger railways in China with speeds of over 300 km/h, including the Wuhan-Guangzhou Passenger Railway Line, currently the longest passenger railway line in China. We provide survey and design services for 12 of the 17 passenger railways currently under construction in China, which have an aggregate length of 3,448.1 km and comprise 63.3% of the total length of the 17 railway lines. Of these 17 passenger railways, we were given sole responsibility for the design of seven. As of the 30 November 2007, we held 61 government-issued certificates which is evidence of our qualifications for construction surveying, design and consultancy, engineering surveying, geological hazards prevention evaluation, designing supported by intelligent design software, and environmental impact assessment and surveying.

We possess comprehensive technologies for the survey and design of railways, including those situated on high plateaus and in mountainous regions, permafrost zones and deserts, as well as sophisticated technologies for electrified railway lines, passenger railway lines, underwater construction, long tunnels, wireless train dispatching and scheduling systems and large interchange traffic construction. Our survey and design technologies are among the most advanced in China and are considered advanced by international standards. Since 1982, we have received 60 national *"Four Excellence" Design Awards* and 373 provincial *"Four Excellence" Design Awards,* as well as multiple national awards for our survey, design and consultancy work for various other projects. We believe that the awards granted to us support our well-established brand

name. Our survey, design and consultancy operations extend throughout China and a number of overseas countries and territories. In 2007, we were ranked 69th out of the Top 150 Global Design Firms in terms of revenue for design services performed during 2006 according to ENR magazine.

We benefit from overall cost advantages resulting from our strong competitiveness in providing survey, design and consultancy services to large construction projects, which also ensures our ability to expand our market shares and achieve a sustainable development in both domestic and international survey, design and consultancy markets, which have a promising outlook due to the PRC Government's large investment in the development of China's transportation system and key infrastructure construction projects, and the overall growth of the global construction market.

Leveraging our strong financing, survey, design and technological capabilities, we have developed our real estate development business in major cities across China and have established our well-recognized brand name, "Zhong Tie Di Chan", in the market.

China's real estate industry has continued its rapid growth in recent years, with average real estate prices in China's largest 70 cities on the rise in 2006. This promising industry outlook has created new opportunities for companies such as ours. We obtained the approval of the SASAC to engage in real estate development as a significant business and, on 20 April 2007, we established China Railway Real Estate Group Co., Ltd., our subsidiary, to focus on the development of residential buildings as a main business as well as the development of commercial properties as ancillary businesses. Through China Railway Real Estate Group Co. Ltd., we successfully established the brand "Zhong Tie Di Chan" (中鐵地產), which was ranked one of the Top 10 real estate brands in Beijing in terms of influence.

We principally carry out real estate development in economically developed cities with a focus on provincial capitals and other large cities. Leveraging our construction, survey, design and consultancy operations as well as our sophisticated technologies and strong financing capabilities, we have been able to rapidly expand our real estate development business in recent years. As of 31 December 2007, we had 21 on-going real estate development projects. These projects occupy an aggregate site area of approximately 2.3 million m^2 and have an expected GFA of approximately 5.4 million m^2. These projects have an unsold GFA of approximately 4.9 million m^2. We believe that the real estate development business will grow rapidly and become one of our significant profit drivers in the foreseeable future.

We are the largest large track maintenance machinery manufacturer in Asia and the second largest in the world. Moreover, the strategic location of our manufacturing facilities and utilization of advanced technologies have enhanced our competitiveness in the high-speed railway track components market.

As of 30 November 2007, we were the largest company in both China and Asia engaging in the research and development, manufacturing, sales, maintenance and repair of large track maintenance machinery, occupying more than 80% of the domestic market share for large track maintenance machinery. We are the second largest manufacturer of large track maintenance machinery in the world in terms of annual production volume.

We participated in the recent development of the large track maintenance machinery industry in China, having imported leading technologies for the manufacturing of large track maintenance machinery and, within two years, successfully manufactured our proprietary machinery domestically using our strong research and development capabilities. Our state-of-the-art track maintenance machinery products promoted the significant upgrades from manual to automatic railway maintenance practices in China, as well as the successful increases in maximum train speeds on China's railway networks on numerous occasions. We will

continue to participate in the development of China's railway network by manufacturing and supplying important technology and equipment.

Kunming Zhong-Tie, our subsidiary, enjoys a long history and has extensive experience and advanced technologies in the large track maintenance machinery manufacturing industry. Kunming Zhong-Tie manufactures machinery for a number of railway operators in China and, in recent years, began to explore overseas markets.

As part of our strategic entrance into the high-speed railway track components market, we established CRRS, a technology-intensive company that has been appointed by the MOR as one of only two designated manufacturers of high-speed railway switches in China. We successfully developed and produced a line of components manufactured specifically for China's high-speed railways, such as high-speed railway switches and rail fasteners. The strategic location of our manufacturing facilities in southern China has enabled us to capture increasing opportunities to supply our products to economically developed areas where major high-speed railways are located. We believe that the addition of these new products and facilities has broadened the scope of our manufacturing operations.

Given that the PRC Government encourages the bulk purchase and utilization of large track maintenance machinery manufactured in China, we believe that we benefit from overall cost advantages resulting from our large track maintenance machinery and railway track components manufacturing operations.

We are the largest railway construction logistics services provider in China and the second largest railway materials supplier in the world, possessing an expansive logistics network and a high potential for growth in this business.

We operate our logistics business through our subsidiary, China Railway Goods and Materials Co., Ltd., or CRGMG. CRGMG has recently achieved rapid development in its logistics operations and has accumulated extensive experience in this area. In 2006, it ranked as the largest railway construction logistic service provider in China and the second largest railway materials supplier in the world. It was also ranked 20th among the 50 most competitive logistics enterprises in China in 2006.

We have 31 storage bases in 25 nationwide logistic hubs with the total storage area of approximately 1,330,000 m^2 and eight exclusive railways with a total length over 40 km for our logistics operations. We also engage in the trading of construction materials, enabling us to strengthen our ability to purchase and supply key materials. We have established strategic relationships with China National Petroleum Corporation, China Petroleum and Chemical Corporation and several major steel companies in China, and expanded the geographical coverage of our operations. The sales volume of our steel rail business exceeded 300,000 tonnes in both 2005 and 2006, accounting for over 20% of the domestic steel rail market. We believe that, in addition to being an independent business, our logistics operations provides us with the ability to lower our purchase costs of materials utilized in the construction business, thereby further enhancing our profitability and competitiveness.

Our experienced and knowledgeable management team and highly-skilled workforce have established "CRCC" as a widely-recognized brand name, effectively maintained our corporate culture and ensured the continued growth of our businesses.

Our senior management team consists of experts with an average industry experience of over 20 years, with extensive experience in large-scale infrastructure design and construction projects, the manufacture of

large track maintenance machinery and other areas related to infrastructure construction. We believe that our management team is equipped with the critical industry knowledge required to take advantage of market opportunities, formulate sound business strategies, assess and manage risks, and implement measures relating to management and production, all of which are expected to increase our overall profit and maximize shareholder value.

Our management team's expertise and commitment to high quality have contributed to the successful establishment of our brand name, "CRCC". We believe that, when selecting contractors for major infrastructure construction projects, the PRC Government, foreign governments and project commissioners place importance on the bidders' industry experience and brand name. As a result of the widespread recognition of our brand name in both domestic and overseas markets, we are often among the primary choices of contractors for such projects. In 2007, we were listed among the Fortune Global 500 companies, ranking 384th in terms of total revenue. We have been ranked among the Top 225 Global Contractors in terms of total revenue from 2006 construction operations according to ENR magazine for a number of years, ranking sixth in 2007.

We view our research and development capacities and innovative technologies as key to our continued development and have established special research and development facilities and a strong professional team. As of 30 November 2007, we had six research and development facilities specialized in construction engineering, four post-doctorate research centers mainly employing Ph.D graduates, 16 technology centers and five new, high-technology enterprises. As of 30 November 2007, we had over 86,000 technical personnel at the junior, mid- or senior levels, including one academic from the Chinese Academy of Engineering, five state-level design masters, 188 experts receiving special subsidies from the State Council, 21 experts with outstanding contributions at the provincial and ministerial level, 217 professor-level senior engineers who work in the research and development department and 6,375 senior engineers, 8,050 senior technicians, 16,207 engineers. In addition, we also have many professionals from the construction industry, including 3,391 State Grade A project managers and 5,061 State Grade A construction engineers.

We believe that our success is partly due to our management team's adherence to our corporate culture. Our management team endeavors to maintain the spirit of the Railway Engineering Corps, including its enthusiasm for discipline and innovation, and is committed to executing our business strategies and willing to accept new challenges. We believe our Company will continue its rapid growth under the leadership of our core management team.

OUR BUSINESS STRATEGIES

We aim to develop into a globally-competitive and progressive company with a principal focus on our construction business, construction survey, design and consultancy business, and manufacturing business, as well as large-scale construction projects development and management business. Our ultimate goal is to enhance our cross-regional, cross-sector and cross-border operations by integrating our business operations with our capital investment operations, coordinating our construction business with our survey and design services, and consolidating our domestic operations with our international operations. We believe that the following strategies will help us to leverage our strengths to capture future growth opportunities in China's construction industry, increase the globalization of our operations, enhance our core competitiveness and maintain our industry leading position in China.

Continue to enhance our leading position and increase our market share in China's construction industry.

Our traditional and core business operations involve the provision of construction services, which accounted for 93.9% of our total revenue before inter-segment elimination in the eleven-month period ended 30 November 2007. As of the Latest Practicable Date, we held a leading position in China's construction industry in terms of total assets, total revenue or new contract value. We aim to increase our overall share of the domestic market aggressively. We plan to maintain our leading position in China's infrastructure construction market by ensuring steady growth of our operations in the construction of infrastructure for railways, particularly passenger railways and high-speed railways, highways, tunnels, bridges, ports and airports, as well as increase our market share in construction of real estate, metropolitan railway, water conservancy and hydropower facility, and municipal projects. In addition, we will expand our operations to cover new, high-growth areas such as port construction and environmental-related and energy-related businesses with a view to increasing our overall share of the domestic market. The foregoing plans will be facilitated by fully utilizing our construction techniques, taking advantage of our economies of scale, using our capital effectively and procuring advanced equipment and facilities while improving our construction technology and consolidating our Company's resources. Leveraging our advantages of having an integrated structure, we will continue to reinforce our leading position in the industry. We also plan to develop new operations and generate steady income through various types of capital investment projects, including BT, BOT, BOO and PPP.

The PRC Government's plans to develop China's transportation network in the next five years include: (i) an investment of RMB1,200 billion to build the network for a passenger railway, consisting of four East-West and four North-South lines; (ii) the construction of an additional 350,000 km of highways, including 25,000 km of freeways; (iii) a total investment of nearly RMB500 billion in the construction of an additional 1,000 km of metropolitan railway lines; and (iv) a focus on investment in port construction, river water treatment, the development and usage of water resources, alternative energy resources, real estate development, environmental protection and ecological engineering. We intend to capture the opportunities created by these plans, develop the domestic market and select projects that generate higher profit. We intend to adopt a more profitable engineering, procurement and construction management, or EPC, business model that requires technological consolidation. We believe that such efforts will enable us to maintain strong growth and a leading position in the domestic infrastructure construction market.

Develop our overseas business and continue to expand the global footprint and scale of our overseas operations.

We intend to strengthen our competitiveness in our overseas construction, survey and design operations. We will take advantage of the opportunities created by the PRC Government's "going out" strategy of encouraging large Chinese construction companies to expand their overseas operations and compete in the global market. We plan to consolidate our internal construction technology and design resources and use our headquarters as a platform to contract and coordinate overseas businesses, while leveraging the strength and presence of CCECC and its affiliates in overseas markets to expand our experiences and cultivate talents. We will also develop the overseas markets for large track maintenance machinery and railway track components, such as high-speed railway switches and rail fasteners. We aim to become a high-quality, technologically-advanced international company, and we plan to strengthen our working relationships with overseas government agencies with a view to increasing our participation in foreign aid, government-financed projects and energy resources related projects in various developing countries, such

as those in Asia, Africa and Latin America. We will develop new, high value-added businesses while ensuring the high-quality execution and completion of our current overseas railway or highway projects by our localized project management team. In addition, we intend to achieve sustainable development of our overseas operations by exploring markets in certain developed countries in Europe and North America through close cooperation with other leading international and domestic construction companies, thereby enlarging the proportion of our revenue and profit generated from overseas operations to our total revenue and profit.

Realign our corporate focus and become a fully-integrated company while developing new businesses with high return.

We plan to enter into new businesses associated with our main operations and to realign our corporate focus. We believe that we are able to maintain our position as one of the few ultra-large construction companies in China capable of providing a full range of services through our highly integrated operations, including construction, survey, design and consultancy, manufacturing, real estate development, logistics, and capital investment operations.

Our Company consists of more than 20 subsidiaries that specialize in project design, construction and machinery and equipment manufacturing. With a view to achieving economies of scale and enhancing our market competitiveness, after our Restructuring, we plan to fully utilize our technological expertise and sophisticated equipment, as well as our financing capacity and consolidated resources, to develop innovative business models for our main operations and explore new businesses with high growth potential and high returns by way of business re-alignment, mergers and acquisitions, majority investments, minority investments, restructuring, joint ventures, cooperative efforts and asset swaps.

Specific development plans for new businesses are as follows:

Real estate development: The rapid and steadfast growth of China's economy and trends towards urbanization have led to an increase in capital flow and investments in real estate projects. Moreover, the PRC Government has implemented various macroeconomic measures, including raising the barriers to entry into the market and restricting competition to large-scale enterprises, in an effort to ensure the stable and systematic growth of the market. Our goal is to capture the opportunities created by favorable market conditions to continue to expand our operations in real estate development, with an emphasis on commercial real estate. As part of our growth strategy, we established China Railway Real Estate Group Co., Ltd., through which we have integrated related resources within our Company among various subsidiaries and will continue to operate our real estate development business.

We intend to further expand our overall land reserves and our scale of operations by increasing our capital expenditure in our real estate development business, forming strategic alliances and carefully selecting projects with promising prospects, with the aim of benefiting from synergies and economies of scale and securing stable sources of income, thus strengthening our market presence. We plan to focus on developing our operations in large cities and municipalities that have shown high economic growth and activity, including Beijing, Shanghai, Tianjin, Chongqing and Guangzhou.

Logistics: We aim to enhance our own procurement and supply capabilities to meet the procurement needs of our construction and other businesses by leveraging our qualifications and existing raw materials distribution businesses. We will integrate our resource supply systems through our subsidiary, China Railway Goods and Materials Co., Ltd., while developing our procurement operations in the domestic railway and other markets. We plan to further develop modernized logistics operations to enhance our overall cost advantages for our core business and generate new sources of profit for our Company.

Capital investment: In 2002, we began to engage in capital investments in relation to our construction operations that we believe will generate more cash flow in the future. We also believe that, as an important element propelling the development of the domestic infrastructure construction industry, construction projects completed through BT and BOT models will continue to increase. We intend to expand our capital investment operations, increase our involvement in BT, BOT, BOO or PPP projects and increase our relevant operating capacities. We plan to create a financing platform to centralize our capital and explore investment in fields such as transportation, energy resources development and new high-tech industries. We also plan to develop new operations and generate steady income through various types of capital investment projects, including BT, BOT, BOO and PPP.

Manufacture of railway track components: We plan to leverage the qualifications of CRRS, one of only two designated manufacturers of passenger railway switches by the MOR, grasp opportunities that arise as a result of the development of domestic passenger railway lines, develop the domestic market and increase our market shares. In addition, we will continuously upgrade and develop railway track component products, including high-speed railway switches and rail fasteners, to enter the overseas market. We expect to generate new sources of profit through the increased scale of this business.

Through the foregoing measures, we will increase our vertical integration. We will also balance our construction business through our equipment manufacturing and maintenance, project operation and management and our after-sale consultancy services. We aim to provide comprehensive services which not only concentrate on construction, but also extend to other operations such as project design, consultancy, investment, financing, and management services.

Enhance our research and development efforts to further enhance our core competitiveness.

Our continued development is dependent upon our advancements in science and technology. Through our main research institutes and engineering laboratories, we plan to establish a project-based technology development system, which will enable us to research and develop, educate our employees on, and produce new technologies to eventually realize proprietary technologies. Our main research institute will allow us to better integrate the research and development resources of our subsidiaries. In addition, we will be able to improve advanced technologies imported from overseas and customize such technologies for the domestic market.

In the years ended 31 December 2004, 2005, and 2006 and the eleven months ended 30 November 2006 and 2007, we invested RMB39.0 million, RMB27.9 million, RMB99.6 million, RMB88.4 million and RMB84.9 million, respectively, in research and development. Our core technologies, including those relating to our construction business, such as technologies used for the construction of passenger railways, plateau railways, railway tracks, bridges, tunnels and railway maintenance equipment, will facilitate our ability to produce innovative products based on technological know-how imported from overseas that are customized for China's railway network, particularly for passenger railways, thereby meeting the demands of the domestic railway market and ensuring the continued development of our Company.

We will also continue our research and development, and enhance the protection, of new proprietary technologies used in our main businesses through China Railway First Survey and Design Institute, China Railway Fourth Survey and Design Institute, China Railway Fifth Survey and Design Institute, China Railway Shanghai Design Institute Group Co., Ltd., Beijing China Railway Construction Electrification Design and Research Institute and Kunming Zhong-Tie. Currently, our proprietary technologies mainly

include those relating to our construction operations, survey, design and consultancy operations, and manufacturing operations.

Implement innovative management strategies, improve management efficiency and reduce costs to maintain cost-effective operations and optimize our overall profitability.

Our Company maintains a sizable staff force and has significant assets. To optimize our management decision-making process and improve our efficiency and productivity, we have defined the management roles for our headquarters to promote a flat management structure. After our Restructuring, our headquarters will focus on investment policy-making, capital investments, market development and integration of resources, while our subsidiaries will be responsible for construction and production. Decision-making and risk evaluation mechanisms will be established to strengthen our internal controls. We will also enhance the management of our project costs, with a particular focus on implementing uniform management standards among our subsidiary construction companies and optimizing the profitability of our operations.

We view improving efficiency and cost control as critical for maximizing our profitability and maintaining our competitiveness. Our Company will continue to rationalize and consolidate our internal management and further integrate our internal resource allocation system to strengthen our management control and increase our resource utilization rates. In addition, we will continue to enhance the centralized procurement of raw materials and plan to enter into long-term contracts with main suppliers of key raw materials, such as steel, to reduce our exposure to the volatility of raw material prices. We believe that centralizing raw material procurement will lower our procurement costs, ensure the consistent quality of raw materials and increase our rate of return.

We intend to enhance the efficiency of our supply chain, customer relations, on-site and financial information management systems. We will establish a uniform, computerized accounting and financial information management system to improve our financial risk management and to oversee our overall capital investments, operations and profits, as well as a uniform database that will allow our various subsidiaries to share consolidated research and development, sales and marketing and client information. We expect to implement a centralized capital management system which we believe will enable us to enhance the efficiency of our fund utilization, increase our sources of funding and reduce our financing costs. This system would enable us to integrate our capital investment operations and increase our investment flexibility to seek higher returns.

Further develop our outstanding corporate culture, promote the "CRCC" brand name and strengthen our reputation for excellence.

We value the brand "CRCC" as our most valuable intangible asset and the representation of our corporate culture. We will therefore enhance our integrated brand management and utilization and increase our brand awareness. For example, we plan to promote our brand name during major functions, such as the Olympic Games 2008 and the World Expo 2010, in order to fully explore business opportunities, attract investment, expand markets and recruit talents. We will also focus on promoting the brand name "CRCC" in overseas markets by associating our brand image with high quality landmark construction projects and products.

During our consolidation and business development progress, we will unify our corporate culture through the promotion of our brand name "CRCC". We believe our employees and member companies will be able to maximize profit for our shareholders under a uniform corporate culture.

PRINCIPAL PRODUCTS AND SERVICES

We mainly operate the following businesses:

- *Construction operations,* which is our traditional and core business. Our construction operations mainly include the construction of infrastructures such as railway, highway, metropolitan railway, water conservancy and hydropower facility, airport, port, industrial and civil construction and municipal projects;
- *Survey, design and consultancy operations,* including the provision of survey, design and consultancy services for the construction of railway, highway, metropolitan railway, bridge, tunnel, municipal and power projects, high-rise buildings, airports and ports;
- *Manufacturing operations,* including the design, research and development, production and sale of large track maintenance machinery as well as the manufacture of components for railway construction, such as railway switches for passenger railways and rail fasteners; and
- *Other business operations,* including real estate development and logistics businesses, that relate to our main businesses. In addition, we also conduct capital investment operations.

The following table sets forth the contributions by each of our business operation segments in terms of revenue before elimination of inter-segment sales and as a percentage of our total revenue before elimination of inter-segment sales for the periods indicated:

	For the year ended 31 December						Eleven months ended 30 November			
	2004		2005		2006		2006		2007	
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%
Revenue										
Construction operations[1]	80,565.8	93.1	104,133.7	93.6	146,359.7	94.7	131,658.1	94.7	139,184.6	93.9
Survey, design and consultancy operations	2,345.6	2.7	2,909.3	2.6	3,348.5	2.2	2,995.8	2.2	2,748.7	1.9
Manufacturing operations	1,362.5	1.6	1,388.3	1.2	1,355.2	0.9	1,237.4	0.9	1,633.8	1.1
Other operations[2]	2,217.2	2.6	2,872.5	2.6	3,553.9	2.3	3,152.8	2.3	4,625.0	3.1
Subtotal	**86,491.1**	**100.0**	**111,303.7**	**100.0**	**154,617.3**	**100.0**	**139,044.1**	**100.0**	**148,192.2**	**100.0**
Elimination	(303.6)		(509.0)		(1,008.3)		(760.4)		(1,525.2)	
Total	**86,187.5**		**110,794.7**		**153,609.0**		**138,283.7**		**146,667.0**	

(1) Include construction revenue from the BT and BOT projects as part of our capital investment operations. For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007, we generated construction revenue from BT and BOT projects of RMB185.9 million, RMB2,135.8 million, RMB1,604.6 million, RMB1,451.5 million and RMB1,434.8 million, respectively.

(2) Include revenues generated from real estate development, logistic services and other businesses, excluding construction revenue from BT and BOT projects as part of our capital investment operations.

CONSTRUCTION OPERATIONS

Overview

Since our incorporation, the provision of construction services has been our traditional and core business, and for the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007 revenue generated from our construction operations before inter-segment elimination accounted for 93.1%, 93.6%, 94.7%, 94.7% and 93.9% respectively, of our total revenue before elimination of inter-segment sales. Through our subsidiaries, comprising 15 construction group companies, CCECC. and China Railway Construction Group Co., Ltd., we engage in the provision of domestic and

overseas construction for projects such as railway, highway, bridge, tunnel, metropolitan railway, water conservancy and hydropower facility, airport, port, industrial and civil construction and municipal projects. We are one of the largest providers of construction services for railway projects and the largest provider of construction services for highway projects in China. We are also one of the market leaders in tunnels, bridges, metropolitan railways and underground construction projects in China. We have participated in the construction of approximately 34,000 km of railway, accounting for the majority of China's railway lines constructed since 1949. We also constructed approximately 22,600 km of new freeways and highways, 5,390 km of tunnels, 5,336 km of bridges and 41,140,000 m^2 of buildings. In addition, we have undertaken work on 130 large-scale water conservancy and hydropower facilities, 30 major airports, 148 metropolitan railway lines, projects. In addition to these construction projects in China, we have also completed more than 200 projects in foreign countries and territories. In 2007, we were listed among the Fortune Global 500 companies, ranking 384th in terms of total revenue. In the same year, we were also ranked sixth out of the Top 225 Global Contractors in terms of total revenue from 2006 construction operations according to ENR magazine and 15th out of the Top 500 Chinese Enterprises elected by the Chinese Enterprise Confederation and the China Enterprise Directors Association in terms of total revenue.

We have been engaged to provide services in all provinces, autonomous regions and municipalities of China, excluding Taiwan. We are also involved in infrastructure construction projects located in overseas countries and territories, including those in Africa, Asia, the Middle-East and Europe.

Our revenue generated from the construction operations before inter-segment elimination for the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007 was RMB80,565.8 million, RMB104,133.7 million, RMB146,359.7 million, RMB131,658.1 million and RMB139,184.6 million, respectively.

The following table sets forth our new contract value for our construction operations for the years ended 31 December 2004, 2005 and 2006 and eleven months ended 30 November 2007 by each type of construction project:

	For the year ended 31 December			Eleven months ended 30 November
	2004	2005	2006	2007
	RMB (million)	RMB (million)	RMB (million)	RMB (million)
Domestic				
Railways	26,041	69,308	81,646	65,019
Highways	67,247	72,016	35,054	27,319
Metropolitan railways	2,896	3,108	5,354	6,123
Water conservancy and hydropower facilities	5,596	6,452	4,348	6,572
Other	34,795	25,365	28,187	29,544
Domestic subtotal	136,574	176,247	154,589	134,576
Overseas				
Railways	22	4,435	13,430	76,293
Highways	479	548	26,716	6,810
Others	3,261	7,926	3,469	5,981
Overseas subtotal	3,762[1]	12,909[2]	43,615[3]	89,084[4]
Total	**140,336**	**189,156**	**198,204**	**223,660**

(1) Overseas new contract value comprises of the projects from the following areas: Middle East (27.3%), Africa (42.6%), Southeast Asia (1.8%) and others (28.3%).

(2) Overseas new contract value comprises of the projects from the following areas: Middle East (19.9%), Africa (17.2%), Southeast Asia (2.7%) and others (60.2%).

(3) Overseas new contract value comprises of the projects from the following areas: Africa (91.6%) and others (8.4%).

(4) Overseas new contract value comprises of the projects from the following areas: Middle East (4.7%), Africa (78.2%), Southeast Asia (3.8%) and others (13.4%).

As of the Latest Practicable Date, our new contracts are expected to be completed within one to five years from the date of commencement of the relevant project.

Railway Construction

Our predecessor was the Railway Engineering Corps, and, therefore, the construction of railways have always been a significant part of our core operations. We are one of the largest providers of railway construction services in China. We have participated in the construction of almost all railway lines constructed after 1949 and have independently constructed approximately 34,000 km of railways, which account for the majority of China's railway lines constructed since 1949. Our market share for railway construction in China in terms of new contract value is approximately between 45% and 50%. For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007, our total revenue generated from the contracting of railway construction projects before elimination of inter-segment sales was RMB22,461.1 million, RMB32,434.3 million, RMB61,496.9 million, RMB58,477.0 million and RMB62,497.9 million, respectively.

Completed Projects

Since our establishment, we have constructed more than 100 new multi-track and main railway lines. Landmark railway lines include the Qinghai-Tibet (Phases I and II), Beijing-Kowloon, Datong-Qinhuangdao, Southern Xinjiang, Nanning-Kunming, Neijiang-Kunming, Guangzhou-Shenzhen, Qinhuangdao-Shenyang, Chongqing-Huaihua, Xi'an-Hefei, Yangshou-Huanghe, Xiangfan-Chongqing, Chengdu-Kunming, Yingtan-Xiamen, Baoji-Lanzhou railway lines and the Guangdong Sea Passageway, with a total length of approximately 34,000 km, accounting for the majority of China's railway lines constructed since 1949. We have completed the following landmark railway or railway system projects in recent years:

- *Qinghai-Tibet Railway (Phase I and Phase II):* The Qinghai-Tibet Railway Line is the world's longest, highest and most technologically sophisticated plateau railway. This renowned railway project connecting Xining and Lhasa has two phases that commenced commercial operations on July 1984 and July 2006, respectively. We were solely responsible for the construction of 71.1%, or approximately 1,406 km of both phases of the Qinghai-Tibet Railway Line, including, all construction beyond 4,900 m above sea level and the majority of the difficult railway lines beyond 4,600 m above sea level of Phase II of the railway, as well as the sections of the railway crossing the Tanggula and Kunlun mountains. We successfully overcame three significant challenges presented by permafrost, low oxygen levels due to high altitudes and the fragile ecology of the Qinghai-Tibet Plateau. The total contract value of Phase II was approximately RMB13.1 billion;

- *Datong-Qinhuangdao Railway:* This is the first dual line electrified railway specially designed for coal transportation by standardized heavy-haul freight wagons, and was completed in 1991. We have participated in the construction of both Phase I and Phase II of this railway line with a total contract value of RMB3.0 billion. We also undertook the expansion project which allowed this railway line to support annual transportation volumes of 200 million tonnes. We won a *Luban Award,* China's most prestigious architecture and construction award, as well as the *Golden Prize of National Excellent Construction Project,* for our outstanding construction quality;

- *Qinhuangdao-Shenyang Passenger Railway Line:* This is the first passenger railway in China, which was completed in 2002 with a total contract value of RMB5.2 billion. We constructed part of the railway, including the testing section, which recorded maximum train speeds of over 321 km/h. We have developed the technical capacity to build passenger railways through the completion of this project;

- *Ji'an-Dingnan Section of the Beijing-Kowloon Railway Line:* The Beijing-Kowloon Railway Line is the second north-south railway artery in China. It was built across areas with complex geographical conditions and under significant time pressures and completed in 1995. We completed the construction of 346.2 km of railways with a total contract value of RMB7.9 billion within 39 months and received a *Luban Award* for the outstanding construction quality of this project; and

- *Guangzhou-Shenzhen Quasi High-Speed Railway Line:* This is the first quasi high-speed railway in China and the first electrified 4-line railway with separate lines for cargo and passenger transportations, which was completed in 1994. We constructed the passenger transportation lines with a total contract value of RMB3.9 billion which are currently integrated parts of the Guangzhou-Shenzhen inter-city commuter network with a maximum operation speed over 200 km/h.

Projects under Construction

Based on our expertise and our recognized brand name, we are actively participating in the construction of China's new passenger railway network. We have undertaken approximately 45% of passenger railway projects currently under construction in China. As of 30 November 2007, the total value of backlog contracts for railway construction was approximately RMB91.7 billion. As of the Latest Practicable Date, we were independently awarded two sections of the Beijing-Shanghai High-Speed Railway Project with a construction contract value of RMB33.7 billion. In addition, we were awarded another section of this project with a construction contract value of RMB14.3 billion through a consortium entered into with China Hydraulic and Hydroelectric Construction Group Corporation, and our share in the total construction contract value is expected to be over RMB5.2 billion. As a result, we expect to be awarded over RMB38.9 billion, or over 46.5%, of the total contract value for Beijing-Shanghai High-Speed Railway Project. Of the four companies awarded the contract for this project, we were awarded the highest proportion of the project in

terms of contract value. The following table sets out the major railway construction projects in which we were involved as of 30 November 2007:

Project name	Commencement date	Expected completion date	Total contract value[1]	Approximate progress as of 30 November 2007	Project description[2]
			(RMB million)		
Beijing-Tianjin Inter-city High-speed Railway	January 2005	July 2008	3,800.0	95%	The railway, which starts from the eastern section of Beijing South Station and extends to Tianjin Station, has a total length of 115.4 km. We are responsible for the second section which accounts for over 50% of the total length of this project.
Wuhan-Guangzhou Passenger Railway Line	June 2005	March 2009	23,900.0	75%	This project is 995 km in total, connecting Wuhan and Guangzhou, including the Changsha-Hengyang Junction. We are responsible for more than 50% of this construction. We are also responsible for the construction of Wuhan Train Station and sections SDIII, SDIV, SJDI, SQDGIII, XXTJI, XXJJIII, XXTJV and XXTJVI.
Zhengzhou-Xi'an Passenger Railway Line	July 2005	April 2009	15,880.0	70%	This railway runs parallel with the Longhai Railway Line, connecting Zhengzhou and Xi'an, and has a total length of 484.5 km. We are responsible for the construction of approximately 300 km of railways and the laying of more than 280 km of tracks. We are responsible for sections ZXZQ02, ZXZQ03, ZXZQ05, ZXZQ07 and KHZQ02.
Shijiazhuang-Taiyuan Passenger Railway Line	June 2005	October 2008	4,300.0	75%	This railway connects Shijiazhuang and Taiyuan and has a total length of 189.93 km. We are responsible for approximately 60% of this project. We are also responsible for sections Z1, Z2, Z3, Z4, Z7, Z8 and Z10.

(1) "Total contract value" as used here is the subtotal of the value of all the relevant contracts already signed by our Company.

(2) "Project description" as used here is general in nature and is for reference purposes only. We may have participated only in certain sections of a project in some cases.

Highway Construction

We are the largest provider of highway construction services in China, with a focus on the construction of freeways as well as bridges and tunnels as part of the constructed highways. Our customers are mainly provincial or municipal transportation divisions and highway development companies. For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007, our revenue generated from the contracting of highway construction projects before elimination of inter-segment sales was RMB35,539.7 million, RMB47,565.4 million, RMB56,925.4 million, RMB50,991.4 million and RMB47,669.8 million, respectively.

Completed Projects

Since our inception, we have constructed more than 100 freeways and highways, located in all provinces, municipalities and regions in China, except Taiwan, with a total length approximately 22,600 km, including the Shenyang-Dalian, Jinan-Qinghai, Taiyuan-Yangquan, Xuanwu-Dalian, Tongjiang-Sanya, Chengdu-Chongqing, Beijing-Zhuhai, Beijing-Shanghai, Beijing-Fujian, Beijing-Shenzhen, Beijing-Chengde and Jiangxi-Guangdong freeways. We have completed the following landmark highway projects in recent years:

- *Beijing-Zhuhai Freeway*: This two-way, four-lane freeway is 2,291 km long and connects Beijing with Guangzhou and Zhuhai, two important cities in southern China. It is the main section of China's first national freeway. We completed part of the groundworks for this project in 2003, which had a total contract value of RMB1.45 billion;
- *Shenyang-Dalian Freeway*: This freeway was China's first freeway and was later expanded to become its first eight-lane freeway. It is 375 km long and connects Shenyang and Dalian, two major cities in northeastern China. We completed the groundworks for this freeway in 1990, which has a total length of 28 km and a contract value of RMB69 million. We also participated in the expansion project for this freeway, which was completed in 2004 and had a total contract value of RMB1.2 billion; and
- *Jinan-Qingdao Freeway:* This freeway connects Jinan and Qingdao, crossing over Shandong Province and linking other inland cities with the sea harbor. We have constructed 90 km of this freeway, which was completed in 1993 with a total contract value of RMB450 million and is of significant importance to the economic development of Shandong Province.

Projects under Construction

As of 30 November 2007, the total value of backlog contracts of highway construction was approximately RMB42.4 billion. The following table sets out the major highway construction projects in which we were involved as of 30 November 2007:

Project name	Commencement date	Expected completion date	Total contract value[1]	Approximate progress as of 30 November 2007	Project description[2]
			(RMB million)		
Punan Freeway	October 2005	October 2009	6,600	70%	This freeway has a total length of 244.5 km and consists of 99 large- or mid-sized bridges and 24 tunnels. We constructed all three sections of this project. We are responsible for sections A, B and C.
Beijing-Tianjin No. 2 Passage	December 2005	December 2008	1,300	90%	Connecting Beijing and Tianjin, this freeway has a total length of approximately 135 km. We constructed five sections of this project. We are responsible for sections 3, 5, 6 and 10.
Quanzhou-Sanming Freeway	January 2006	June 2008	4,400	75%	This freeway has a total length of 265 km. The total investment of the project is estimated to be approximately RMB15 billion. It is an important part of the freeway network planning of Fujian Province. We are responsible for 15 highway sections and have completed construction of 13 sections.

(1) "Total contract value" as used here is the subtotal of the value of all the relevant contracts already signed by our Company.

(2) "Project description" as used here is general in nature and is for reference purposes only. We may have participated only in certain sections of a project in some cases.

Bridges

We are a market leader in the provision of bridge construction services in China. We achieved a leading position internationally in bridge construction technologies, such as those for the construction of cable-stayed bridges, cable supported bridges, light rail PC beams and high-precision maglev track beams. We are currently the only company in China possessing proprietary knowledge of high-precision maglev track beam manufacturing technology. We also mastered the advanced box-beam and mobile frame construction and assembly technologies. We successfully increased the maximum weight of our bridge beam construction technology to 900 tonnes and extended bridge spans from less than 200 m to operating spans of 430 m and design spans of 580 m. We construct bridges as independent structures or as parts of our railway and highway construction projects. Leveraging our outstanding construction quality and expertise in dealing with complex geographical conditions, and utilizing advanced technologies and equipment such as 900-tonne bridge-erecting machines and 900-tonne mobile modular framework bridge-building machines, we completed the construction of bridges, and in the process, have won national awards for the high quality of these projects. The revenue generated from the construction of bridges that were constructed as part of a railway or highway project was accounted for as revenue from the relevant railway or highway project.

Completed Projects

Since our inception, we have constructed approximately 5,336 km of bridges, such as the Sanchahe Extra-Large Bridge on the Qinghai-Tibet Railway Line, the Wuhu Bridge crossing the Yangtze River, the Yiling Bridge crossing the Yangtze River, the Extra-Large Bridge crossing the Yellow River on the Lingwu Railway Line, the Sea-crossing Bridge on the Xiamen Ring Road, the Songhua River Extra-Large Bridge on the Suijia Railway Line, the Extra-Large Bridge crossing the Qingsuihe River on the Nanning-Kunming Railway Line and the Nanpan River Extra-Large Bridge on the Nanning-Kunming Railway Line. We have completed the following landmark bridges in recent years:

- *Qingsuihe River Bridge of the Nanning-Kunming Railway Line*: This landmark project, which was completed in 1998, measures approximately 260.5 m long, is the first railway bridge in China with a pylon that is over 100 m high. We undertook the construction of the entire project, which has a contract value of RMB68 million. We received the *Luban Award* in 2000 for its construction quality;

- *Huatupo Extra-Large Bridge on the Neijiang-Kunming Railway Line:* The main pylon of this bridge is over 110 m high and the total length of the bridge is over 678.6 m. This project was completed in 2001 with a total contract value of RMB160 million. The project received the *Luban Award* in 2004 and the *China Civil Engineering Zhan Tianyou Award* in 2005;

- *Lizigou Extra-Large Bridge on the Neijiang-Kunming Railway Line:* This 161.1-meter high and 1,031.9-meter long bridge is an important project on Neikun Railway Line, with a main span of over 529 m wide. The project was completed in 2002 with a total contract value of RMB230 million and received the *Luban Award* in 2003; and

- *Shanghai Fengpu Bridge:* This bridge crosses over Huangpu river in Shanghai with a total length of 2.2 km. We completed the construction of this bridge in October 1995 and received the *Luban Award* in 1997 for its construction quality. The total contract value of this project is RMB230 million.

Projects under Construction

Leveraging our outstanding construction quality and expertise in dealing with complex geographical conditions, we are currently constructing the following projects:

Project name	Commencement date	Expected completion date	Total contract value[1]	Approximate progress as of 30 November 2007	Project description[2]
			(RMB million)		
Chongqing YuDong Bridge	February 2005	May 2008	420.0	85%	This is China's first bridge designed for parallel traffic of automobiles and light rail on the same level. We are responsible for the entire construction of this two-way, eight-lane bridge has two lanes for light rail and a total width of 42 m.
Ao Jiang River crossing Bridge on Wenzhou-Fuzhou Railway Line	July 2005	August 2008	486.4	60%	One of the longest railway bridges currently under construction, with a total length of 11.3 km. This project is being constructed utilizing mobile modular framework bridge-building machines, and we are responsible for its entire construction.
Longtan River Bridge on Enshi-Lichuan Freeway	May 2004	June 2008	220.0	95%	The main pylon of this bridge is approximately 178.3 m high, and is one of the highest pylons in Asia. We are responsible for its entire construction.

(1) "Total contract value" as used here is the subtotal of the value of all the relevant contracts already signed by our Company.

(2) "Project description" as used here is general in nature and is for reference purposes only. We may have participated only in certain sections of a project in some cases.

Tunnels

We are one of the leading companies providing tunnel construction services. We construct tunnels as parts of our railway and highway construction projects. Leveraging our outstanding construction quality and expertise in dealing with complex geographical conditions and utilizing advanced technologies and equipment such as the shielding machine and TBM, we constructed or participated in almost all landmark underground projects in China, and are currently constructing China's first undersea tunnel. The revenue generated from the construction of tunnels that are constructed as part of a railway or highway project is accounted for as revenue from the relevant railway or highway project.

Completed Projects

Since our establishment, we have constructed over 5,390 km of tunnels as part of our railway and highway projects. Landmark tunnel projects include the Qinling Tunnel on Xi'an-Ankang Railway Line, the Fenghuoshan Tunnel on the Qinghai-Tibet Railway Line, and the Wushaoling Tunnel on the Lanzhou-Wuhan Railway Line. We have completed the following landmark highway or railway tunnel projects in recent years:

- *Qinling Tunnel of the Xi'an-Ankang Railway Line:* This tunnel consists of two single-line tubes, which are almost parallel to each other. We applied TBM excavation technology for the first time during the tunnel's construction and successfully solved the difficulties created by unfavorable geographical conditions, single-ended ventilation in the tunnel and hard rock blasting. We achieved six new national records in tunnel construction and successfully completed the project

before the deadline. The project was completed in 2000 with a total contract value of RMB750 million. We received the *National Science and Technology Advancement Award* in 2003, the *Luban Award* in 2002 and the *Zhan Tianyou Award* in 2003 for this project;

- *Fenghuoshan Tunnel on Qinghai-Tibet Railway Line:* This tunnel is situated at an altitude of 4,905 m and located in the Fenghuoshan Mountain of the Qinghai-Tibetan Plateau. The tunnel was constructed in permafrost and has been listed in the *Guinness World Records* as the world's highest rail tunnel built in permafrost. The project was completed in 2006 with a total contract value of RMB850 million. We were awarded the second prize of the *National Science and Technology Advancement Award* in 2005 for the project;
- *Wushaoling Tunnel:* This tunnel on the Lanzhou-Wuhan Railway Line crosses through four distinct regions in the high and middle mountainous areas of the Qilian Mountains and is situated at an altitude of over 2,400 m. It is the first railway tunnel to exceed a length of 20 km in China and serves to reduce bottlenecks on the Eurasian Continental Bridge The project was completed in 2006 with a total contract value of RMB200 million.; and
- *Qinling Zhongnanshan Highway Tunnel:* This tunnel crosses through the Qinling Mountains and was the longest double-tube tunnel in China when it was completed in 2007. It was one of the three landmark transportation projects in Shaanxi during the Tenth Five-Year Plan period. The total contract value of this project is RMB910 million.

Projects under Construction

Leveraging our outstanding construction quality and expertise in constructing tunnels with complex geographical conditions, we are currently constructing the following projects:

Project name	Commencement date	Expected completion date	Total contract value[1]	Approximate progress as of 30 November 2007	Project description[2]
			(RMB million)		
Nanjing Yangtze River Tunnel	September 2005	December 2009	2,200	30%	The 6.2 km tunnel connects two districts of Nanjing city. It is currently the longest tunnel crossing the Yangtze River. The diameter of the shield tunneling machine used in this project is also one of the widest in the world. We are responsible for the construction of this entire project.
Xiamen Xiang'An Undersea Tunnel	August 2005	August 2008	783	50%	Xiamen Xiang'an Undersea Tunnel is the first undersea tunnel in mainland China solely designed by Chinese professionals. The tunnel is 9 km long and has an undersea section measuring 6.0 km long. The deepest part of the tunnel is 70 m below the surface of the sea. We are responsible for the construction of sections A2 and A3 of this project.
Shiziyang Tunnel on Guangzhou-Shenzhen-Hong Kong Passenger Railway Line	May 2006	March 2009	1,179	15%	This 10.8 km tunnel is the first underwater railway tunnel in China and the deepest underwater tunnel in China. We are responsible for the construction of section two of this project.

Project name	Commencement date	Expected completion date	Total contract value[1]	Approximate progress as of 30 November 2007	Project description[2]
			(RMB million)		
Taihangshan Tunnel on Shijiazhuang-Taiyuan Passenger Railway Line	June 2005	August 2008	968	75%	This tunnel has a total length of approximately 27.4 km. We are responsible for the construction of approximately 18 km of this project, which includes sections Z2, Z3 and Z4.
Guanjiao Tunnel	November 2007	November 2012	1,360	10%	Currently, Guanjiao Tunnel is the longest railway tunnel in China, measuring approximately 32.6 km in length. We are responsible for construction of section 5-1 or 17,352m, of the project.

(1) "Total contract value" as used here is the subtotal of the value of all the relevant contracts already signed by our Company.

(2) "Project description" as used here is general in nature and is for reference purposes only. We may have participated only in certain sections of a project in some cases.

Metropolitan Railways

We are a leader in the construction of metropolitan railways in China. We independently constructed the first subway in China — Line One of the Beijing City Subway. We have participated or are currently participating in metropolitan railways projects in all cities throughout China with such projects, including Dalian, Tianjin, Chongqing, Wuhan, Beijing, Guangzhou, Shanghai, Nanjing and Shenzhen. In recent years, our business has significantly developed in the area of metropolitan railways. As of 30 November 2007, we had constructed or participated in the construction of 148 metropolitan railway projects. We have made certain breakthrough achievements in the construction of urban light rail systems, shield tunneling, pile foundation underpinning, large cross-section excavation technology in complex geographical conditions and the utilization of anti-vibration and noise reduction technologies for metropolitan railway lines. Our customers mainly consist of transportation bureaus and transportation system operators of major cities in China. For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007, our revenue generated from the construction of metropolitan railway projects before elimination of inter-segment sales was RMB2,055.3 million, RMB2,690.8 million, RMB4,823.8 million, RMB3,626.2 million and RMB4,424.9 million, respectively.

Completed Projects

We have completed the following landmark tracks and metropolitan railway projects in recent years:

- *Shanghai Maglev Demonstration Line:* In 2001, we participated in the construction of this maglev track, which is the first and only maglev track currently in commercial operation in China. The track recorded maximum train speeds of up to 432 km/h during trial operations. The project was completed in 2002 with a total contract value of RMB540 million. We are currently the only company in China possessing proprietary knowledge of high-precision maglev track beam manufacturing technology and have obtained two intellectual property rights for technologies developed for this project;
- *Beijing Metropolitan Railway Lines:* We have constructed subway routes No. 1, No. 2, No. 5, No. 13 and the Bawangfen-Tongzhou Line of the Beijing Metropolitan Railway Lines System, the combined subway and light rail connecting Beijing Capital International Airport with the city

center of Beijing. The construction of routes No.1 and No.2 was completed in 1989 with a total contract value of RMB1.7 billion. As part of the subway line crosses the city center, we employed underground excavation technology to minimize interference with city center traffic;

- *Chongqing Light Rail:* This is a straddle-type, single-rail transportation system. We used our own PC beam technology, having obtained three patents in the beam body, mold and construction methods, and successfully overcame difficulties such as steep slopes, multiple curves and the manufacture and erection of an S-shape reverse curve PC beam. The project was completed in 2004 with a total contract value of RMB110 million. In 2005, this project received *Top Ten Construction Technology Achievement in China*; and
- *Extension for West-end of No. 2 Subway in Shanghai:* The project is an extension of the west-end of the No. 2 Subway in Shanghai with a total length of approximately 6.1 km. We were engaged as the general contractor and completed the groundworks as well as the construction of the electrical engineering system and railways of all sections between stations. The project was completed in 2006 with a total contract value of RMB3.6 billion.

Projects under Construction

As of 30 November 2007, the total amount of our backlog for the metropolitan railway projects was approximately RMB10.2 billion. The following table sets out the major metropolitan railway projects in which we were involved as of 30 November 2007:

Project name	Commencement date	Expected completion date	Total contract value[1]	Approximate progress as of 30 November 2007	Project description[2]
			(RMB million)		
No. 4 and No. 10 subway lines in Beijing	December 2004 December 2003	April 2008 June 2008	493.0 1,656.0	No. 4: 70%; No. 10: near completion	These new lines will become parts of the metropolitan railway lines in Beijing. We are responsible for sections 8, 15 and 18 of No. 4 subway line and sections 2, 3, 6, 7, 10, 14, 15, 17 and 18 of No. 10 subway line.
Tianjin Communications Hub-Tianjin Station for No. 2 and No. 3 subway lines	December 2005 N/A	September 2009	588.3	No. 2: 40%; No. 3: construction has not commenced	The total construction area is approximately 450,000 m^2. As an important part of Tianjin Communications Hub, the No.1, No.2 and No. 3 lines create the basic skeleton for the Tianjin metropolitan railway lines. We constructed section two of this project.
No. 5 Subway in Guangzhou	March 2005	December 2007	730.0	near completion	This new line is approximately 40.5 km long and we constructed seven sections of this project.
No. 1 Subway in Shenyang	April 2004	July 2008	592.5	40%	This is Shenyang's longest east-to-west transportation channel and has a total length of approximately 22.5 km. We are constructing sections 4, 6, 8, 10 and an extension line for this project.

Project name	Commencement date	Expected completion date	Total contract value[1]	Approximate progress as of 30 November 2007	Project description[2]
			(RMB million)		
No. 1 Subway in Chengdu	June 2006	November 2008	408.9	50%	With a total length of approximately 31.6 km, this line has 23 stations. We are constructing four sections of this project.

(1) "Total contract value" as used here is the subtotal of the value of all the relevant contracts already signed by our Company.

(2) "Project description" as used here is general in nature and is for reference purposes only. We may have participated only in certain sections of a project in some cases.

Water Conservancy and Hydropower Facilities

As one of the few integrated construction companies with a number of Grade A qualifications to construct water conservancy and hydropower facility projects, we have undertaken and participated in the construction of over 100 hydropower facilities, such as the Hydraulic Complex in the Three Gorges of the Yangtze River, the Hydraulic Complex in Xiaolangdi of the Yellow River, a water conduit project from Luanhe River to Tianjin, a water conduit project from the Yellow River to Shanxi, and the South-to-North Water Transfer Project. For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007, our revenue generated from the construction of water conservancy and hydropower facility projects before elimination of inter-segment sales was RMB3,223.1 million, RMB3,846.3 million, RMB4,958.2 million, RMB4,410.8 million and RMB5,448.3 million, respectively.

Completed Projects

We have completed the following landmark water conservancy and hydropower facility projects in recent years:

- *Water conduit project from Luanhe River to Tianjin:* This project is a major national project in China. The total length of the construction is approximately 234 km with a 9.7 km long water diversion tunnel. We completed over 8.1 km of the tunnel for this project and have received the *Gold Prize of the National Excellent Project* for the quality of our construction. The project was completed in 1984 with a total contract value of RMB170 million;

- *Water conduit project from Datonghe River to Qinwangchuan:* This project was constructed for the agricultural use of water for 860,000 acres of lands in the middle-west of China and was completed in 1993. As an important water conduit project of national level in China, it has 75 km of tunnels and 12 km of other water conduits. We have constructed tunnels over 29.2 km long with a total contract value of RMB160 million; and

- *Section 3 of the water diversion and power generation system project for Jiudianxia Hydraulic Complex*: This multi-functional water conservancy project is located in Gansu Province and provides water for industry and agricultural use to nearby cities. The project was completed in 2007 with a total contract value of RMB110 million. We employed TBM for the construction of the project.

Projects under Construction

As of 30 November 2007, the total amount of our backlog for the water conservancy and hydropower facility projects was approximately RMB 6.4 billion. The following table sets out the major water conservancy and hydropower facility projects in which we were involved as of 30 November 2007:

Project name	Commencement date	Expected completion date	Total contract value[1]	Approximate progress as of 30 November 2007	Project description[2]
			(RMB million)		
Water diversion tunnel for No. 2 Jinping Hydropower Station on the Yalong River	May 2007	December 2014	4,573.8	10%	This water diversion tunnel will be the largest water conservancy and hydropower facility in the world. The diameter of the TBM we are using to construct this tunnel is approximately 12.4 m. We are responsible for the construction of sections C4 and C5 of the water diversion tunnel, which has an aggregate length of approximately 52 km.
Middle alignment of the South-to-North Water Transfer Project	August 2004	April 2008	2,050.0	40%	The middle alignment of this major infrastructure construction project directs water from the Danjiankou Water Conservancy to the Beijing and Tianjin area. The main section of this project is approximately 1,427 km long and provides water for an area as large as 5,876 km^2. We are responsible for the construction of 13 major difficult sections of this project.
Water diversion and power generation system for Shuiboxia Hydropower Station on the Bailongjiang River	September 2006	July 2008	91.1	62%	This project contains water diversion facilities, including a tunnel and multiple bridges. The total length of the construction is approximately 4.2 km long, and we are involved in section C1 of this project.
D&B1 and D&B2 section of the water diversion projects for the Dahuofang Water Reserve in Liaoning Province	October 2003	June 2009	188.5	near completion	This project is a major national project in China. The total length of the construction is approximately 234 km. We completed approximately 14.0 km of the water diversion tunnel for this project.

(1) "Total contract value" as used here is the subtotal of the value of all the relevant contracts already signed by our Company.

(2) "Project description" as used here is general in nature and is for reference purposes only. We may have participated only in certain sections of a project in some cases.

Other Construction Projects

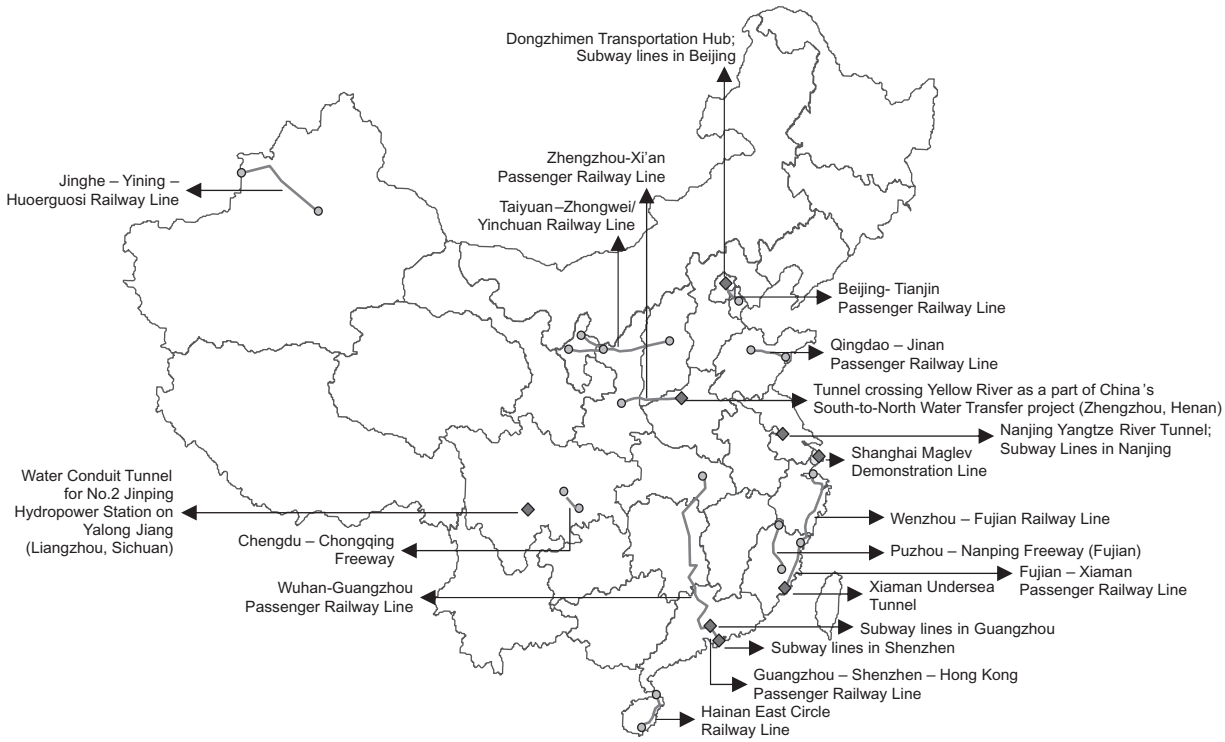
We also participated in the construction of other types of projects, such as electric engineering, airport, port and municipal construction projects.

We are pursuing opportunities for construction or reconstruction of airports, train stations and ports. Although we occupy only a small market share in these markets, we expect that these businesses will generate

substantial profits in the future. Our major customers in these markets are the transportation divisions of provinces and cities, administrators of airports and ports, and construction project entities established and managed by central or local governments. We have designed and/or participated in the construction of over 30 airport projects as well as many ports and train stations, such as the Beijing International Airport Terminal 3, Hongqiao and Pudong Airports in Shanghai, Huanghua Airport in Changsha, Meilan Airport in Hainan, Wenzhou Airport, Jiangbei Airport in Chongqing, Qingdao Harbor Project, the new Guangzhou Train Station and the new Wuhan Train Station. We won the *Luban Award* for the construction of Wenzhou Airport, Jiangbei Airport in Chongqing and Dayaowan Phase I of Dalian Port.

We also participate in real estate construction projects for municipalities. The experience gained from such projects enhances our competitiveness in this area. The Sinosteel Mansion we constructed was recognized by the Beijing Municipal Construction Committee as a project meeting leading international standards. We received *Luban Award*s for our other projects, such as The Library of the Chinese Academy of Science in Beijing, the Natural Science Buildings Group of Beijing University and the Headquarters of the China Construction Bank, or Xinda Finance Tower.

Map below shows the locations of part of the projects currently under construction in the domestic market:



Overseas Construction Projects

In recent years, we have been the fastest-growing Chinese construction contractor in the overseas infrastructure construction market in terms of growth of new contract value. We aim to develop our overseas construction operations diligently. We conduct our overseas operations mainly through our subsidiary, CCECC, which was established in 1979 and is one of the first Chinese companies to enter into the international construction market. CCECC was formerly a foreign aid office of the MOR that organized and implemented the Tanzania-Zambia Railway Project, China's largest foreign aid project at the time. CCECC

specializes in railway construction, including construction, design and consultancy, and cooperative labor arrangements in overseas countries and territories. In 2007, 49 Chinese construction companies were elected among the Top 225 International Contractors, with CCECC alone ranking 82nd in terms of construction revenue generated outside of the home country (the PRC) in 2006. We have developed our operations in overseas markets by leveraging CCECC's strength and presence in such markets since it was injected into our Company in February 2004 and by building upon our own design and construction expertise and the expertise of our other subsidiaries. Over the years, we have gradually established "CRCC" and "CCECC", the two brand names we own, and our reputation in the international construction industry. We have established 31 representative offices, project engineering departments and branch offices, including branch offices in Hong Kong and Macau and other countries and territories in Asia and Africa, affiliated companies in Oman, Dubai, Thailand, Saudi Arabia, Nigeria and Botswana, a branch office in Algeria, headquarters for construction projects in Angola and a construction division for projects in Israel. The main businesses of these branches and subsidiaries consist primarily of the provision of construction and survey, design and consultancy services. We have achieved prominent status in countries and territories such as Hong Kong, Algeria, Nigeria, the United Arab Emirates, Tanzania and Botswana. We have completed 287 overseas projects, and are currently engaged to provide construction services for 137 overseas projects located in 27 different countries and territories. We have participated in many cooperation projects in countries with abundant energy resources, and completed feasibility research for construction of new railway lines in Angola, Ghana, Benin and Nigeria. Our efforts have established a solid foundation for our further development in overseas markets.

As a non-U.S. corporation with operations in various parts of the world, we engage in activities in and with parties from certain countries in which U.S. laws prohibit the engaging in business activities by U.S. citizens and other persons subject to U.S. laws, including, in some cases, foreign persons and corporations. We conduct business in Sudan, a country that is currently, and during the years ended 31 December 2004, 2005 and 2006 has been, subject to sanctions administered by the United States Treasury Department's Office of Foreign Assets Control ("OFAC"). No U.S. individuals employed by us or U.S. companies with which we conduct business are involved in the supply of our products and services in the countries subject to OFAC sanctions, and we are not involved in re-exporting goods of U.S. origin to countries subject to U.S. trade sanctions. We note that any past or future business activities conducted in Sudan could prevent us from pursuing business opportunities in the United States or obtaining financing from the United States. In the years ended 31 December 2005 and 2006 and the eleven months ended 30 November 2007, revenue generated from our construction projects in Sudan was approximately RMB39.9 million, RMB58.8 million, and RMB70.4 million, representing approximately 0.05%, 0.05% and 0.05% of our revenue in the same period. We did not generate revenue from projects in Sudan in the year ended 31 December 2004. Although the relevant regulations are generally applicable only to U.S. persons and certain other persons subject to U.S. jurisdiction and therefore have a limited effect on us, they may potentially affect our ability to obtain investments or other financing from U.S. persons.

We will not use any of the proceeds of the Global Offering to fund activities that a U.S. corporation would be prohibited from undertaking under sanctions administered by OFAC. We, through our Strategic and Investment Committee of the Board of Directors, will closely oversee the use of proceeds so that they are utilized according to approved plans which do not involve any projects or plans in OFAC countries.

For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007, our revenue generated from overseas construction projects was RMB1,417.3 million, RMB2,167.7 million, RMB3,516.6 million, RMB3,221.7 million and RMB4,983.2 million, respectively. As of 31 December 2004, 2005 and 2006 and 30 November 2007, the total amount of our backlog for the overseas

construction was approximately RMB3,010.0 million, RMB9,116.0 million, RMB42,014.0 million and RMB116,953.7 million, respectively. For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2007, our new contract value from overseas construction amounted to approximately RMB3,761.7 million, RMB12,908.9 million, RMB43,615.1 million and RMB89,083.6 million, respectively.

Overseas Construction Projects

Significant overseas projects completed by our Company include:

- *Hong Kong West Rail:* One of the largest infrastructure construction projects in Hong Kong, the project was owned by the Kowloon-Canton Railway Corporation (KCRC), which is now a part of the MTR Corporation Limited. We have participated in the construction of Tuen Mun Station, Sui Hong Station, Yuen Long Station, Long Ping Station and four sub-sections of the north rail section. The project was completed in 2003 and the total contract value was approximately HK$4.9 billion;
- *Construction and maintenance of the Nigeria Railway System:* We participated in the maintenance and construction of the Nigeria Railway System. We also supplied locomotives for the Nigeria Railway System and provided training programs for local technicians. The project was completed in 2003 and the total contract value was approximately RMB4.4 billion;
- *Macau Parliament Building:* For this landmark building in Macau with a total construction area of 17,500 m^2, we constructed the main structure and undertook the decoration works. The project was completed in 1999 with a total contract value of 112.4 million patacas;
- *East Wing of the Venetian Casino in Macau:* The East Wing of the Venetian Resort project, where the casino and mall are located, was completed in 2007. We worked with other parties jointly as the general contractor on this project. The total contract value of this project was 101 million patacas; and
- *Tanzania-Zambia Railway Project:* The Foreign Aid Office of the MOR, the predecessor of CCECC, our subsidiary, organized, designed and constructed this project on behalf of the PRC Government. This project involved the construction of a 860-km railway line, 320 bridges, 22 tunnels, two large locomotive plants, one training center and approximately 376,000 m^2 of buildings. This project was completed in 1975 with a total contract value of RMB988 million.

Since 2005, we have broken the record of overseas contracting construction contractual value consecutively: (i) construction of a high-speed railway in Turkey, a joint construction project led by our Company valued at U.S.$1.27 billion; (ii) a construction project for the central and western sections of the Algerian East-West Expressway, which is a joint project with the CITIC Group pursuant to a standard contract valued at U.S.$6.25 billion; and (iii) Nigeria's Lagos-Kano Railway Modernization Project with a total investment of U.S.$8.3 billion, which is the largest project ever tendered by a Chinese construction company in the international market. By 30 November 2007, our new overseas contract value amounted to RMB89,083.6 million. The following table sets forth significant overseas projects in which we were engaged as of the Latest Practicable Date:

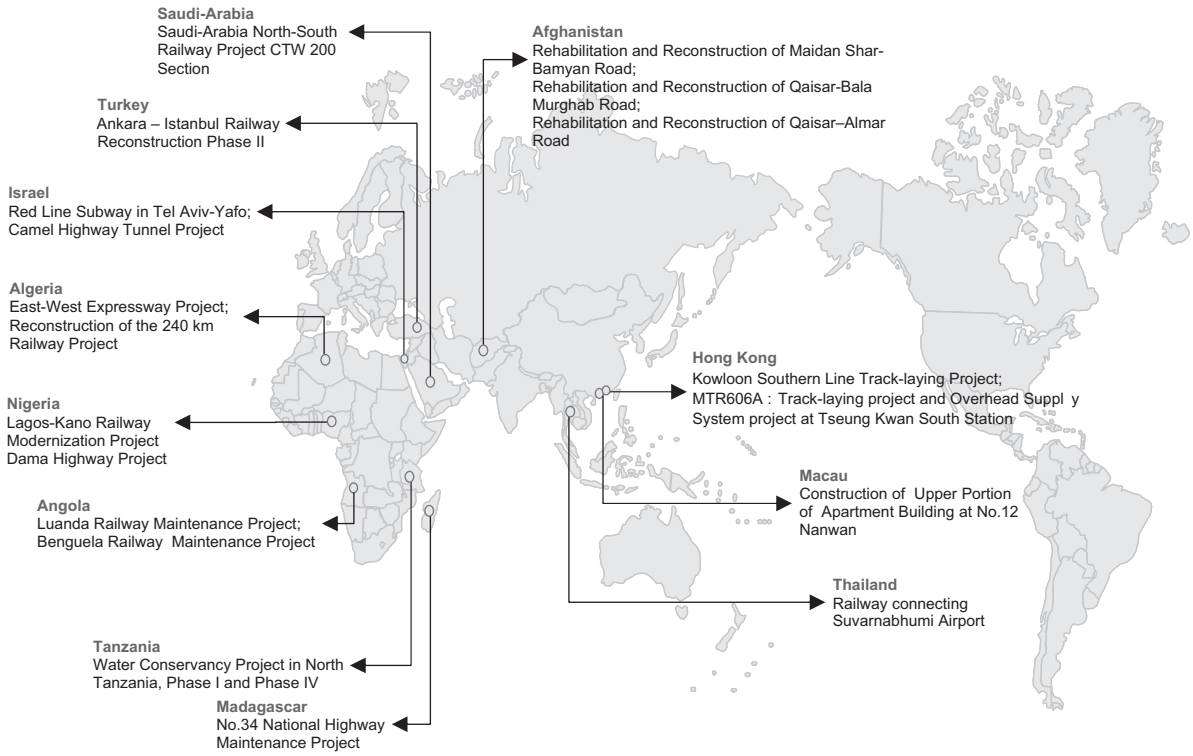
Project name	Commencement date	Expected completion date	Total contract value[1]	Approximate progress as of 30 November 2007	Project description[2]
			(U.S.$ million)		
Algerian East-West Expressway Project	March 2007	October 2010	2,243.7	5%	We are responsible for the construction of the central section of this project, which has a combined length of 528 km. We won the bid for this project as part of a consortium with CITIC Group.
Nigeria's Lagos-Kano Railway Modernization Project	February 2007	February 2011	8,300.0	1.5%	We currently provide survey, design, construction and 5-year maintenance services for this multi-track railway between Lagos and Kano, which measures 2,733 km.
Saudi Arabia North-South Railway Line CTW200 Section	April 2007	July 2010	523.6	2.5%	The first railway project in Saudi Arabia to be contracted by a Chinese contractor. We are responsible for the section between Bauxte to Nafud, which is approximately 435 km long.
Israel Camel Tunnel	June 2007	September 2009	89.3	7%	This tunnel is situated in the center of Israel's Haifa City and measures 9.6 km. It is the longest tunnel among all freeway tunnels currently under construction in Israel, and we are responsible for the entire project.
Turkey Ankara — Istanbul Railway Reconstruction Project	N/A	28 months after commencement	1,270.0	construction has not commenced	This project is the first high-speed railway project obtained by a Chinese enterprise in the overseas construction market. The railway line is approximately 157 km long. We are responsible for the railway lines between Istanbul and Ankara.

(1) "Total contract value" as used here is the subtotal of the value of all the relevant contracts already signed by our Company, excluding the contract value belongs to other parties.

(2) "Project description" as used here is general in nature and is for reference purposes only. We may have participated only in certain sections of a project in some cases.

In February 2008, we won contracts to participate in the construction of the Libya Seaside Railway Line and the Libya North-South Railway Line. The total contract value is approximately U.S.$2.6 billion. The Khoms — Sirt section of the Libya Seaside Railway Line will be the main west-east railway line of Libya and serve cargo and passenger transportation. The Alhishe-Sabha section of the Libya North - South Railway will mainly serve the transportation of iron ores from Sabha area to the northern shore city, Misratah, as well as to facilitate north-south passenger transportation. Both projects will commence in June 2008 and are expected to be completed within four years from the date of commencement.

The map below shows the projects involving our Company which are currently under construction in overseas markets:



Qualifications

Currently, we hold a broad range of construction qualifications through 137 of our subsidiaries, including: (i) special qualifications to conduct general contracting through 18 subsidiaries; (ii) Grade A qualifications to conduct general contracting through 98 subsidiaries; and (iii) Grade A qualifications to conduct specialized contracting through 21 subsidiaries. Our qualifications enable us to undertake 44 different types of construction projects including, but not limited to, railway, highway, metropolitan railway, water conservancy and hydropower facility, industrial and civil construction and municipal projects.

The following table sets forth the number of qualifications we held as of 30 November 2007:

	Special qualifications to conduct general construction contracting services	Grade A qualifications to conduct general construction contracting services	Grade A qualifications to conduct specialized construction contracting services	Qualifications to conduct specialized construction contracting services[1]
Railway projects	17	18		
Highway projects		67		
Real estate projects	2	50		
Bridge projects			83	
Tunnel projects			75	
Metropolitan railway projects				17[1]
Water conservancy and hydropower facility projects		20		
Others		96[2]	166[3]	
Total	19	251	324	17

(1) There is no sub-category for qualifications to provide specialized construction contracting services for metropolitan railways.

(2) Includes 96 Grade A qualifications to conduct general construction contracting services for municipal projects.

(3) Includes 56 Grade A qualifications to conduct specialized construction contracting services for highway foundation projects, 30 Grade A qualifications to conduct specialized construction contracting services for highway surface projects, 13 Grade A qualifications to conduct specialized construction contracting services for railway track placement and beam erection projects, 8 Grade A qualifications to conduct specialized construction contracting services for railway electrification projects, 18 Grade A qualifications to conduct specialized construction contracting services railway electrical engineering projects, 21 Grade A qualifications to conduct specialized construction contracting services for steel structure construction contract and 20 Grade A qualifications to conduct specialized construction contracting services for mechanical and electrical equipment installation projects.

Technology, Research and Development

Our key technologies utilized in our construction operations include: (i) technologies used for the design and construction of plateau railways and passenger railways; (ii) construction and maintenance technologies for electrified railways; (iii) construction and instalment technologies for maglev track beams; (iv) design and construction technologies for freeways; (v) technologies for the manufacture of bridge construction and erection machines; (vi) construction technologies for bridges with high pylons and large spans; (vii) construction technologies for tunnels in complex geographical conditions; and (viii) design and construction technologies for large-scale civil buildings and large water conservancy and hydropower facilities. With our advanced technologies and strong research and development capacities, we have successfully obtained 87 patents and 67 National Construction Methods in China.

Construction Equipment and Facilities

We own and use a large variety of advanced machinery and equipment to provide construction services for railway, highway, metropolitan railways, electrified railway and other projects, including the following key equipment:

- We own a large number of 900-tonne concrete-box-beam carriers, 900-tonne bridge erecting machines, 900-tonne girder erecting machines and mobile bridging machines in PRC, which are crucial to construction of bridges as a part of passenger railway lines;

- We own the majority of non-ballast track construction equipment specially designed for construction of passenger railway lines in the PRC, to which we own independent intellectual property rights;
- We own a large number of shield tunneling machines, which are essential to the construction of railway and tunnel projects; and
- We own a large portion of overhead contact line construction equipment in PRC, which is crucial to the construction of electrified railway projects.

As of 30 November 2007, we own more than 41,000 units of equipment that we used in our construction business. The following table sets forth details of the major equipment we utilize for our construction:

Name	Number (unit)
Shield tunneling machines	31
TBM	1
Tunneling backhoe loaders	71
900-tonne concrete-box-beam carriers/900-tonne bridge erecting machines/900-tonne girder erecting machines/mobile bridging machines	41/36/41/138
Hydraulic rock drilling machines	23
Asphalt pavers	69
Heavy rail cars/electrified operating machines/electrified wire barrow/rail cranes	59/117/33/58
Non-ballast track construction equipment specially designed for construction of passenger railway lines	42
Hydraulic excavators	654
Wheeled loaders	779

We also own and operate a number of concrete pre-fabrication plants and steel structure manufacturing plants for the manufacture of various pre-fabricated components commonly used in our construction projects, including steel beams, segments of shield tunnels and sleepers.

Business Models, Contract Procedures and Contract Terms

Business Models

The business models adopted in the construction industry in China mainly include:

- *Construction contracting,* by which the contractor performs the constructions work in accordance with the construction plan and design supplied by the customers and is generally only responsible for the construction work. The project owner is generally responsible for the procurement of raw materials and controls the project timetable.
- *Project management contracting,* by which the contractor performs the construction contract in accordance with the designs and timetable supplied by the designers and project owner. The contractor generally takes full responsibility for the project while it is allowed to subcontract part of the project to third parties. During the construction process, the project owner will supervise the construction work with the assistance of the designers or retain a supervisor to monitor the progress of the project. Project management contracting is usually adopted by middle- to large-scale construction enterprises.

- *Engineering, procurement and construction, or EPC,* by which the contractor undertakes all or part of the survey, design, procurement, construction and trial operations on a turnkey basis. An EPC contractor is responsible to the project owner for the quality, time progress and costs of the construction. EPC is generally the model adopted in the global construction market.

The business models we adopt in our construction operations mainly include construction contracting, project management contracting and EPC. During the Track Record Period, substantially all of our projects are contracted based on project management contracting, either in terms of number or contract value of projects. However, we are leveraging our integrated survey, design and consultancy and construction expertise to develop the EPC model as our key business model.

Business Procedures and Contract Terms

We have developed a comprehensive set of business procedures for our construction operations, key points of which are set out as follows:

Evaluation of projects

We establish tendering departments to accommodate our project bidding needs. Members of these tendering departments include our management and professional personnel who are familiar with the technology, proposal, contract terms and budgets related to bidding. After obtaining the information for bidding and performing an initial assessment of facts including our qualification to undertake the project, sufficiency of our resources and costs and profitability of the project, the tendering department will make an initial judgment on whether to proceed. If the tendering department reaches a favorable decision on a project, they study the bidding documents and relevant criteria and prepare for the bidding. Following a determination of which projects to pursue, the tendering department evaluates factors such as the natural, economic and social conditions of the project, project size and location, duration, availability of personnel, equipment required to undertake the project, the cost and predictable life of such equipment, credit analysis of our customers, the terms of payment, current backlog, competitive advantages and disadvantages, prior experience, status of competitors and negotiation with counterparties in order to accurately estimate construction costs or profits, evaluate bidding risks and develop bidding strategies. This assessment will need to be reviewed and approved by the relevant internal controls department, consisting of accounting, legal, financing and auditing personnel, of the subsidiary that will engage in the projects before we proceed. Generally, the review and approval of assessments of large projects with a contract value exceeding RMB1 billion will be submitted to and reviewed by our senior management and higher level holding companies.

Submitting pre-qualification materials

Upon determining which projects to pursue and before the negotiation or acceptance of our bid for the respective projects, we are generally required to complete a pre-qualification process with the relevant project owner. Project owners generally require us to meet certain qualification requirements before they will negotiate or accept our bid for a project. The pre-qualification process may require that we submit information concerning our financial condition, past professional experiences and the availability of our personnel and equipment before the submission of our bid.

Bidding

After meeting the pre-qualification requirements for a project, we carry out a detailed study of the relevant project before submitting a bid. This generally involves a study of the technical and commercial conditions and requirements of the tender, followed by a site visit. Our tendering departments also invite quotations from suppliers and subcontractors for various items or activities relating to the tender. Our tendering departments analyze the information collected to arrive at the cost of items included in our bill of quantities, which is then marked up accordingly to arrive at the bidding price presented to the customer.

Signing contracts

Our technical and business personnel work in coordination for the negotiation and signing of contracts. Generally, we enter into standard forms of contracts promulgated by the relevant construction authorities for particular types of projects. Most of our contracts are awarded and carried out on a fixed-price basis with a pre-determined timetable for project completion, and our bids are therefore also prepared on this basis. Such contracts generally commit the contractor to carry out the construction in accordance with the rules of quantity calculation, the technical standards and the completion requirement as prescribed in the bidding documents. Some contracts contain escalation or risk-sharing clauses to cover increased raw material costs.

Estimating the costs involved in a fixed-price contract is crucial to our profitability. We carefully estimate the costs of a project prior to submitting our bid. Our estimates rely on both the project owners' estimates of required materials and our own experience in estimating project costs. There are a number of factors that can influence the final project costs as compared to the original bidding price. The most important of these include site and environmental conditions that differ from those assumed in the original bid, geographic location of the project, availability and pricing of raw materials, accuracy of the bidding price and inclement weather conditions.

The measures we take to control projects costs include, subject to the requirement for guaranteed timetable and standard of quality, the monitoring and allocation of the relevant resources and expenditures during the course of construction, the strengthening of financial and accounting management to correct any possible deviation, and the controlling of expenses accrued within the estimated project costs to meet our cost estimates.

Construction designs and blueprints

Construction designs and blueprints are key parts of EPC contracts, which include executive summaries of design, interpretation of ground plans and layouts, overall estimated budgets, budgets for particular construction sections, calculations and relevant design software. Design annotation shall follow the completion of designs and blueprints and the designer or design department must, after the designs and blueprints are determined to be in compliance with the requirements of and approved by the project owner and upon delivery of the construction project designs, give a detailed explanation of relevant design documents as required by law. The content of the design annotation must include a general introduction to the designs and an explanation of the designs, special construction requirements, architecture, structure, construction methods and equipment, possible difficulties and common issues in the process of construction.

Construction, measurement and calculation

Construction, measurement and calculation are key to a project. First, a project department is established. The contractor and owner subsequently conduct on-site confirmations of control points and

inspection surveys. They then arrange the construction organization in accordance with designs and blueprints and the timetable designated by the owner and build temporary facilities. Finally, the construction is executed in accordance with designs and blueprints and monthly or quarterly measurements and calculations are conducted in accordance with the contract. The project department compiles completion documents for the owner's inspection before acceptance and effects the relevant procedures for completion.

Change orders

During the ordinary course of most projects, the owner, and sometimes the contractor, may initiate modifications or changes to the original contract to reflect, among other things, changes in specifications or design, method or manner of performance, facilities, equipment, materials, site conditions and period for completion of the work. The scope and price of such modifications or changes are typically documented in a "change order" to the original contract and reviewed, approved and paid for in accordance with the normal change order provisions of the contract. We are often required to perform extra work or change orders as directed by the customer even if the customer has not agreed in advance to the scope or price of the work to be performed. See "Risk Factors — Risks relating to our business operations — Actual overall risks or costs of our contracts may exceed our initial evaluation and lead to cost overruns, resulting in a reduction in revenues, lower profitability or even losses on such contracts". Performing additional work or change of order may result in disputes over the scope of work originally agreed upon by the parties or the price our client is willing to pay for such additional work. In addition, any delay caused by additional work or change orders may impact the progress of our project and our ability to meet specific contract milestones dates. However, during the Track Record Period, we did not experience any incidents relating to cost overruns that had a material adverse effect on our business, financial condition and results of operations.

Payment terms

Most contracts provide for an advance payment and monthly or periodic progress payments, and completion of each stage of the project is certified by a site engineer and accepted by the project owner. Our projects usually require a minimum advance payment from our customers of 10% of the overall contract sum in accordance with the contract terms for the payment of our raw materials, fuel procurement and labor costs. To ensure the advanced payment is used in due course, our customers may require us to deposit the advanced payment in a bank account designated by the project owner. With respect to such requirement, a letter of credit issued by a bank is generally provided as a substitute.

Most contracts provide for monthly or periodic completion checks and progress payments. At each stage of a project, the project department submits reports on completed construction to both the supervisory engineers and the project owner. The project department then settles the progress payment in accordance with the contract terms and progress reports which have been verified by the owner. In general, the completion of certain stages of a construction are inspected and certified by independent third parties, such as supervisory engineers. We carefully monitor costs throughout the life of a project to protect ourselves against or minimize significant cost overruns.

A substantial amount of our revenue is generated from infrastructure construction projects. We issue our invoices to our domestic customers in accordance with terms specified in the contracts governing the relevant transactions, which generally require payment within one to 30 days after the receipt of an invoice that complies with the relevant laws. To ensure the timely collection of our account receivables and to minimize and avoid the incurrence of bad debts, we have implemented management measures and established collection responsibility and investigation systems to reduce our account receivables. The payment terms for

our overseas projects are similar to those of our domestic projects. We may grant different credit terms to clients based on their credit qualifications. In order to attain a better recovery rate for our trade and bill receivables generated from the overseas market, we require prepayments from time to time from overseas clients before we commence construction on projects. We have also adopted a series of policies and internal controls consistent with those for our domestic collections to monitor the collection of overdue construction payments from overseas clients.

Our accounts receivable management team may consist of different internal departments, including financial, management, engineering, legal and supervision departments, to investigate, monitor, manage and collect our accounts receivable. Through timely confirmation and prompt recognition of the amount for account receivables, stringent collection and loss management measures to reduce the amount of our account receivables, we are able to efficiently enhance our turnover of capital and increase the efficiency of capital utilization. For sales of products and provision of services, a credit period typically ranging from three to six months may be granted to major or long-term customers with good payment histories. Payment from small, new or short-term customers are usually settled shortly after the provision of services or delivery of goods.

During the ordinary course of some of our projects, we may encounter unexpected or unforeseen site conditions which could cause us to incur costs beyond our original estimates. We typically add such extra costs, or project claims, to the overall contract sum and include them as part of the total revenue from our construction operations.

Project bonds

We are generally required under contract to provide the project owner with various bonds throughout the term of the project. When bidding for a project, a bid bond (in the form of a letter of credit, a confirmed check, a money order or cash) is usually required to be delivered with the bid. The bid bond is generally for a fixed amount, or a percentage of the bid price. If we are awarded the project but subsequently elect not to enter into the contract, the project owner can call on the bid bond.

After a successful bid and upon the signing of a contract, the bid bond is returned to us and a performance bond is procured by us and delivered to the project owner. The performance bond is provided in accordance with the requirements specified in the bidding documents or determined by the project owner after the bidding, in the form and amount of cash, performance undertakings or the letter of credit. The performance bonds must represent an amount sufficient to provide us with incentive to perform our contract obligations and is traditionally in an amount equal to 10% of the contract sum presented for payment by the project owner to the relevant issuing bank or finance company if we default. The performance bond is returned to us after the completion certificate is issued and the project owner confirms completion of the contract.

Upon completion of the project, the customer usually withholds an amount equal to 5% of the contract sum as quality bonds. At times, the customer may be willing to accept maintenance bonds from us in lieu of the whole or part of the quality bonds. The maintenance bond will be held by the customer for the duration of the maintenance period, which usually lasts for 24 months after the issuance of the completion certificate.

Consistent with what we believe to be customary practice, we typically provide performance bonds and quality bonds in the amount mentioned above and in the form of letters of guarantee issued by commercial banks. As of 31 December 2004, 2005 and 2006 and 30 November 2007, the project bonds we had amounted to approximately RMB1,774.9 million, RMB1,908.5 million, RMB2,601.5 million and RMB2,883.6 million.

Liquidated damages

Pursuant to our contracts, if a project is delayed through no fault of ours, such as delay caused by inclement weather, technical issues or unexpected complex geographic conditions, we are usually granted an extension equal to such delay. However, if the delay is due to our fault, we are usually required to pay liquidated damages, typically at an agreed rate per day and up to a maximum of 10% of the contract sum. In the case of a delay due to our fault or defective work, the customer may also have the right to appoint a third party to complete the work, and to deduct the additional costs or charges incurred for completion of the work from the contract sum. We implemented a series of project management regulations applicable to each stage of a construction project according to the nature and characteristics of a specific project and the actual needs of the construction, including project implementation, labor management, raw materials procurement and monitoring, quality control to ensure a project could be completed according to the contract terms, particularly with respect to time and scope of work. We have also adopted a strict award and penalty scheme that is applied to our employees as well as subcontractors to ensure that they strictly comply with our project management regulations. We also implement routine and non-routine goal management, responsibility management and on-site inspections to ensure that our employees and subcontractors comply with our project management regulations. In the Track Record Period, we did not experience any material incidents that resulted in material damage to our business. In circumstances where clients modify the agreed scope of work of a project during the construction phase due to a change in design or correction of design errors, we will negotiate adjustments in payment or construction timetables with our customers in accordance with the change in scope of work.

Maintenance

Generally, our contracts provide for a contractual maintenance period of 12 months after the completion of inspection before acceptance and commencing from the date of issuance of the completion certificate for the project. In accordance with the terms of the contract, we are liable for any defects in our work during this maintenance period. However, the period between our completion date and the date on which the project owner completes inspection before completion can be relatively long for certain construction projects. In such cases, we do not assume any responsibility for any defects caused by natural forces.

Project implementation

Our construction units are responsible for carrying out all project activities. The construction units typically prepare and implement a detailed plan and operation manual for the project in accordance with the construction guidelines of our Company and subject to approval of our general engineer and the project owner. The detailed plan and operation manual generally include: (i) a work schedule in line with work conditions and payment schedule; (ii) labor deployment in line with the required skill levels and the estimated number of workers for each type of work; and (iii) programs detailing the work planned for each phase of the project.

The implementation process includes devising a detailed construction plan, procuring materials, delegating work to subcontractors, coordinating with project owners or their consultants, coordinating with our subcontractors and suppliers, and taking charge of the overall management of these works.

We will continue to enhance the management of project implementation in terms of organizational structure, management methods and on-site management measures. We will also continue to refine our management procedures, optimize management details and implement meticulous management mechanisms.

Subcontractors and Joint Ventures

In any given project, we act as the turnkey contractor, a member of a consortium, joint venture partner, or a subcontractor depending upon the requirements of the project and the terms of the awarded contract. In the domestic market, we generally submit tenders for projects on our own to act as the turnkey contractor rather than as part of a joint venture or consortium, because as an integrated construction company, we are able to execute such projects with our own resources. On the international front, we submit tenders for overseas projects both on an individual basis and as a member of a joint venture or a consortium. Where we act as a member of a consortium or joint venture, we share the scope of work and responsibilities with the other consortium members or joint venture partners as defined in the consortium or joint venture agreement, respectively. We normally bear joint and several liabilities to the customer with other members of the consortium or joint venture, as provided for in the consortium or joint venture agreement. We generally undertake construction projects as an independent contractor. In most of our joint construction projects, we enter into a consortium with other parties and decide each party's share of interest through negotiations based on the underlying agreement. Parties will share the revenue according to the share of interests and be jointly liable for the quality of the construction projects.

We act as the turnkey contractor in most projects. When necessary, we subcontract within our Company, employ temporary workers or outsource to independent third-party subcontractors to provide certain services that we are unable to or do not generally provide, or if we require additional labor as a result of manpower shortages or where we are required to accelerate the rate of work on a project. In the year ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007, our subcontracting costs amounted to RMB8,612.8 million, RMB8,852.7 million, RMB10,707.8 million, RMB9,539.3 million and RMB10,258.7 million, representing 10.8%, 8.6%, 7.4%, 7.4% and 7.5% of our total cost of sales, respectively. Terms of the master contract are reflected in our contracts with subcontractors. We and our subcontractors are jointly liable with regard to work safety on a subcontract. In selecting independent third-party subcontractors, we consider factors such as previous cooperation experience and our evaluation of their performance. We require the same standards of work to be performed by subcontractors as we would expect of work done by our own subsidiaries. We have adopted a stringent testing and recognition mechanism to test and review the qualifications of those subcontractors we consider for retention. In order to ensure the quality of the subcontractor, we observe measures including the implementation of stringent evaluations to monitor quality, performance and credit history of each subcontractor and apply our quality control requirements to monitor and supervise subcontractor through construction. In addition, pursuant to either our contracts or applicable laws, we are ultimately liable to project owners for the entire construction project and, as such, we maintain close supervision over our subcontractors' performance to ensure high-quality work. We maintain a list of preferred subcontractors that is regularly reviewed and updated. We also maintain long and close relationships with reliable subcontractors through training programs and technical cooperation arrangements.

Seasonality

Our construction business is subject to seasonality, mainly due to the vast territory of China and the different climate conditions of various regions in which we operate. We typically record higher revenues between July and December relative to revenues recorded between January and June. We attribute this seasonality to the effect that the winter months (generally from January to March) have on our construction operations in the northern part of China as well as the effect of the Chinese New Year during which some of our projects and construction are halted. We anticipate that, as we improve our technology and equipment, we

may gradually overcome seasonality in our business operations. Nevertheless, we may still experience cost increases or delays in progress when conducting our business operations during particular seasons.

Raw Materials and Suppliers

We adopt three different methods of procurement for our construction operations, namely, procurement by owner, procurement controlled by owner and procurement by contractor, in accordance with different provisions under our construction contracts. The raw materials we use for infrastructure construction include steel, cement, explosives, waterproofing materials, admixtures and track materials.

In general, certain raw materials such as steel, explosives, wood and cement are purchased by the project owners. Under the procurement by owner method, we compile a list for the main raw materials required for our construction and then submit the list to the owner. After the owner confirms such list, the owner becomes responsible for the purchase of raw materials.

Procurement controlled by the owner means that the owner will first supervise the contractor in the organization of the bidding and determination of the raw materials supplier, then the contractor will negotiate business terms and enter into a purchase agreement with the suppliers designated by the owner.

Most of our contracts are fixed-price contracts under which we are responsible for procuring raw materials. The procurement costs consist of part of our construction costs and the owner will not refund the payments already made for raw material procurement.

Currently, our purchases are made through decentralized procurement, whereby each procurement department of our construction subsidiaries is independently responsible for calculation and procurement of the raw materials required for projects undertaken by the respective subsidiaries. However, in recent years, we have been promoting centralized procurement. Centralized procurement may lower our procurement costs, ensure consistent quality of raw materials and increase our rate of return. We expect to increase our centralized procurement of raw materials significantly.

By entering into long-term purchase agreements or strategic alliances with our suppliers, we believe that we have maintained stable relationships with our main suppliers of raw materials, enabling us to secure reliable supplies of raw materials used in infrastructure construction. We manage the fluctuation of raw material costs through our stable relationships with our suppliers. We also believe that the raw materials we purchase are fungible commodities. In addition, we conduct logistics and materials supply businesses and therefore anticipate that it will not be difficult to procure sufficient raw materials. However, we may still be subject to risks of price fluctuation of raw materials. See "Risk Factors — Risks relating to our business operations — We may be unable to continue to procure an adequate supply of raw materials and energy supplies at acceptable prices and quality in a timely manner".

Electricity and fuel are the main types of energy we use. We obtain water supplies from local sources depending on the location of our projects. During recent years, we have not encountered any significant shortages of electricity, fuel or water supply.

For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2007, approximately 0.51%, 0.61%, 0.38%, and 0.38% respectively, of our cost of sales of our Company as well as of our construction business, was attributable to purchases from our largest supplier. For the same periods, approximately 1.11%, 0.99%, 0.73%, and 1.45%, respectively, of our cost of sales of our construction business was attributable to purchases from our five largest suppliers which are all state-owned enterprises.

All of the above five largest suppliers are independent third parties. None of the Directors or Supervisors, their respective associates or any shareholders of our Company holding more than 5% of our issued capital, to the knowledge of our Directors, held any interest in any of the above five largest suppliers as of the Latest Practicable Date.

Marketing and Customer Relationships

Our largest customers of our domestic construction operations are primarily business entities, such as project companies, set up and managed by central and local governments. The largest customers of our overseas construction operations are primarily governmental and semi-official entities.

Infrastructure projects usually adopt the open bidding process, inviting the participation of qualified construction companies. After obtaining the relevant information for projects and conducting the evaluation process, our Company and our subsidiaries will, either separately or collaboratively through consortiums or our joint ventures, participate in the bidding.

With our integrated capacity and reputation, we maintain close relationships with our customers. We work closely with professional institutions and consulting companies to obtain significant project information and potential business opportunities. We also designate specific personnel to observe public bidding announcements of significant construction projects.

For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2007, approximately 1.6%, 2.7%, 3.0%, and 3.6%, respectively, of our revenue from our construction business was generated from sales made to our largest customer for our construction business. Our five largest customers for our Company are all state-owned enterprises and are also our five largest customers for our construction business. For the same periods, approximately 4.6%, 7.5%, 10.2%, and 12.8%, respectively, of our revenue from our construction business was generated from sales made to our five largest customers for our construction business.

All of our five largest customers are independent third parties. None of the Directors or Supervisors, their respective associates or any shareholders of our Company holding more than 5% of our issued capital, to the knowledge of our Directors, held any interest in any of the above five largest customers as of the Latest Practicable Date.

Industry Trend and Our Competitive Position

Our own strengths, as well as market factors, have an impact on the opportunities for us to undertake major infrastructure construction projects. Our strengths include our industry experience qualifications, capital, financing resources, level of technology and technical expertise, equipment, quality of manpower and brand name. Market factors include government policies, regulatory environments, economic development and price levels. We believe that, by leveraging our strong capacity, advanced equipment and technologies, as well as our outstanding management, design and construction team, we are well-positioned to compete in the domestic market and certain overseas markets.

Domestic Market

The PRC construction industry, except railway construction, is generally fragmented. Industry participants primarily include state-owned enterprises, international construction companies and a small number of private enterprises. The industry is currently experiencing a trend towards consolidation whereby smaller enterprises are acquired by larger companies. We believe that the trend will eventually lead to

participation by only a small number of large construction enterprise groups in large-scale infrastructure constructions projects, and we believe we will be one of the primary participants for such projects. Meanwhile, certain foreign construction companies have expanded their businesses in China through joint ventures or foreign investments. However, due to regulations restricting the participation of foreign construction companies, competition posed by international market participants is not yet significant. We believe that our Company is in a favorable competitive position.

Our primary competitors in the domestic market include large construction enterprises with whom we share similarities in terms of capital resources, technological abilities, employee qualifications and brand names, such as China State Construction Engineering Corporation, China Railway Engineering Corporation and China Communications Construction Company Limited.

The business model of the construction industry has evolved from the construction contracting model to the project management contracting and EPC models, and the tendency towards splitting major construction projects into distinct phases to be worked on by different contractors has noticeably decreased. A single contractor may now be required to undertake all of the design and construction work up until the delivery or transfer of the project. Given the trend away from segmenting the work on construction projects and the preference to hire fewer contractors to perform larger portions of the work on major construction projects, competition among construction companies will continue to intensify. The competition among market participants in China is increasingly focusing on professionals and construction technology employed by construction enterprises as well as the capacity to provide clients with comprehensive services, including survey, design and consultancy.

With the rapid development of China's economy and accelerated urbanization, we believe there will be an increasing demand for infrastructure construction, particularly of railways and highways. Relying on the advantages we have in terms of business scale, technology and experience, and in particular our ability to operate extra large and complicated projects, we believe that we will be able to maintain our current leading position in China's construction market and achieve sustainable development.

Overseas Market

In 2006, our turnover from our overseas construction business and new contract value increased by 62.2% and 237.9%, respectively, from 2005. PRC companies are now invited to participate in construction projects in more foreign countries and territories than in the past. As a result of the PRC Government's "going out" strategy encouraging domestic Chinese contractors to take part in overseas construction projects, an increasing number of PRC construction companies with whom we share similar levels of technical expertise and construction experiences are entering into the international construction market. Consequently, we face intense competition not only from foreign but also from large Chinese construction contractors when contending for the leading position in overseas markets.

Currently, large-scale contractors in Europe, the U.S. and Japan may have an advantage with respect to technologies, patents, financing resources and management expertise. The capacity to deliver comprehensive construction services, including survey, design and consultancy services to customers and the ability to implement modern management for maximum profit is vital to remain competitive in the international construction markets. We will continue to improve our competitive edge through our attractive labor costs and prices and our ability to provide large track maintenance machinery and advanced technologies. With the increase in division of expertise and project responsibilities promoting cooperation among companies in the construction sector, we intend to compete with other competitors by continuing our

collaboration with foreign companies possessing stronger management expertise or by forming consortiums with local contractors in foreign countries.

The construction industry is becoming increasingly highly regulated following certain administrative measures progressively promulgated by the PRC Government. In addition, the PRC Government is encouraging PRC companies to undertake overseas contracting projects and has recently committed to contributing more to the infrastructure development in Africa. We believe these policies will further improve and increase overseas opportunities for Chinese contractors. These measures have enhanced the competitive strength of overseas Chinese contractors, including our Company. Under such policies and with our continued development and strengths, we believe we can strengthen our position and increase our market share in the international arena.

SURVEY, DESIGN AND CONSULTANCY OPERATIONS

Overview

Survey, design and consultancy operations are one of our main businesses. As of 30 November 2007, we owned four Grade A1 (甲一級) railway construction design and research institutes out of only seven in China, namely, the China Railway First Survey and Design Institute, China Railway Fourth Survey and Design Institute, China Railway Fifth Survey and Design Institute and China Railway Shanghai Design Institute Group Co., Ltd. Our operations include the provision of survey, design and consultancy services for civil engineering and transportation infrastructure projects, including the construction of railways, bridges, tunnels, metropolitan railways, highways, municipal works, industrial and civil buildings, airports and ports. We provide services for the management, research and development of new technology and new equipment. In recent years, we have also increased our services for electrical power supply and telecommunications networks. These services are provided throughout China as well as to a number of foreign countries and regions. As of 30 November 2007, we held 61 government-issued certificates for construction surveying, design and consultancy, engineering surveying, geological hazards prevention evaluation, designing supported by intelligent design software, and environmental impact assessment and surveying, and have assisted the MOR in setting over 40 industry standards relating to railway design, quality inspection and other project-specific standards currently in effect in China through our railway survey and design institutes. We possess comprehensive technologies for the survey and design of railways, including those situated on high plateaus and in mountainous regions, permafrost zones and deserts, as well as sophisticated technologies for electrified railway lines, passenger railway lines, underwater construction, long tunnels, wireless train dispatching and scheduling systems and large interchange traffic construction. Our survey and design technologies are among the most advanced in China and are considered advanced by international standards.

Our survey, design and consultancy business and our construction business are closely connected, especially in the railway construction sector, where most of the major customers of the survey, design and consultancy operations are also major customers of our construction operations. We will continue to integrate these two businesses in order to more efficiently allocate resources in our construction projects, improve our control over the progress and quality of projects, increase our profit margin through increased productivity and lower project costs. Through our research institutes, we assisted the MOR in setting many of the existing railway industry standards in China. As of 30 November 2007, we have provided survey and design services to 117 key projects at the national or provincial levels.

Revenue generated by our survey, design and consultancy operations before inter-segment elimination in the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and

2007 was RMB2,345.6 million, RMB2,909.3 million, RMB3,348.5 million, RMB2,995.8 million and RMB2,748.7 million, respectively, representing 2.7%, 2.6%, 2.2%, 2.2% and 1.9%, respectively, of our total revenue before elimination of inter-segment sales during those years.

The following table sets forth the sales revenue, percentage of total sales revenue and percentage and new contract value, represented by our survey, design and consultancy operations in the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007:

	Year Ended 31 December						Eleven months ended 30 November			
	2004		2005		2006		2006		2007	
	RMB (million)	%	RMB (million)	%	RMB (million)	%	RMB (million)	%	RMB (million)	%
Sales revenue	2,345.6	2.7	2,909.3	2.6	3,348.5	2.2	2,995.8	2.2	2,748.7	1.9
New contract value	2,479.7	1.7	2,743.3	1.4	3,073.3	1.5	N/A		2,947.6	1.3

Railway Survey, Design and Consultancy Business

Over 80% of the total revenue from our survey, design and consultancy business is derived from railway construction projects. As of the Latest Practicable Date, we occupied over 50% of the market share for survey, design and consultancy services for railway construction projects in China. As of 30 November 2007, our design institutes have accomplished 117 key construction projects at the national or provincial levels. We have been responsible for the survey, design and consultancy of approximately 45,569 km of railway lines, accounting for a large portion of the total domestic railway construction projects since 1949. The landmark projects we have completed include:

- all of Phase I and Phase II of the Qinghai-Tibet Railway Line, the highest plateau railway in the world;
- the Beijing-Kowloon Railway Line, which has received the largest amount of investment at the time for any railway project in China and is China's largest and longest railway line constructed in a single phase;
- the Zhengzhou Hub, the largest railway hub in Asia;
- the Dayaoshan Railway Tunnel, the longest electrified twin-track railway tunnel in China; and
- the Guangzhou-Shenzhen Quasi High-Speed Railway Line, the first quasi high-speed railway in China.

As of the Latest Practicable Date, we had provided survey and design services for approximately 70% of the existing passenger railways in China with speeds of over 300 km/h, including the Wuhan-Guangzhou Railway Line, currently the longest passenger railway line in China. We provide survey and design services for 12 of the 17 passenger railways currently under construction in China, which have an aggregate length of 3,448.1 km and comprise 63.3% of the total length of the 17 railway lines. Of these 17 passenger railways, we were given sole responsibility for the design of seven.

We have been analyzing both domestic and international railway construction markets in depth, and have devoted significant resources to the research of railway repairs in times of war or military conflict, the design and construction of railways on plateaus and in areas prone to sandstorms, soft soil railway construction, large-scale mountain railway tunnel construction, the design and construction of cross-river and cross-sea railway bridges or underwater tunnels, subway construction, bridge design and construction, non-ballast tracks, and "four-electrification" equipped projects for passenger railways. We have also developed industry-leading

technologies, equipment and construction methods. The following table sets out the major landmark projects undertaken by us in our railway survey, design and consultancy business in recent years:

Name	Commencement date	Completion/ Expected completion date	Total contract value[1]	Approximate progress as of 30 November 2007	Project description[2]
			(RMB million)		
Qinghai-Tibet Railway Line (Phase I and Phase II)	May 2001 (Phase II)	July 2006 (Phase II)	1,015.9 (Phase II)	Phase II completed in July 2006	The Qinghai-Tibet Railway Line is the world's longest, highest, and highly technologically sophisticated plateau railway. We surveyed and designed this entire construction project.
Beijing-Shanghai High-Speed Railway Line	August 1998	2009	N/A	80%	This passenger railway line will connect Beijing and Shanghai. The designed speed of this project is 300km/h. We provided design services for a 640 km long section which connects Xuzhou and Shanghai.
Ji'an-Dingnan Section of the Beijing-Kowloon Railway Line	May 1993	July 1997	122.9	completed in July 1999	The Beijing-Kowloon Railway Line is China's largest and longest railway line constructed in a single phase. We were awarded the Gold Prize for *National Design Excellence* in recognition of the survey and design services we provided for the Fuyang-Shenzhen section of the Beijing-Kowloon Railway.
Wulongquan-Shaoguan section of the Wuhan-Guangzhou Passenger Railway Line	July 2005	July 2010	1,306.0	95%	This project is the longest line among all passenger railways currently under construction in China. The length of the main line is approximately 968.4 km. The maximum speed designed for this railway is 350 km/h. We provided design and survey services for the Wuhan-Huadu section of the project.
Guangzhou-Shenzhen Quasi High-Speed Railway Line	August 1992	March 2000	42.7	completed in March 2000	This project is approximately 147.2 km long and is the first quasi high-speed railway in China. In 2000, we were awarded the Gold Prize for *National Design Excellence* in recognition of the design and survey services for the entire project.

(1) "Total contract value" as used here is the subtotal of the value of all the relevant contracts already signed by our Company.

(2) "Project description" as used here is general in nature and is for reference purposes only. We may have participated only in certain sections of a project in some cases.

Other Survey, Design and Consultancy Business

In addition to the railway sector, in recent years, we have also engaged in activities such as the design of highways, bridges, tunnels, municipal projects and metropolitan railways. In addition, we have conducted technology research and development in 13 municipalities and cities, such as Beijing, Shanghai, Xi'an, Shenzhen, Nanjing, Guangzhou, Harbin, Chengdu and Chongqing, to design subway systems and structural technologies, design and construct large-scale structures and railway stations, and to conduct survey and inspections. We were awarded the copper medal for the National Excellent Project Design in 2000 for our

design services relating to the construction of the highway serving the Three-Gorges Hydropower Station on the Yangtze River. We were also awarded silver medals for the *National Excellent Project Survey* in the years 1996 and 2000 for the provision of survey services for the Tianjin New Harbor and 108 National Freeway construction projects, respectively.

The following table sets forth a select list of landmark projects undertaken by us in our other survey, design and consultancy business in recent years:

Name	Commencement date	Completion date/ Expected completion date	Total contract value[1]	Approximate progress as of 30 November 2007	Project description[2]
			(RMB million)		
Wuhan Yangtze River Tunnel	April 2005	April 2010	30.0	95%	This tunnel has a total length of approximately 3,295 m, with over 1,300 m lying under the riverbed. It is located between the Wuhan Yangtze River and No.2 Wuhan Yangtze River and is a two-way, four-lane tunnel. We were responsible for this entire project.
Nanjing Yangtze River Tunnel	March 2005	December 2008	71.6	80%	This tunnel is part of an expressway connecting Pukou district and the westbank district of Nanjing City. We undertook this entire project.
Shanghai Metropolitan Railway, No. 3 Line (Phase I)	July 1997	December 2000	56.0	completed in December 2000	This is the first elevated metropolitan railway line in China and has a total length of 25 km. It has 21.5 km of elevated lines and 3.5 km of grounded lines. We were the general designer of this project.
Beijing Subway, No. 10 Line (Phase I and Phase II)	May 2003	December 2009	77.5	near completion	We have independently designed eight sections of the No.10 line subway in Beijing which is an integrated part of the transportation system for the Beijing 2008 Olympic Games.

(1) "Total contract value" as used here is the subtotal of the value of all the relevant contracts already signed by our Company.

(2) "Project description" as used here is general in nature and is for reference purposes only. We may have participated only in certain sections of a project in some cases.

Qualifications

As of the Latest Practicable Date, we held 61 government-issued certificates which is evidence of our qualifications for construction surveying, construction design, construction assessment, design and consultancy, engineering surveying, geological hazards prevention evaluation, designing supported by intelligent design software, and environmental impact assessment and surveying. We make strong efforts, with respect to quality control, environmental protection and safety to ensure our compliance with the requirements for the certificates we hold and continue our research and development of technology to maintain our certificates and relevant qualifications. Our Directors believe that, to their knowledge, there are no impediments for us to maintain or renew our certificates and qualification. In addition, the China Railway First Survey and Design Institute and the China Railway Fourth Survey and Design Institute are fellow members of the *International Federation of Consulting Engineers,* or FIDIC.

Awards

We possess comprehensive technologies for the survey and design of railways, including those situated on high plateaus and in mountainous regions, permafrost zones and deserts, as well as sophisticated technologies for electrified railway lines, passenger railway lines, underwater construction, long tunnels, wireless train dispatching and scheduling systems and large interchange traffic construction. Our survey and design technologies are among the most advanced in China and are considered advanced by international standards. Since 1982 to date, we have received 60 national *"Four Excellence" Design Awards* and 373 provincial *"Four Excellence" Design Awards,* including:

- *"The First Prize of National Science and Technology Progress"* in 2004, *"Gold Prize for National Geological Survey"* in 2005 and *"Gold Prize for National Excellent Projects"* in 2006 for our design work on the Qinling Tunnel of Xi'an-Ankang Railway Line;
- *"Special Prize for the Advancement of Science and Technology of China"* in 1992 for the Dayaoshan railway tunnel;
- *"Special Prize for the Advancement of Science and Technology of China"* in 1987 for sand-controlling construction of the Baotou-Lanzhou Railway project;
- *"Gold Prize for National Design Excellence"* in 1993, the highest award for national design excellence, received for the Xuzhou Interchange Terminal Extension and related constructions;
- *"Gold Prize for National Design Excellence"* in 1999 for general design work for the Beijing-Jiulong Railway Line; and
- *"Gold Prize for National Design Excellence"* in 2000 for design work for the Guangzhou-Shenzhen Quasi High-Speed Railway Line.

The awards we received are generally reviewed and granted annually or every two years. The awards granted to us also support our well-established brand name.

Technology, Research and Development

As of 30 November 2007, we had one academic from the Chinese Academy of Engineering and 2,116 senior survey and design engineers, all of whom possess strong design, research and development capabilities and the capacity to conduct research and development of new construction technologies and equipment according to the needs of our customers.

The core competencies of our primary research institute are as follows:

- *China Railway First Survey and Design Institute*: design of large-scale mountain railway tunnels, as well as plateau and desert railways;
- *China Railway Fourth Survey and Design Institute*: design of railways on soft soils and other special terrains, as well as the design of cross-river and cross-sea tunnels and special bridges. It has recently been exploring the provision of design and consultancy services for the construction of highways, metropolitan railways, inter-city passenger lines and municipal projects;
- *China Railway Shanghai Design Institute Group Co., Ltd.*: design of metropolitan railways;
- *China Railway Fifth Survey and Design Institute*: research, development and production of equipment, construction machinery, tools and related technologies for railway and metropolitan

railway construction projects and the research and development of other mobile machinery for bridge construction; and

- *Beijing China Railway Construction Electrification Design and Research Institute*: research and design of electrification of mainline railway, power system of metropolitan railway and the high and low voltage power distribution lines and transformer and distribution stations and related technologies.

We believe that our design teams' constant technological improvements and innovative activities in various projects will enable us to integrate our survey, design and consultancy operations with our other business operations, thereby allowing us to provide our customers with optimized services.

Customers

Major customers of our survey, design and consultancy operations include government agencies and business entities set up and managed by central and local governments, such as construction project companies. We generally grant our customers with good payment histories a credit period ranging from one month to three months with respect to our survey, design and consultancy services. We usually require the settlement of accounts for small, new or short-term customers within one month after the provision of our services in addition to the milestone payment they are required to pay.

Industry Trend and Competition

We are highly competitive in the survey, design and consultancy industry and we own five first-tier construction design and research institutes in China. In 2007, we were ranked 69th out of the Top Global Design Firms in terms of revenue for design services performed during 2006. In 2006, China Railway First Survey and Design Institute was ranked the first among Chinese construction survey, design and consultancy enterprises in terms of project management and operation revenue in an evaluation jointly organized by China Exploration and Design Association and China National Consulting Association. In 2005, the China Railway Fourth Survey and Design Institute alone was ranked tenth in an evaluation organized by the Ministry of Construction of the top 100 survey and design companies in China in terms of revenue. In addition, China Railway First Survey and Design Institute and the China Railway Fourth Survey and Design Institute are fellow members of the *International Federation of Consulting Engineers,* or FIDIC, and were listed among the *Top One Hundred Chinese Survey and Design Enterprises* for eight consecutive years.

Notwithstanding, our Company actively competes with various other integrated construction companies in the survey, design and consultancy business in the domestic market, such as other companies that own survey and design institutes and several design institutes at the provincial level. However, because of the high entry-barrier to the railway survey, design and consultancy business, the competition is currently limited to two dominant enterprises, including our Company, and this situation has remained unchanged for the past few years. We will rely on our strong capacities to maintain our leading position and a continued growth in this market.

We believe that there is an industry trend towards the coordination between our survey, design and consultancy business and our construction business, which will result in more comprehensive and integrated services. We will utilize the expertise and resources within our various businesses to improve our research and development capabilities and upgrade our proprietary technologies by leveraging our extensive experience and market-leading technologies, thereby maximizing our profit.

MANUFACTURING OPERATIONS

Overview

We are the largest manufacturer of large track maintenance machinery in China and Asia, occupying more than 80% of the domestic market share for large track maintenance machinery. We are also the second largest manufacturer of large track maintenance machinery in the world in terms of annual production volume, after Plasser & Theurer Company, Austria, or P&T Austria. Our large track maintenance machineries are modern facilities essential to the operation and maintenance of China's railway network. We design, research, develop, manufacture and maintain large track maintenance machinery, as well as maintenance and construction components through our two subsidiaries, namely Kunming Zhong-Tie, and CRRS.

Kunming Zhong-Tie was established in 1954. In 1989, the MOR issued guidelines providing that China should rely on both domestic and foreign technologies to develop large track maintenance machinery, emphasizing, however, the role of domestic technology. Over the years, we have established ourselves in China's large railway maintenance machinery industry through Kunming Zhong-Tie. Currently, we produce large, medium and small equipment and supplementary equipment including ballast cleaning and tamping machinery. All of our machinery has been developed through technology transfer, joint-development and independent development.

CRRS, a newly-established technology-intensive company, focuses on the manufacture of railway switches and rail fasteners for high-speed railways and is expected to commence production in February 2008. As of the Latest Practicable Date, CRRS was appointed by the MOR as one of only two designated manufacturers of high-speed railway switches and has obtained a new contract from the MOR for its railway switches with a contract value of RMB760.0 million at the end of 2007. We expect that the manufacture of high-speed railway track components will become a substantial part of our manufacturing operations.

In the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007, revenue generated from our manufacturing operations before inter-segment elimination was approximately RMB1,362.5 million, RMB1,388.3 million, RMB1,355.2 million, RMB1,237.4 million and RMB1,633.8 million, respectively, representing 1.6%, 1.2%, 0.9%, 0.9% and 1.1%, respectively, of our total revenue before inter-segment elimination.

Products

As of 30 November 2007, we had manufactured 603 pieces of large and medium track maintenance machinery and equipment, of which 587 consisted of four main machine types: ballast cleaning machines, tamping machines, stabilizing machines and ballast distributing machines. Our large track maintenance machineries, used by 18 railway bureaus for 17 large railway sections in China, represent more than 80% of the large track maintenance machineries currently in service.

We independently develop and manufacture the following types of large track maintenance machinery: tamping machines, continuous tamping machines, track switch tamping machines, full section track bed ballast processors, switch grinding machines, dynamic stabilizers, ballast distributing and trimming machines, turnout laying and changing machines and bulk material automatic loading machines. We developed our WD-320 Dynamic Track Stabilizer and our SRJ-21 Automatic Ballast Distributing and Regulating Machine, which meet international standards of quality, by incorporating foreign technology. We also developed some maintenance machinery products for passenger railways, including track grinder cars and railway shunting equipment.

Our six main large track maintenance machineries are the SRM80 Ballast Cleaning Machine, the CD08-475 Switch Tamping Machine, the D09-32 Continuous Tamping Machine, the D08-32 Duomatic Track Lifting, Lining, Leveling, and Tamping Machine, the WD320 Dynamic Track Stabilizer and the SPZ-200 Ballast Regulating Machine. The following table presents the manufacturing capacity, production volumes and sales volumes for the foregoing large maintenance machineries for the periods indicated:

	Manufacturing Capacity[(1)] (Item/Set)	Production Volumes (Item/Set)	Sales Volumes (Item/Set)
2004	80	81	78
2005	80	89	92
2006	80	85	86
30 November 2007	111	111	123

(1) Manufacturing capacity is calculated using the D08-32 Automatic Track Lifting, Lining, Leveling, and Tamping Machine standard as it is one of our major products and is the product with the highest volume.

We recently established CRRS to produce components for high-speed railways, such as high-speed railway switches, rail fasteners, high-speed railway box girder concrete structures and steel structure products. We expect that the manufacturing facilities of CRRS in Zhuzhou will commence its commercial production by February 2008.

Manufacturing Facilities

The following table shows the location, area and main products of our major manufacturing facilities as of the Latest Practicable Date:

Name	Location	Area (m^2)	Major products
Kunming Zhong-Tie	Kunming City, Yunnan Province, China	54,806	Tamping machines, continuous tamping machines, track switch tamping machines, full section track bed ballast processors, switch grinding machine, dynamic stabilizers, ballast distributing and trimming machines, turnout laying and changing machines and bulk material automatic loading machines
CRRS	Zhuzhou City, Hunan Province, China	114,000	Track system products, cement structuring components, steel structuring products and machinery

Raw Materials and Energy Suppliers

We purchase raw materials for our manufacturing operations through a purchase plan using the bidding method. The primary raw materials we purchase include steel, cement, electro-mechanical equipment and non-ferrous metals. Electricity, the main source of energy used in our manufacturing operations, is primarily purchased from local power grids where our facilities are located.

Technology, Research and Development

We are the leader in the research and development as well as the production of large track maintenance machinery in China. We import machinery manufacturing technology from our foreign partners and conduct further research and development activities on such technology to meet domestic production requirements for large track maintenance machinery, thereby improving our own research and development capabilities.

Since 1988, Kunming Zhong-Tie has introduced three technologies from P&T Austria used in the production of large track maintenance machinery. We have also successfully developed our own products to meet the specific needs of the domestic market by research and modification of these imported technologies. We were able to assist the PRC Government in increasing the maximum train speeds of the domestic railway system on numerous occasions. With over 20 new products developed by us through this process of integration and innovation, we have successfully established a completed product line of large track maintenance machinery.

We have received awards for a number of achievements attributable to our research and development team, including:

- *The Serial Equipment and Technologies of Railway Large Maintenance Machinery and Their Utilization* developed by Kunming Zhong-Tie won the *second National Science and Technology Award* in 2006;
- D09-32 Continuous Tamping Machine won the first *Kunming City Advanced Science and Technology Award* in 2004; and
- CD08-475 Switch Tamping Machine won the second *Kunming City Advanced Science and Technology Award* in 2005.

As a result of our research and development efforts, we have won seven *National Advanced Science and Technology Awards* and *National New Product Awards,* as well as eight MOR and *Yunnan Advanced Science and Technology Awards*. We have obtained 16 patents for technology inventions and design. In addition, we have 20 pending patents. We also own copyrights for five pieces of software.

Kunming Zhong-Tie has been named *High and New Technology Enterprise of Yunnan Province, Outstanding Enterprise in Employees' Economic Technology Innovation in Yunnan Province, Advanced Enterprise for Quality and Efficiency in Yunnan Province,* and *Top 30 Well-known Brands in Yunnan Province,* because of its accomplishments.

Sales and Marketing; Customers

We receive purchase orders for large track maintenance machinery primarily through the government channel and private channels. The government channel involves the assignment of purchase orders to us by the MOR through the bidding process, following an annual/periodic review of state-owned railway operators' demands. Purchase orders received through the government channel depend largely on prevailing government policies. However, the order is relatively stable once it is placed. Purchase orders from the government channel generated approximately 80% of our total revenue from our manufacturing operations during the Track Record Period. Private channels involve purchase orders made directly to us by state-owned railway operators, construction companies and mining companies. Purchase orders from private channels are based on the customers' demands. Competition for orders through private channels is more intense. We acquire such orders by way of price comparing and bidding. Purchase orders made through the private channels accounted for approximately 20% of our total revenue from our manufacturing operations during the Track Record Period.

Major customers of our manufacturing operations include large enterprises, such as state-owned railway operators, construction companies, private railway companies, local railway companies, subway companies and mining companies with railway facilities. We have also been actively exploring the international market in recent years.

We usually grant credit terms of three to six months to customers of our manufacturing operations.

As of the Latest Practicable Date, none of our Directors or shareholders holding more than 5% of our shares or their associates was related to or held any interest in any of these customers.

Industry Trends and Competition

We expect that the PRC Government will continue to implement policies favorable to domestic production of large track maintenance machinery. We therefore believe we will be able to maintain our leading position in the large track maintenance machinery industry. Although most of our domestic competitors are currently smaller than us in terms of business scale, we cannot assure you that the PRC Government will not support or sponsor the development and expansion of any of our competitors, thereby intensifying competition in the market.

Kunming Zhong-Tie is currently the largest large track maintenance machinery manufacturer in China and possesses the largest capacities for the manufacturing, research and development of large track maintenance machinery. The other two manufacturers in China are Xiangfan Gold Eagle Vehicle and Machinery Co., Ltd. and Xingping Maintenance Machinery Factory. As of 30 November 2007, Kunming Zhong-Tie had manufactured 603 pieces of large and medium maintenance machinery and equipment, occupying more than 80% of the total market share in China.

We believe that the outlook for the large track maintenance machinery market is promising particularly with the continuous development of China's railway network and the rising demand for increased train speeds on China's railway lines. Despite intense market competition, Kunming Zhong-Tie has notable advantages in terms of production volumes, quality, comprehensive performance-price ratio, technical capacity, brand name and industry reputation. Over the next three years, we expect to maintain or increase our share of the large track maintenance machinery market.

As a result of the expertise and large capital required for large track maintenance machinery manufacturing, the entry barrier for this market remains high. The main competitive factors in the industry include technologies, research and development, product quality, manufacturing capacity, price and after-sales services. As such, we believe that we are well-positioned to compete in both domestic and international markets.

OTHER BUSINESSES AND CAPITAL INVESTMENTS

Our Other Businesses

In addition to our main businesses, we are engaged in a variety of other businesses, mainly including real estate development and logistics services, by leveraging our established businesses.

The following table sets forth revenue before inter-segment elimination derived from these businesses and the percentage of our total revenue before inter-segment elimination for the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007:

	Year Ended 31 December						Eleven months ended 30 November			
	2004		2005		2006		2006		2007	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
	(audited) (RMB million)	(%)	(audited) (RMB million)	(%)	(audited) (RMB million)	(%)	(unaudited) (RMB million)	(%)	(audited) (RMB million)	(%)
Real Estate Development	356.5	0.4	486.6	0.4	570.0	0.4	472.6	0.3	636.4	0.4
Logistics and others	1,860.7	2.2	2,385.9	2.2	2,983.8	1.9	2,680.2	2.0	3,988.7	2.7
Total	2,217.2	2.6	2,872.5	2.6	3,553.9	2.3	3,152.8	2.3	4,625.0	3.1

Real Estate Development

Our real estate development business was previously conducted on a sporadic basis by affiliated construction group companies. Recently, due to the impact of certain macroeconomic controls and more stringent policies in respect of land and financial credit, the entry barrier for the real estate industry has been raised significantly. The real estate industry in China has continued to grow. In 2006, average real estate prices in China's largest 70 cities increased by 5.5% on average, creating new opportunities for companies such as ours. The integration of different industries has given us unique insight into real estate development opportunities. In addition, we have obtained the approval of the SASAC to engage in real estate development as a significant business. On 20 April 2007, we established China Railway Real Estate Group Co., Ltd., our subsidiary, to focus on the development of residential buildings as a main business as well as the development of commercial properties, such as shopping malls and office buildings, as ancillary businesses. We principally carry out real estate development in economically developed cities with a focus on municipalities, such as Beijing, and provincial capitals. In addition, through China Railway Real Estate Group Co., Ltd., we successfully established the brand "Zhong Tie Di Chan" ("中鐵地產"), which was ranked one of the Top 10 real estate brands in Beijing in terms of influence.

We plan to consolidate our resources and increase our capital and land reserves through various means to promote our real estate development business, along with our construction business. As of 31 December 2007, we had 21 on-going real estate development projects. These projects occupy an aggregate site area of approximately 2.3 million m^2 and have an expected GFA of approximately 5.4 million m^2. These projects have an unsold GFA of approximately 4.9 million m^2. The table below sets forth details of these projects:

Projects	Type of properties	City	Site area (m^2)	Expected GFA (m^2)	Unsold GFA[1] (m^2)	Construction expected/ commence year	Anticipated completion year	Percentage of our ownership (%)	Project status[4]
Guiyang Shan Yu Cheng (貴陽山語城)	Residential, Commercial	Guiyang, Guizhou	592,139	1,790,000	1,790,000	2008	2011	70%	Land transaction agreement signed
Changsha Shan Yu Cheng (長沙山語城)	Residential	Changsha, Hunan	367,626	901,973	901,973	2006	2011	51%	Under construction
Xuzhou Xin Cheng (徐州新城)	Residential, Commercial	Xuzhou, Jiangsu	286,096	600,000	600,000	2008	2010	100%	Phase I: hold for future development Phase II: Land transaction agreement signed
Jing Nan Yi Pin (京南一品)	Residential	Baoding, Hebei	147,800	442,200	442,200	2008	2010	100%	Land transaction agreement signed
Tong Jing Guo Ji (同景國際)	Residential, Commercial	Chongqing	253,855	431,760	431,760	2008	2010	93%	Hold for future development
An Zhi Ting Lan (岸芷汀蘭)	Residential, Commercial	Laixi, Shandong	124,947	175,000	175,000	2008	2010	100%	Land transaction agreement signed
C-Park International Apartment (西派國際公寓)	Residential, Commercial	Beijing	24,533	138,600	112,765	2006	2009	70%	Under construction

Projects	Type of properties	City	Site area (m^2)	Expected GFA (m^2)	Unsold GFA[1] (m^2)	Construction expected/ commence year	Anticipated completion year	Percentage of our ownership (%)	Project status[4]
Ying Tai Jia Yuan (盈泰家園)	Commercial	Qingdao, Shandong	93,247	125,790	28,161	2004	2009	100%	Phase I: hold for sale Phase II: hold for future development
Xing Long Shan Zhuang (興隆山莊)	Residential	Jinan, Shandong	52,734	102,548	99,658	2008	2009	100%	Hold for future development
Other projects[2]	Residential, Commercial, Office		332,575	695,607	333,212			89%[3]	
Total			**2,275,552**	**5,403,478**	**4,914,729**				

(1) As of 31 December 2007.

(2) Includes projects in Qionghai (Hainan Province), Haikou (Hainan Province), Xiamen (Fujian Province), Qiqihar (Heilongjiang Province), Huangshi (Hubei Province), Liuzhou (Guangxi Province), Jiaonan (Shandong Province) and other cities in China which we consider less important because of the scale of these projects.

(3) The percentage of total unsold GFA attributable to us in other projects according to our shares of interests in these projects.

(4) See "Appendix IV — Property Valuation".

As of 31 December 2007, we held more than 50% of the interest in the following major real estate development projects in China, except for the Xuzhou Zhong Tie Xin Cheng project, of which we are the sole owner:

- *Guiyang Shan Yu Cheng (貴陽山語城):* This large-scale residential complex is located in Guiyang, Guizhou Province. The complex has an aggregate site area of approximately 592,139 m^2 and an expected GFA of approximately 1.8 million m^2. Construction of this project commenced in January 2008 and is expected to be completed in 2011. As of 30 November 2007, the total cost incurred for this project was RMB1.2 billion. This project has approximately RMB4.4 billion in estimated total development costs excluding the RMB1.0 billion in land costs. As of 30 November 2007, we had completed approximately 5% of the construction of this project.

- *Changsha Shan Yu Cheng (長沙山語城):* Located in Changsha, Hunan Province, this project has an aggregate site area of approximately 367,626 m^2 and an expected GFA of approximately 901,973 m^2. Construction of this project commenced in April 2004 and is expected to be completed in 2011. As of 30 November 2007, the total cost incurred for of this project was RMB291 million. This project has approximately RMB1.0 billion in estimated total development cost excluding the RMB0.07 billion in land costs. As of 30 November 2007, we had completed approximately 40% of the construction of this project.

- *Xuzhou Xin Cheng (徐州新城):* Located in Xuzhou, Jiangsu Province, this project has an aggregate site area of approximately 286,096 m^2 and expected GFA of approximately 600,000 m^2. Of this, Phase I will be approximately 400,000 m^2 and Phase II will be approximately 200,000 m^2. Construction of this project commenced in August 2007 and is expected to be completed in 2010. As of 30 November 2007, total cost incurred for this project was RMB252 billion. This project was constructed by China Railway Xuzhou Properties Development Co., Ltd., an indirect subsidiary owned by two of our direct subsidiaries, China Railway Real Estate Group Co., Ltd. and China Railway Construction Group Co., Ltd. This

project has approximately RMB1.33 billion in estimated total development cost excluding the RMB0.41 billion in land costs. As of 30 November 2007, we had completed approximately 5% of the construction of this project.

- *C-Park International Apartment (西派國際公寓):* Located in the Western District of Beijing, this project has an aggregate site area of approximately 24,533 m^2 and an expected GFA of approximately 138,600 m^2. Construction of this project commenced in October 2006 and is expected to be completed in 2009. This project has approximately RMB0.86 billion in estimated total development cost excluding the RMB0.54 billion in land costs. As of 30 November 2007, we had completed approximately 50% of the construction of this project.

As of 31 December 2007, we had been awarded approximately 107,000 m^2, 235,000 m^2 and 180,000 m^2 of land through bidding in Fangshan of Beijing, Changchun and Chengdu, respectively. However, as of the Latest Practical Date, the land transaction agreements for these three properties had not been signed yet. We also hold a 49% minority interest in Shandong Qingdao Feng Huang Cheng (山東青島鳳凰城) which has an expected GFA of approximately 10,000 m^2 and a 40% minority interest in Hubei Ezhou Kai Xuan Cheng (湖北鄂州凱旋城) which has an expected GFA of approximately 25,000 m^2.

The operational process of our real estate development business is summarized as below:

- Site selection;
- Land acquisition;
- Financing property development and land premium;
- Project planning and design work;
- Construction work, including tendering and procurement of raw materials;
- Fitting and decoration work;
- Inspection and quality control;
- Pre-sale, including applications for requisite regulatory permit to sell properties and reparation work;
- Marketing and sales;
- Payment arrangement; and
- After-sale customer service.

The sales and marketing function for our real estate development operations are delegated to our individual subsidiaries or affiliated project companies, which either have dedicated internal sales teams or retain external professional marketing and sales service providers.

According to the relevant PRC laws and regulations, real estate developers must obtain qualifications in order to carry out real estate development businesses in the PRC. As of the Latest Practicable Date, we and our affiliated construction group companies possessed valid qualifications and were competent to conduct real estate development operations. We maintain such qualifications through continuing compliance to relevant regulatory requirements or timely renewal for such qualifications. According to Beijing Deheng Law Office, our PRC legal adviser, we were in compliance, in all material respects, with the relevant laws and regulations applicable to our real estate development operations, including the pre-sale of properties in the PRC, as of the Latest Practicable Date.

Logistics

Our logistics business is mainly operated by China Railway Goods and Materials Co., Ltd., or CRGMG, a subsidiary of our Company specializing in logistics operations. CRGMG has recently achieved rapid development in its logistics operations and has accumulated extensive experience in this area. In 2006, it ranked as the largest railway construction logistic service provider in China and the second largest railway materials supplier in the world, It has also been ranked 20th among the 50 most competitive logistic enterprises in China in 2006. The logistics centers of our Company are found in seven regions, including northeastern China, northwestern China, eastern China, southwestern China, mid-western China and northern China. We have 31 storage bases in 25 nationwide logistic hubs with the total storage area of approximately 1,330,000 m^2 and eight exclusive railways with a total length over 40 km for our logistics operations. In recent years, we have obtained operational qualifications for various key materials, enabling us to develop multiple logistics hubs.

We also engage in the trading of construction materials, enabling us to strengthen our ability to purchase and supply key materials. We have established strategic relationships with China National Petroleum Corporation, China Petroleum and Chemical Corporation and several major steel companies in China, and expanded the geographical coverage of our operations. We have well-developed our logistic business of railway construction materials, especially through rapid increase of our passenger railway materials logistic business. The sales volume of our steel rail business exceeded 300,000 tonnes in both 2005 and 2006, accounting for over 20% of the domestic steel rail market. We have been certified by the relevant PRC government authorities to wholesale oil products within our Company, thereby enabling us to reduce our overall purchasing costs for oil products.

We believe that, in addition to being an independent business, our logistics operations provide us with the ability to lower our purchase costs of materials utilized in the construction business, thereby further enhancing our profitability and competitiveness.

Capital Investment Operations

We invest in certain of our construction projects by way of BT, BOT and BOO. Build-Operate-Transfer, or BOT, is a mode in which government or local authorities grant the rights to us by concession agreement to undertake the financing, construction, operation and maintenance of a construction project. Upon expiry of the concession period, the relevant facilities will be transferred back to the contracted government authority without consideration. Build-Transfer, or BT, is a variant of BOT in which we undertake the financing of construction expenditures and transfer the project back to our customer upon completion and inspection for acceptance. Our customer will compensate us for such construction expenditure and financing costs in installments pursuant to agreement. Build-Own-Operate, or BOO, is a mode of business in which we build and operate a property project pursuant to the concession rights granted by the government. Such an infrastructure project will not be transferred back to the public sector.

We believe that infrastructure construction projects completed on a BT, BOT, BOO and PPP basis will be increasingly common in China and become an important element in the continued development of China's infrastructure industry. BT, BOO or BOT projects are usually implemented according to customers' requests and the contractors are required to provide financing, fully or partially, for the projects. BT and BOT projects generally provide better returns because of the contractor's increased ability to control project costs. BOT projects also offer the possibility of attractive returns on investment and stable cash flows to the contractor.

We intend to expand our capital investment operations, increase our involvement in BT, BOO, BOT or PPP projects and increase our relevant operating capacities.

As of 30 November 2007, we had operated and implemented twelve BT projects, including the East Line of the Nanjing Express Inner Circle, the Chongqing Yudong Yangtze River Bridge and the Guangxi Guilin Suqiao Garden, three BOT projects, including the northeast section of the Highway Circle of Harbin, the Jiyang Yellow River Highway Bridge and Shannan Railway Special Line in Hubei Province and three BOO projects, including Huhhot — Zhungeer Railway line and the Sichuan Naxu Local Railway Line. We account the revenue from BT and BOT projects during the Track Record Period as part of our revenues for the construction operations. In addition, toll revenue but not construction revenue was generated from BOO projects during the Track Record Period. See "Financial Information — Management's discussion and analysis of financial condition and results of operations — Description of selected components of results of operations". Due to commercial considerations, in August 2007, we entered into a disposal agreement with a third party for the disposal of our entire shareholding of 35% in Huhhot-Zhungeer Railways, in which we invested on 26 February 2003 as a promoter. Our total cost of investment made to Huhhot-Zhungeer Railways as at 30 November 2007 was RMB210 million. The other shareholders of Huhhot-Zhungeer Railways were Ordos State-owned Assets Investment Operation Company Limited, a state-owned enterprise, Inner Mongolia Yitai Coal Company Limited, a private enterprise and Huhhot Railway Bureau, a state-owned enterprise. As of 30 November 2007, the construction of the entire project has been completed. The consideration for the disposal is based on 35% of the net assets of Huzhun Railways as determined from an independent valuation. The independent valuation is still in progress and hence the consideration for the disposal has not been finalized.

As of 30 November 2007, we were engaged in the following landmark capital investment projects:

Project Name	Completion date/ Expected completion date	Total investment/ Expected total investment (RMB million)	Project Nature	Status[2]	Exemption Period	Other Shareholders	Operated by Group Member (or by Independent Third party)	Profit Distribution among Shareholders and Operator	Project description
Huhhot — Zhungeer Railway Line[1]	January 2007	1,416.1	BOO	Operation, 100% construction completed	For the length of the ownership	35% owned by CRCC, 32% owned by Ordos State-owned Assets Investment Operation Company Limited, 30% owned by Inner Mongolia Yitai Coal Company Limited and 3% owned by Huhhot Railway Bureau.	Yes	Shareholders are entitled to project revenue proportionate to their shareholding ratio.	An important construction project for Inner Mongolia in the "Tenth Five-Year Plan", this railway connects Huhhot with Zhungeer and the main line is approximately 124.2 km long. This railway line was constructed mainly to transport coal and has a designed annual cargo transportation volume of 26.7 million tonnes. We hold a 35% equity interest in this project, which is operated by Inner Mongolia Huzhun Railway Co., Ltd.
Jiyang Yellow River Highway Bridge	December 2007	369.7	BOT	Construction in progress, approximately 60% construction work completed	30 Years	100% owned by CRCC	Yes	Shareholders are entitled to project revenue proportionate to their shareholding ratio.	Located in Jinan, Shandong Province, this bridge is approximately 5.9 km long and connects Jinan International Airport with Jiyang County. It is also a major bridge crossing the Yellow River in Jinan City. We are the sole owner of this project, which is operated by Jiyang Yingbin Yellow River Bridge Co., Ltd.

Project Name	Completion date/ Expected completion date	Total investment/ Expected total investment (RMB million)	Project Nature	Status[2]	Exemption Period	Other Shareholders	Operated by Group Member (or by Independent Third party)	Profit Distribution among Shareholders and Operator	Project description
Naxi-Xuyong Railway Line	June 2008	1,450.0	BOO	Construction in progress, approximately 70% construction work completed	For the length of the ownership	16.85% owned by CRCC, 43.15% owned by Sichuan Province Municipal Railway Bureau, 20% owned by Luzhou Xinglu Investment Company and 20% owned by China Railway Construction Development Centre, Ministry of Railway.	No	Shareholders are entitled to project revenue proportionate to their shareholding ratio.	Connecting Naxi with Xuyong, this railway is an important construction project for Sichuan Province and Luzhou City and has a total length of approximately 77.6 km. We commenced construction of this railway in November 2004. We hold a 16.85% equity interest in this project, which is operated by Sichuan Naxu Railway Co., Ltd.
Northeast section of Highway Circle of Harbin	December 2008	1,924.7	BOT	Construction in progress, approximately 50% construction work completed	30 Years	100% owned by CRCC	Yes	Shareholders are entitled to project revenue proportionate to their shareholding ratio.	This project is a part of the State Freeway crossing Harbin City and is an important section of the highway network in Heilongjiang Province. The total length of this highway is approximately 25.8 km. We are the sole owner of this project, which is operated by Harbin Yuanda Raocheng Freeway Co., Ltd.

Project Name	Completion date/ Expected completion date	Total investment/ Expected total investment (RMB million)	Project Nature	Status[2]	Exemption Period	Other Shareholders	Operated by Group Member (or by Independent Third party)	Profit Distribution among Shareholders and Operator	Project description
Lekki Free Trade Zone Project in Nigeria	May 2011 (Phase I)	1,873.2 (Phase I)	BOO	Construction in progress, approximately 5% construction work completed	For the length of the ownership	60% of Lekki Development Zone Corporation is owned by Chinese joint venture (25% by CRCC, 15% by Nanjing Jiangning Economic and Technical Development Corporation and 60% by Nanjing Beiya Investment Company Limited); 40% of the corporation is owned by Nigerian Party (each of Lagos State Government of Nigeria and Lekki Global Investment Company Limited holds 20%).	No	Shareholders are entitled to project revenue proportionate to their shareholding ratio.	Located in the Lekki Peninsula of Nigeria, the Lekki Free Trade Zone in Nigeria (Phase I) is approximately 7.8 km^2 long. The Free Trade Zone is expected to become a multi-functional and international economic and trade zone serving businesses in Nigeria, West Africa, Europe and North America. Of the 60% equity interest in this project collectively owned by Chinese enterprises, we own a 25% equity interest. The project is operated by Lekki Development Zone Corporation.

(1) As of the Latest Practicable Date, the disposal of our shares have not been completed.

(2) As of 30 November 2007.

BACKLOG

Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles.

Backlog may not be indicative of our future operating results. Our revenue amounts do not include backlog for a variety of reasons, including the fact that some projects begin and end within a short-term period. Many contracts do not require our customers to purchase a minimum amount of services and are subject to termination by the customer on short notice. The contract value of such projects may be recorded in our backlog, and the scope of work with respect to contracts reflected in our backlog may at times be adjusted. In addition, poor project selection or difficulties in contract performance may lead to inaccuracies with respect to the estimated income from uncompleted contracts. Furthermore, the termination or modification of any one or more sizeable contracts or the addition of other contracts may have a substantial and immediate effect on the dollar amount to our backlog and the revenue and profits we may earn from such contracts, and may have a material adverse effect on our financial condition and profitability. As a result, our backlog information presented in this Prospectus should not be relied on as the indicator of our future earnings. However, during the Track Record Period, we did not experience any incidents relating to our backlog that had a material adverse effect on our business, financial condition and results of operations. See "Risk Factors — Risks relating to our business operations — Projected revenue amounts reported in our backlog may decline and may not result in actual revenue or translate into profits".

The following table sets out the aggregate value of projects in our backlog of our construction operations, survey, design and consultancy operations and manufacturing operations for the periods indicated:

	As of 31 December			As of 30 November
	2004	2005	2006	2007
	(RMB million)			
Construction Operations	61,047.0	139,531.2	198,374.9	292,662.0
Domestic	58,037.0	130,415.2	156,360.9	175,708.3
Overseas	3,010.0	9,116.0	42,014.0	116,953.7
Survey, Design and Consultancy Operations	2,389.5	2,498.0	2,476.8	2,921.5
Manufacturing Operations	3,608.4	2,503.4	1,602.2	6,554.0
Total	**67,044.9**	**144,532.6**	**202,453.8**	**302,137.5**

NEW CONTRACT VALUE

New contract value represents the aggregate value of the contracts that we entered into during a specified period. The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms.

The following table sets out the aggregate value of new contracts entered into by our construction operations, survey, design and consultancy operations and manufacturing operations for the periods indicated:

	Years ended 31 December			Eleven months ended 30 November
	2004	2005	2006	2007
	(RMB million)			
Construction Operations	140,336.1	189,156.4	198,203.7	223,659.6
Domestic	136,574.4	176,247.5	154,588.5	134,576.1
Overseas	3,761.7	12,908.9	43,615.1	89,083.6
Survey, Design and Consultancy Operations	2,479.7	2,743.3	3,073.3	2,947.6
Manufacturing Operations	1,724.1	1,144.6	1,064.4	6,321.5
Total	**144,539.8**	**193,044.2**	**202,341.4**	**232,928.7**

RESEARCH AND DEVELOPMENT

We place significant importance on the development of our research and development capabilities. In addition to our professional research and development institutes, such as our affiliate design institutes or companies, our headquarters has technology research centers and our construction group companies have technology centers for research and development work. Our Company has also established the relevant rules and guidelines to regulate our technology research centers, technology research investments, technology research projects, and technology research results evaluation and rewarding system. As of 30 November 2007, we had over 86,000 technical personnel of junior, mid- or senior levels, including one academic from the Chinese Academy Engineering, five state-level design masters, 21 experts with outstanding contributions at the provincial and ministerial level, 188 experts receiving special subsidies from the State Council, 217 professor-level senior engineers, 6,375 senior engineers and 16,207 engineers.

As of 30 November 2007, we had undertaken 404 research projects sponsored by government agencies at the provincial and ministerial levels. We were awarded 48 *National Technology Advancement Awards,* 60 National *"Four Excellence" Design Awards,* 325 *Provincial Technology Advancement Awards,* 373 Provincial-level *Survey and Design "Four Excellence" Design Awards,* 18 *Zhan Tianyou Awards,* 87 patents, 67 National Construction Methods, and 351 Provincial Construction Methods.

In the next five years, our Company will focus on developing and innovating new technologies for passenger railways, plateau railways, bridge construction, tunnels, underground construction, and non-ballast railways. We will also optimize our investment, evaluation, incentive, training, and performance review systems and cultivate the innovative skills of our managerial, research and development, and technical personnel.

We are currently devoting our efforts to the research and development projects which we anticipate will make significant progress in 2010, such as the development of comprehensive technologies for passenger railways, underwater tunnels, loess area construction systems, non-ballasted construction facilities, research and production of large railway switches and railway maintenance equipment manufactured in China.

Our total expenditure on research and development for the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007 amounted to RMB39.0 million, RMB27.9 million, RMB99.6 million, RMB88.4 million and RMB84.9 million, respectively, representing 0.05%, 0.03%, 0.06%, 0.06% and 0.06% of our total revenue, respectively.

QUALITY CONTROL AND MANAGEMENT

We have implemented a quality management system pursuant to the ISO9001:2000 standard and have stipulated and implemented a quality control system by establishing 71 procedural management systems for sales, production, after-sales services, inspection, resource management, including the management of the invitation and submission of bids, contract management, materials procurement management, and production plan management.

Our "Provisional Measures for the Administration of Construction Projects" sets out detailed regulations with respect to the quality management system for construction projects, responsibilities of personnel of different levels, control measures, examination standards and procedures, performance reviews, management qualifications for subcontracting projects, accident reporting and management, reward and punishment measures and other measures. We require the establishment of a qualified supervision and management division for each project management department, as well as the establishment of a "Project Quality Management Leading Group", consisting of a project manager, technology director and various department leaders from the relevant departments. Quality control measures are implemented at each stage. For each project, we set preliminary quality standards, stipulate project qualification plans, and define quality control measures for the project's preparatory stage prior to construction, for the construction stage itself, and for the completion and examination stage following completion of construction. The project manager is fully responsible for the quality management of the project.

Our subsidiary, China Railway Construction Group Co., Ltd., was awarded the National Quality Control Award in 2005 for its quality control and management system. China Railway 12th Bureau Group Co., Ltd., also our subsidiary, was awarded the first prize of the 10th Modernizing Enterprise Management and Achievements of the Chinese Construction Industry Award in 2003 and the second prize of the 7th Modernizing Enterprise Management and Innovating Achievements of the Chinese Enterprise Award, also in 2003. On 29 April 2006, we published and implemented our management system regulations. On 7 July 2006, we were accredited with the ISO9001:2000 quality management system and obtained a certificate for our new quality management system. In addition to construction contracting and general contracting, the scope of this certification has been expanded to include general road construction, management of general contracting for construction designs, capital investment operations, management on behalf of owners and performance of responsibilities as investor on behalf of affiliated enterprises of the SASAC. The extensive scope of this certification is unprecedented. Currently, 18 subsidiaries and four design institutes of our Company have obtained certificates for their respective quality management systems.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

Our operations generate air pollution, noise, hazardous material, polluted water and solid wastes, and we are subject to the relevant rules and regulations on occupational health, safety and environmental protection such as the Safe Production Law of the People's Republic of China, the Regulations for the Reporting and Handling of Injuries and Fatal Accidents of Enterprise Employees, the Regulations for the Administration of Production Safety in Construction Projects, the Regulations on Production Safety Permits, and the Law of the People's Republic of China Concerning Environmental Protection, the Law of the People's Republic of China for Prevention and Control of Environmental Noise Pollution, the PRC Measures for Administration of Environmental Protection in Construction Projects. According to our PRC counsel, Beijing Deheng Law Office, we have not caused any material environmental pollution incident as a result of breaching the environmental law in the Track Record Period.

We published and implemented our health, safety and environmental management system on 29 April 2006. On 7 July 2006, we became one of the first state-owned large-scale enterprises that received ISO9001:2000 certification for our quality management system, ISO14001:2004 certification for our environmental management system, and GB/T28001-2001 certification for our occupational health and safety management system. Our 18 subsidiaries with principal operations in construction and four design institutes have obtained "three-in-one" certificates for their respective safety, quality and environmental protection management systems.

In addition, we have a Safety and Quality Management Department and an Environmental Protection Department located at our head office with offices at our principal operating affiliated companies, which are responsible for: (i) supervising and examining the safety and quality control measures of construction companies and construction management companies; (ii) regulating labor, hygiene and safety conditions; and (iii) monitoring compliance with statutory environmental protection regulations relating to air, water, noise and solid waste pollution. We impose safety and anti-pollution measures, as well as regular internal safety and environmental inspections, at all stages of our operations in order to minimize the possibility of work-related accidents and injuries. We also monitor the safety and environmental protection aspects of our subcontractors' operations. As we believe that safe practices are essential to ensure employee safety, we conduct regular safety training sessions and provide safety education to employees. We have established safety standards in connection with matters such as purchasing, installation and operation of new equipment, construction of new facilities and renovation of existing facilities. We invest in training our employees that are involved with formulating and implementing measures to comply with occupational health, safety and environmental protection issues, and assist such personnel in attaining certifications to ensure they are qualified and have the appropriate expertise to handle such matters.

All of our operating subsidiaries have obtained and maintained a safe production permit issued by relevant PRC local authorities. The safe production permit review is performed once every three years. Based on the confirmation issued by the local Municipal Environmental Protection Bureaus in areas in which we operate, we have complied with all national, provincial and municipal environmental regulatory requirements during the past three years. We have not yet experienced a termination or suspension of the safe production permit by relevant PRC local authorities. In addition, there have been no unfavorable results or remedial actions taken by our Company as a result of inspections of our property or projects conducted by the relevant PRC authorities.

With regard to our overseas operations, we are committed to strict compliance with applicable local laws on occupational health, safety and environmental protection. Our ability to comply with local laws is an important consideration before we decide to commence operations in foreign jurisdictions. Our safety, health and environmental protection department oversees our operating affiliated companies' compliance with local occupational health, safety and environmental protection requirements of the foreign jurisdictions in which we operate. Regular reviews by our safety, health and environmental protection department of our operating affiliated companies located in foreign jurisdictions are instrumental in monitoring their compliance with relevant safety and environmental protection regulations. When necessary, we engage local counsel to advise us with respect to these requirements.

Although we have stringent safety measures in place, our construction operations involve inherent occupational risks. In the years ended 31 December 2004, 2005 and 2006, the fatality rate per ten billion RMB revenue of our Company was 1.18, 2.27 and 1.35, respectively, which is substantially lower than the actual average death rate per ten billion RMB revenue in the construction industry, which is approximately 4.76, 3.43 and 2.65, respectively in the same period, according to the relevant government authority. During the Track

Record Period, we experienced 43 severe injuries and 96 fatalities, and we were liable for a total of approximately RMB19 million as compensation for these fatalities. On 5 August 2007, flooding and debris-flow suddenly occurred at the tunnel face of Yiwan Railway Yesanguan Tunnel during its construction by the Fourth Engineering Company of China Railway 16th Bureau Group Co., Ltd., under our subsidiary, China Railway 16th Bureau Group Co., Ltd.. This accident resulted in the deaths of 10 workers. Due to the complex geographical conditions of the surrounding area, the relevant authorities are still conducting an investigation of this accident and have not yet reached a conclusion. The total amount of compensation that we paid for as a result of this accident as of 30 November 2007 was RMB2.9 million. According to the legal opinion of our PRC legal adviser, Beijing Deheng Law office, we have duly and fully paid this compensation amount. In March 2007, a sudden collapse occurred to a tunnel during its excavation for the Beijing subway No. 10, which resulted in the deaths of six workers. Investigations into this accident in Beijing were commenced by the relevant authorities. As of 30 November 2007, several management personnel at Second Engineering Company of China Railway 12th Bureau Group Co., Ltd., under our subsidiary, China Railway 12th Bureau Group Co., Ltd., received disciplinary action and other penalties. Three of them have been removed from their management positions as a result of this accident and no senior management personnel of our Company has been removed from management position for this accident. We have provided various forms of compensation to the families of the workers, including monthly dependency payments, funeral assistance payments and payments to relatives of the deceased who have experienced economic hardship as a result. The total amount of compensation that we paid for as a result of this accident as of 30 November 2007 was RMB2.2 million. According to the legal opinion of our PRC legal adviser, Beijing Deheng Law Office, we have duly and fully paid this compensation amount. We have also performed a comprehensive investigation of the accident resulting in the implementation of additional protective measures to be followed during future tunnel construction work. We have made efforts to strengthen our safety measures at our construction sites to prevent such accidents from occurring again, including modifying our construction methods for tunnel projects to prevent the occurrence of similar accidents, educating our employees to recognize dangers and take measures to deal with emergency situations, and improving the safety of our construction sites by increasing our investment in safety production. On 23 January 2008, certain workers hired by a subcontractor of the Second Engineering Company of China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團第二工程有限公司), under our subsidiary, China Railway 16th Bureau Group Co., Ltd., entered the work area of the Jiaoji Railway Line (which has operational speeds of up to 200 km/h) before scheduled maintenance hours. A subsequent major railway accident occurred, resulting in nine injuries and 18 fatalities. As of the Latest Practicable Date, this accident was under investigation by the relevant authorities. No other accident has had, individually or in the aggregate, a material effect on us. We cannot guarantee that such safety-related incidents will not have an adverse impact on our reputation, corporate image and results of operations.

INTERNAL CONTROLS

Our Board is responsible for monitoring our internal control system and for reviewing its effectiveness. In accordance with applicable laws and regulations, we have implemented internal procedures with a view to establish and maintain our internal control system, which covers our material production and operational decisions, the development of an information technology system, protection of our intellectual property, the establishment of risk and asset management systems, maintenance of an internal audit system and compliance with local laws and rules in both domestic and international markets. In 1987, we established an Internal Audit Department at our head office consisting of financial, auditing, engineering and legal personnel. The department is responsible for establishing the structure of internal audit institutions, allocating responsibilities,

determining work procedures, and implementing specialized audit rules and ancillary measures. Our Audit Department directly reports to our Audit Committee.

Our Directors believe our current internal control system is reasonable, sufficient and effective based on the unqualified advice we received from time to time from independent third parties, and has been implemented effectively in the past. However, although such internal control system, which includes rules, policies and procedures, is in place and in effect, there may still be weaknesses in the implementation of such internal control system. Moreover, we cannot guarantee that our employees will not, in their personal capacity, act in such a way that contravenes our internal control procedures. See "— Legal proceedings". As we have undergone the Restructuring recently and will become a publicly listed company through the Global Offering, our internal control system may require refinement following the expansion of our business that requires recruitment of professional staff. For details, see "Risk Factors — Risks relating to our business operations — We may not be able to monitor and deploy internal control measures with respect to our business operations in an effective and timely manner because of our large number of operating subsidiaries and their broad range of businesses."

INTELLECTUAL PROPERTY RIGHTS

We rely on patents, copyrights, trademarks and contractual rights to protect our intellectual property rights. The intellectual property rights are critical to our businesses. As of the Latest Practicable Date, we held 67 trademarks, 87 patents, 67 National Construction Methods and 351 Provincial Construction Methods. We continuously submit patent applications for products and technologies that we have developed. We also possess unregistered trade secrets, technologies, know-hows, processes and other intellectual property rights. As of the Latest Practicable Date, we have not suffered any infringement of our intellectual property and we have not violated any intellectual property rights of any third parties, to the best of our knowledge.

As of the Latest Practicable Date, our Company was not a party to any litigation brought by any third party due to infringement of intellectual property rights. Details of our intellectual property rights are set out in "Appendix IX — Statutory and General Information—Further information about our business" included in this Prospectus.

PROPERTIES

Our head office is located in Beijing, PRC. As of 31 December 2007, we owned 844 parcels of land and 3,368 buildings.

Of the 844 parcels of land, 836 parcels of land with an aggregate site area of approximately 15,798,262 m^2 are in the PRC and 8 parcels of land with an aggregate site area of approximately 51,563.4 m^2 are located overseas. In addition, 21 parcels of land with an aggregate site area of approximately 1,038,519.3 m^2 are held by us for our real estate development business.

Of the buildings owned by us, 3,322 buildings or units with an aggregate GFA of approximately 3,160,069.9 m^2 are in the PRC and 46 buildings or units with an aggregate GFA of approximately 22,076.6 m^2 are located overseas.

In addition, we have leased five parcels of land with an aggregate site area of approximately 101,588.4 m^2. We have also leased 172 buildings or units in the PRC, with an aggregate GFA of approximately 207,690.7 m^2 and 22 buildings or units in the overseas countries, with an aggregate GFA of approximately 8,608.2 m^2.

Sallmanns, an independent property valuer, valued our owned property interests at approximately RMB13,577 million as of 31 December 2007. The text of the valuer's letter, summary of values and valuation certificates prepared by Paul L. Brown in connection with its valuation are set out in "Appendix IV — Property Valuation" included in this Prospectus.

Land Use Rights

Pursuant to the Restructuring, CRCCG transferred to us the land use rights of 836 parcels of land in the PRC and the leases of 5 parcels of land leased from the State, particulars of which are as follows:

(i) 317 parcels of granted land with a total site area of approximately 3,520,134.5 m^2 with granted land use rights certificates issued to us;

(ii) 349 parcels of allocated land with a total site area of approximately 9,851,262.6 m^2 which have been injected into us as capital. The land use right certificates of the 349 parcels of allocated land are pending change of registration;

(iii) 117 parcels of land with a total site area of approximately 1,856,822.5 m^2, which has been transferred to us as capital injection upon the transfer of the equity interests of the subsidiaries holding such land. The land use rights certificates of the 117 parcels of land have been obtained and are under the name of the subsidiaries;

(iv) 53 parcels of land with a total site area of approximately 570,042.5 m^2, which are pending issuance of the granted land use rights certificates; and

(v) the leases of five parcels of land with a total site area of approximately 101,588.4 m^2 leased from the State, with the land use rights of four parcels of land expiring in 2032 and one parcel of land in 2011.

As of 31 December 2007, of the 53 parcels of land referred to in (iv) above, we have entered into land grant contracts with the relevant government authorities and have paid or will pay the applicable land premium in accordance with the terms required under these contracts. Of the 53 parcels of land for which the granted land use right certificates are pending, aggregate GFAs of approximately 493,268.6 m^2, 51,258 m^2 and 25,515.9 m^2 are used by our construction operations, survey, design and consultancy operations and other business operations, respectively. We expect to settle all outstanding premium in the amount of RMB233 million for grant of the land use rights before the end of 2008.

Beijing Deheng Law Office, Our PRC legal adviser, is of the view that: (1) in respect of the 349 parcels of allocated land which are pending change of registration as referred to in (ii) above, there is no legal impediment for us to change the registration and obtain the relevant land use right certificates of such land, as the injection of such allocated land into us as capital contribution has been approved by the MLR; and (2) there is no legal impediment for us to obtain the granted land use right certificates for the 53 parcels of land referred to in (iv) above on condition the relevant land premium will be duly paid by us.

As confirmed by Deheng Law Office, our PRC legal adviser, we have obtained all land use right certificates in respect of the land held by us for our real estate development and investment.

Buildings

Pursuant to the Restructuring, CRCCG transferred to us a total of 3,322 buildings in the PRC as follows:

- 2,044 buildings with a total GFA of approximately 2,182,275.3 m^2, for which our Company has proper building ownership certificates or building title proof. Among these buildings, 1,877 buildings, with a total GFA of approximately 1,909,350.5 m^2, were built on land for which CRCCG has proper land use rights certificates. The remaining 167 buildings, with a total GFA of approximately 272,924.9 m^2, were built on land for which CRCCG has not obtained proper legal title. Of these 167 buildings, (i) 95 buildings, with a total GFA of approximately 128,094 m^2, were built on 43 parcels of allocated land which has not been transferred by CRCCG to us; and (ii) 72 buildings, with a total GFA of approximately 144,830.9 m^2, were built on land which has been transferred to us pursuant to the Restructuring and we are in process of applying the granted land use right certificates to us.

  In respect of the 95 buildings on the 43 parcels of allocated land, CRCCG signed an undertaking letter on 10 December 2007 pursuant to which CRCCG undertakes, on a best endeavors basis, to complete the procedures for converting the allocated land use rights to granted land use rights in relation to the 43 parcels of land within 12 months from the date of our establishment, and then either transfer or lease the land use rights of such parcels of land to us. In the meantime, before the procedures have been completed, CRCCG also undertakes to (i) allow us to use the 43 parcels of land for nil consideration; (ii) acquire the buildings on the 43 parcels of land on the basis of valuation conducted by an independent valuer, if CRCCG cannot convert the allocated land use rights to granted land use rights within one year; (iii) indemnify us against, among other things, all losses and damages which may arise from any adverse effect on our business operations.

  In respect of the 72 buildings on the land for which we are applying for the granted land use rights certificates, CRCCG has undertaken in the Restructuring Agreement to indemnify us in respect of any title defect of properties being acquired by us pursuant to the Restructuring.

- 1,278 buildings with a total GFA of approximately 977,794.5 m^2, for which our Company or the relevant subsidiaries of our Company do not have proper building ownership certificates. Among these buildings, 456 buildings, with a total GFA of approximately 499,067.3 m^2, were registered under the name of the predecessors or individuals. For the remaining 822 buildings, (i) 751 buildings, with a total GFA of approximately 403,218.3 m^2, were built on the land which CRCCG has proper land use rights certificates. We are in the process of applying the building ownership certificates for such buildings and expect to obtain them before the end of 2008. Since all such buildings were invested and built on land owned by CRCCG which were transferred to us pursuant to the restructuring, we are of the view, and with the support of legal opinion from Beijing Deheng Law Office, that there exists no legal dispute in relation to the use of such buildings; (ii) 42 buildings, with a total GFA of approximately 24,239.8 m^2, were built on the 43 parcels of allocated land for which CRCCG has not obtained proper legal title; and (iii) 29 buildings on land which is in the process of applying for the grant of land use rights. We expect to obtain the granted land use rights certificates for such buildings before the end of 2008. Of the 822 buildings, aggregate GFAs of approximately 445,134.1 m^2, 9,481.3 m^2, 16,006.2 m^2 and 8,105.7 m^2 are used by our construction operations, survey, design and consultancy operations, manufacturing operations and other business operations, respectively. We are of the view that such buildings with no proper titles are not crucial to our operations as (1) our infrastructure

construction business is largely carried out in the open and none of the buildings with no proper titles is in respect of any infrastructure projects or for real estate development business; and (2) such buildings are mainly for ancillary use, such as offices, and we can easily relocate to other premises to conduct the same activities.

The change of registration to us of those buildings with building ownership certificates held by the predecessors of subsidiaries or individuals has not all been completed and as of 31 December 2007, the change of registration of 456 buildings is still outstanding. Beijing Deheng Law Office, our PRC legal adviser, is of the view that there is no legal impediment for us to change the registration of the building ownership certificates. The change of registration will be completed before the end of 2008.

Pursuant to the Restructuring Agreement, CRCCG has undertaken to provide all necessary assistance in our application for building ownership certificates. We expect to obtain all relevant building ownership certificates by the end of 2008, either under our name or the name of one of our subsidiaries. CRCCG has also undertaken to bear any costs or expenses arising from the transfer of these building ownership certificates, and has promised to compensate us for all losses or damages arising from CRCCG's lack of title to the buildings in question should we fail to obtain the building ownership certificates, to the extent such failure is not due to us.

Buildings under Construction

CRCCG transferred to us 18 new buildings which are currently under construction. Upon completion, these buildings will have an estimated total GFA of approximately 136,531 m^2. We have obtained all the relevant permits and approvals for the construction of the 18 new buildings. The relevant building ownership certificates of the buildings under construction will be obtained by us or our relevant subsidiaries following construction and property registration with the relevant authorities. We intend to use these buildings for production purposes, as offices and for other ancillary business uses.

Leased Buildings

As of 31 December 2007, we leased 172 buildings in the PRC. Among these 172 leased buildings, 96 of which have obtained building ownership certificates. Beijing Deheng Law Office, our PRC legal adviser, is of the view that the relevant leases are legally binding and enforceable. The remaining 76 leased buildings have not obtained building ownership certificates. Beijing Deheng Law Office, our PRC legal adviser, is of the view that there exists no legal dispute in relation to the use of such buildings. 164 of the lease agreements of such buildings, which are primarily for office use, have not been registered. We are arranging for registration of such lease agreements and expect to complete the lease registration before the end of 2008. The total GFA of the leased buildings is approximately 207,690.7 m^2. Among these leased buildings, we or our relevant subsidiaries leased from CRCCG 133 buildings with a total GFA of approximately 180,892 m^2 and we or our relevant subsidiaries also leased 39 buildings from various independent third parties with a total GFA of approximately 26,798.7 m^2. Beijing Deheng Law Office, our PRC legal adviser, is of the view that such matters will not affect the legality of the lease agreements. As we can easily relocate to other premises to conduct the same activities, our Directors are of the view that these leased buildings without valid registration are not material to our operation. Further, CRCCG has undertaken in the Restructuring Agreement to indemnify us in respect of any loss which may arise from any lease transferred by it to us.

Overseas Properties

As of 31 December 2007, we own 8 parcels of land with a total site area of approximately 51,563.4 square meters and 46 buildings in Poland, Botswana, Germany, Djibouti and Nigeria. We also own several

properties in Hong Kong and Macau. Additionally, we have leased several properties in Hong Kong, Macau, Japan, Nepal, United Arab Emirates, Saudi Arabia, Libya, Madagascar and Afghanistan. Our Directors are of the view that such tenancy agreements are entered into in accordance with the local legal requirements and are valid and binding.

Waiver from Certain Valuation Report Requirements

Regarding the format and content of the valuation report, the property valuation report included in Appendix IV to this Prospectus includes a valuation report in full compliance with all applicable Hong Kong Listing Rules and Paragraph 34 of Part II of the Third Schedule to the Companies Ordinance of property interests held by us for our property development and investment business. However, except for the property interests held by us for our property development and investment business, owing to the substantial number of properties we own and lease, we have applied for and obtained a waiver from the Hong Kong Stock Exchange from strict compliance with Rule 5.01, Rule 5.06, Rule 19A.27(4) and Paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules and an exemption from the SFC from strict compliance with Paragraph 34 of Part II of the Third Schedule of the Companies Ordinance on the grounds that:

(a) it would be unduly burdensome to list each of the properties in Group I, Group II, Group VII and Group VIII of the valuation report included in Appendix IV to this Prospectus and show their particulars and values individually in this Prospectus; and

(b) it would be unduly burdensome to prepare an English translation of the full valuation report in respect of properties in Group I, Group II, Group VII and Group VIII of the valuation report included in Appendix IV to this Prospectus, as substantially all of the properties of our Company are located in the PRC and consequently the underlying valuation and title information is in Chinese.

The exemptions were granted with conditions which are set out in "Appendix IX — Statutory and General Information".

See "Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection" for the time and place that the full valuation report will be available for public inspection.

INSURANCE

Pursuant to the general practice in the industry, we are required to obtain fire, liability or other property insurance for the property, equipment or inventory in relation to our major businesses, and are required to obtain construction project all-risk insurance for most of the construction projects we undertake. Such policies generally extend for the entire contract period, including the maintenance period following completion of the project. We also purchase pension insurance, medical insurance, unemployment insurance, workplace injury insurance and maternity insurance for our employees and personal injury insurance for our overseas and on-site workers pursuant to the relevant PRC laws and regulations.

Consistent with what we believe to be customary practice in China, we do not carry any third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on our property or relating to our operations, nor do we carry any business interruption insurance or key-man life insurance on our key employees. Such insurance are not mandatory according to the laws and regulations of the PRC or would impose additional costs on our operations, which would reduce our competitiveness against our competitors in the PRC. See "Risk Factors — Risks relating to our business operations — Certain of our businesses expose us to potential liability claims".

Our Directors believe that we maintain adequate insurance coverage that is consistent with our risk of loss and industry practice. We will continue to examine and evaluate the risks of our Company, and will make necessary and appropriate adjustments to our insurance policies according to our needs and the customary practice in the PRC.

LEGAL PROCEEDINGS

As of the Latest Practicable Date, we had initiated three individual legal proceedings against three independent counterparties. The total relief sought against these three counterparties amounted to RMB253.4 million. We believe that the outcome of these three legal proceedings will not have a material adverse impact on our financial position and business operations due to the amount of relief sought and the fact that these proceedings arose from the ordinay course of our business.

In November 2007, a proceeding was initiated by the Court of Final Appeal of the Macau Special Administrative Region against the former Secretary for Transport and Public Works of Macau for alleged bribery and corruption. In a separate legal proceeding, a director of Chon Tit Macau Investment and Development, one of our indirect subsidiaries in Macau, was prosecuted as a defendant in relation to this incident which related to certain contracts we were awarded in Macau during the period the former Secretary of Transport and Public Works of Macau was in position. The director retired at the end of December 2007 due to health problems. Since the legal proceeding is still in its early stage, we are unable to predict the outcome of the judgment. Based on the legal advice of our special counsel in Macau, our Company will not be criminally liable under the laws of Macau. However, should our former employee be found liable in this proceeding, our Company may be liable for damages in this regard. Notwithstanding the outcome of the proceeding, we believe that this incident will not have a material impact on our business operations.

Except for the above legal proceedings, neither we nor any of our subsidiaries is a party to any other litigation or arbitration of which the relief sought amounts to more than RMB50 million, and no material litigation, arbitration or claim is known to us to be pending or threatened by or against us or our subsidiaries or with respect to any of our properties or operations.

EMPLOYEES

As of 31 December 2006 and 30 November 2007, we had 183,308 and 180,986 on-duty employees, respectively. The following table sets out the number of on-duty employees by position:

	Number of on-duty[1] Employees	
	As of 31 December 2006	As of 30 November 2007
Operational, Constructing, Maintenance and Production		
Construction Operations	142,797	140,988
Survey, Design and Consultancy Operations	3,847	3,802
Manufacturing Operations	7,515	7,410
Other Operations	2,563	2,534
Sub-total	156,912	154,924
Management, Financial and Administrative	16,498	16,289
Research and Development, Technical Support	3,666	3,619
Sales and Promotional	2,932	2,896
Others	3,300	3,258
Total	**183,308**	**180,986**

(1) 'On-duty employees' are those that work and receive salary or wages or other forms of remuneration from our Company.

As of 31 December 2006 and 30 November 2007, we had 54,527 and 53,182 off-duty employees, respectively, which mainly included personnel subject to early retirement and post assignment, whose living expenses and insurance were already reserved in state assets and we do not bear other costs in relation to these off-duty employees. We follow the "Settlement Regulations for Extra Employees of State Owned Enterprises" (State Council (1993) No. 111 Order) to provide welfare and benefit of these off-duty employees.

The salaries of our employees are mainly dependent on seniority and performance, and total compensation includes allowances, performance-based bonuses and special awards. For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007, the total amount of salaries, bonuses and allowances paid by us to our employees was RMB6,186.4 million, RMB6,357.5 million, RMB7,884.6 million RMB7,167.7 million and RMB7,989.4 million, respectively.

Employees also receive welfare benefits including medical insurance, pension insurance, unemployment insurance, maternity insurance, workplace injury insurance, employee's housing fund and other benefits. According to applicable regulations, the premiums for basic pension insurance and unemployment insurance are contributed pursuant to PRC national, provincial and municipal regulation, among which basic pension insurance is contributed according to the national standard of 8% by the employee and 20% to 23% by the employer. Except for the above annual contributions, we are not responsible for other employee benefits. For the years ended 31 December 2004, 2005 and 2006 and the eleven months ended 30 November 2006 and 2007, we contributed employee benefits of RMB1,002.5 million, RMB1,092.2 million, RMB1,393.1 million, RMB1,270.4 million and RMB1,589.5 million, respectively. We also contribute to the housing reserve fund in accordance with applicable PRC regulations.

Employees must contribute 1% of their wages to unemployment insurance and employers must pay a corresponding rate of 2% of employee wages to unemployment insurance. Workplace injury insurance rates vary with different industries, ranging from 0.5% to 1.5% of employees' wages. We currently pay a 1% rate for workplace injury insurance. The contribution rate for medical insurance is set out in local regulations.

Currently, except for short-term temporary workers directly hired by us, all of our employees are hired pursuant to the terms of a written employment contract, which specifies the employee's position, responsibilities, remuneration and grounds for termination. We enter into short-term labor contracts (with a term of under one year) with certain temporary workers. The temporary workers are managed by the entity with which the worker is placed, and the wages, benefits and insurance are borne by the dispatching entity as stipulated in the labor contract.

Employees of our Company are protected by labor unions. We encourage employee participation in the management of our Company. The operating entities of our Company and our subsidiaries have separate branches of the labor union. We have not experienced any strikes or other labor disturbances which have interfered with our operations, and we believe that we have positive relations with our employees.

We have been advised by Beijing Deheng Law Office, our PRC legal adviser, that the new PRC Labor Contract Law calls for much stricter requirement in HR departments in terms of signing labor contracts with employees, stipulating probation and violation penalties, dissolving labor contracts, paying remuneration and economical compensation as well as social security premiums. We are requested to take a variety of intensified measurements to improve our employment relationship management and practically fulfill our statutory obligations accordingly. In addition, we shall also choose the forms of employment in accordance with the new law, particularly on worker service dispatches. The legal interpretation in this regard made by the competent central government authority provides that the term of worker service dispatch shall not exceed six months or otherwise the employer shall hire workers through ordinary employment. As for dispatch provided by law, the

accepting entity is required to provide the corresponding working conditions and labor protection, pay overtime remunerations and performance bonuses and provide benefits relevant to the position. The accepting entity should not in turn dispatch the workers to any other employer. The new PRC Labor Contract Law provides that the accepting entity and the dispatching entity shall bear joint and several liability of compensation if any damage is caused to the legitimate right and interests of workers dispatched. Therefore the new regulations strengthened the protection to dispatched workers. In general, we believe that the new PRC Labor Contract Law will help us to establish a more stable and harmonious labor relationship between our employees and us.