



中國中鐵股份有限公司

CHINA RAILWAY GROUP LIMITED

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

(Stock Code: 390)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The “Rectification Report on Corporate Governance Projects of China Railway Group Limited” as published on the website of the Shanghai Stock Exchange on 31 October 2008 is attached below, for reference only.

By order of the Board,
China Railway Group Limited
SHI Dahua
Chairman

4 November 2008

As at the date of this announcement, the executive directors of the Company are SHI Dahua (Chairman), LI Changjin and BAI Zhongren; the non-executive director is WANG Qiuming; and the independent non-executive directors are HE Gong, ZHANG Qinglin, GONG Huazhang, WANG Taiwen and SUN Patrick.

China Railway Group Limited

Rectification Report on Corporate Governance Projects

Pursuant to the requirements of the “Notice Regarding the Announcement of Corporate Governance Projects” (Gong Gao [2008] No. 27) and “Notice Regarding Matters related to the Commencement and Intensification of Corporate Governance Projects for Listed Companies” (Zheng Jian Gong Si Zi [2007] No. 28) issued by China Securities Regulatory Commission and the guiding principles proposed in the meetings of the China Securities Regulatory Commission Beijing Branch, China Railway Group Limited (hereinafter “our Company” or “the Company”) has commenced its corporate governance project since the end of June in 2008, and has currently completed the designated tasks of this corporate governance project substantially after the processes of learning and mobilizing, self-investigation and self-correction, on-site investigation and rectification and enhancement. The summary of the progress and the details of rectification report of the corporate governance project are set out as follows:

I. MAJOR WORK COMPLETED DURING THE CORPORATE GOVERNANCE PROJECT

The management of our Company attaches great importance to this corporate governance project. A steering group for this corporate governance project has been set up rapidly in accordance with the requirements of the documents issued by China Securities Regulatory Commission and China Securities Regulatory Commission Beijing Branch and the guiding principles proposed in the relevant meetings, with the Chairman and the President as the persons-in-charge, and other directors, supervisors and senior management of the Company as members. The group made a well-considered and detailed deployment on the project. The specific work completed is set out as follows:

(1) Learning and Mobilizing Stage

The Company arranged a total of more than 30 persons, including its Directors, supervisors, senior management and persons in charge of related departments, to diligently learn the guiding principles proposed in the documents regarding the commencement of corporate governance projects issued by China Securities Regulatory Commission and China Securities Regulatory Commission Beijing Branch. Through the learning, every Director, supervisor and member of the management of the Company thoroughly understood the content of the documents, fully appreciate the guiding principles stated in the documents, and accurately grasped the purpose of the documents. After the learning, all Directors, Supervisors and members of the management gave their commitment in writing to the effect that they will strictly comply with the laws and regulations when discharging their duties in future and will actively safeguard the interests of the listed company. At the end of the learning stage, the Company submitted the “Report on Learning Related Documents of Corporate Governance Projects” to China Securities Regulatory Commission Beijing Branch. The learning stage has consolidated an solid foundation for the smooth commencement of the tasks in the next stage.

(2) Self-investigation and Self-correction Stage

Our Company was listed in the end of 2007 and did not take part in corporate governance projects in 2007. In the self-investigation and self-correction stage, the Company, pursuant to the requirements of “Notice Regarding Matters related to the Commencement and Intensification of Corporate Governance Projects for Listed Companies” issued by China Securities Regulatory Commission and China Securities Regulatory Commission Beijing Branch, thoroughly self-investigated its state of corporate governance, in accordance with the self-investigation items attached in the Notice and submitted a rectification report.

To ensure the effectiveness of the work in this stage, the steering group for the corporate governance project requested the Office of the Board of Directors of the Company to prepare the “Work Arrangement Schedule for Corporate Governance Projects of China Railway Group Limited” pursuant to the documents issued by China Securities Regulatory Commission and China Securities Regulatory Commission Beijing Branch. The schedule is effectively a breakdown of the self-investigation work and the self-investigation items required under the documents regarding corporate governance projects, and it clearly defines the responsible bodies, completion deadlines and departments-in-charge of every self-investigation item. Adhering to the principle of reporting the truth and with reference to the relevant laws and regulations including the Company Law and the Securities Law of the PRC, as well as internal regulatory systems such as the “Articles of Association of China Railway Group Limited” (hereinafter “Articles of Association”), the Company concluded its own practices on corporate governance, identified the existing problems and insufficiencies of the Company on corporate governance and conducted a thorough analysis of the ultimate causes of the problems. At the same time, the supervisory committee of the Company played the role of supervision on the corporate governance project throughout the process and expressed its review. The “Self-investigation Report and Rectification Plan on Corporate Governance Projects of China Railway Group Limited” was considered and approved by the first session of the Board of Directors of the Company at its 12th meeting on 29 July and it was disclosed on the website of Shanghai Stock Exchange on 30 July.

(3) Public Consultation Stage

After the disclosure of the self-investigation report and the rectification plan, the Company listened to the opinions and suggestions from investors and the public through various ways and means such as setting up investors’ hotline, facsimile, email, “Secretary to the Board of Directors online” on Sina’s website and investors’ meetings. At the same time, in order to deepen investors’ understanding and enhance transparency, the Company held several large investor meetings, recording a total of more than 120 participants.

(4) The Stage of Rectification and Enhancement and On-site Investigation by China Securities Regulatory Commission Beijing Branch

To consolidate the results of the first two stages of the corporate governance project, successfully finish the tasks for this stage of on-site investigation and rectification completion, and ensure the passing of the investigation by securities regulatory bodies in one attempt, the Company convened a mobilization meeting for this rectification stage of the corporate governance project on 14 August and SHI Dahua, the Chairman of the Company, attended the meeting and gave an important speech. On the meeting, Chairman Shi reiterated the importance and necessity of commencing corporate governance projects and emphasized the major tasks to be undertaken for this stage of on-site investigation and rectification completion. He urged the relevant departments to implement the rectification plan, strive for effectiveness and completeness. At the same time, he requested all departments to treat corporate governance as a long term task and put it in practice continuously for its implementation. LI Changjin, the President, repeatedly stressed that high level of attention shall be given to the project and requested the relevant departments to complete every task required by the China Securities Regulatory Commission Beijing Branch strictly and seriously.

Convening this meeting has greatly boosted the continuation of a more thorough commencement of corporate governance projects. While relevant departments of the Company were implementing the rectification plan item-by-item to address the problems found in the self-investigation stage, the Company continued its efforts in launching a second thorough self-investigation activity, which drew great attention to the following problems: first, to further smoothen the management between the listed company and the parent company, ensuring the independence of the listed company; second, to address the problems remained after the listing of the Company and have them solved rapidly; third, to further strengthen internal control management; fourth, to firmly implement the strategy of ‘One thinking, Two enhancements, Three concentrations’, working practically and striving to keep the promises made to investors.

On 28 September, the date on which the Company received a notice from China Securities Regulatory Commission Beijing Branch concerning its proposed visit to the Company for an on-site investigation, the management of the Company immediately organized relevant departments of the Company to convene a preparation meeting. Shi Dahua, chairman of the Company, and Gao Shutang, chairman of the Supervisory Committee, were present at the meeting to give their key instructions. On the meeting, Yu Tengqun, Secretary to the Board of Directors, described his detailed plans for the preparation to be done prior to the on-site investigation, proposed the work allocation in respect of the on-site investigation, and consolidated the relevant materials in a timely manner. After the meeting, President Li Changjin also gave his clear instructions for the preparation work to be done prior to the on-site investigation by China Securities Regulatory Commission Beijing Branch, and requested all departments to give high regards to the event and to work in support of the investigation

work to be done by China Securities Regulatory Commission Beijing Branch, and to work positively in rectifying those problems to be identified in the course of the on-site investigation to ensure the effectiveness of the investigation.

Beginning on 15 October 2008, China Securities Regulatory Commission Beijing Branch started to conduct its 4-day investigation into the corporate governance conditions of the Company. The investigation looked into various areas of the Company, including the establishment of internal control system, the regulated operations of the Company, the operation of the internal control mechanism of the Company, the implementation of the information disclosure system of the Company, the management of and control over the branches and subsidiaries of the Company, use and management of funds raised, investment status, and financial management. The investigation also took into account the reports made by the chairman of the Company, the chairman of the Supervisory Committee, the President, the Chief Financial Officer, and the Secretary to the Board of Directors. Meetings were also held with the independent directors of the Company, the Office of the Board of Directors of the Company, and the heads of the strategic planning department, the human resources department, the finance department, the capital operations department, the legal affairs department, the internal control and audit department etc. The Company provided various materials and worked positively and effectively at the request of China Securities Regulatory Commission Beijing Branch. In light of the opinions and suggestions made by China Securities Regulatory Commission Beijing Branch, the Company is currently acting to undergo rectification.

II. PROBLEMS IDENTIFIED DURING THE STAGE OF SELF-INVESTIGATION AND RECTIFICATION

At the early stage of establishment of the Company, as a company listed in both Shanghai and Hong Kong, the Company has already established a sound corporate governance structure and internal control system in strictly compliance with the laws, regulations and regulatory documents of the two cities. Upon its establishment, the Company managed to strict comply with the relevant laws and regulations and internal rules and systems to regulate its operations and enhance continually its level of corporate governance. In general, the Company maintained a sound level of corporate governance. Through the self-investigation project for corporate governance, insufficiencies of corporate governance were identified and rectification measures had been formulated. Problems identified during the course of self-investigation and specific rectification items are as follows:

(1) Rectification item 1: The launching of the Internal Reporting System for Significant Events, which regulates the procedures for reporting, dissemination, auditing and disclosure of significant events

Details of rectification: In accordance with relevant regulations including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules of Shanghai Stock Exchange for Stock Listing, the Rules Governing the Listing of

Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of China Railway Group Limited, and in light of the practical situation of the Company, the Internal Reporting System for Significant Events was formulated. The system provides a framework for the internal reporting and dissemination of significant events of the Company to enhance the control over various levels of subsidiaries under the Company and ensure the truth, accuracy, completeness, timeliness and fairness of the Company's disclosure of information. The system was considered and approved in the 13th meeting of the first session of the board of directors on 29 August 2008 and was disclosed on the website of the Shanghai Stock Exchange on 30 August 2008.

(2) Rectification item 2: The amendment of the System for Administration of Connected Transactions, and the establishment and refinement of the accountability system

Details of rectification: To refine the mechanism to prevent misappropriation of funds by shareholders and connected parties and to refine the terms of accountability in respect of connected transactions, the Company has, in compliance with the requirements under relevant documents issued by China Securities Regulatory Commission and China Securities Regulatory Commission Beijing Branch and in accordance with relevant regulatory documents including the Company Law, and the "Notice Regarding the Regulation of Flow of Funds of Listed Companies with their Connected Parties and Certain Issues Regarding the Guarantees Provided by Listed Companies to External Parties" issued jointly by China Securities Regulatory Commission and the State-Owned Assets Supervision and Administration Commission (Zheng Jian Fa [2003] No. 56) and the "Notice Regarding the Further Expedition of Outstanding Works (2006)" issued by China Securities Regulatory Commission, the existing System for Administration of Connected Transactions was amended as follows: On the basis of the existing Article 25 under Chapter 5, two separate sections named "Flow of Funds with controlling shareholder and other connected parties" and "Responsibilities and accountability" have been added to form a new Article 30 under Chapter 7. In particular, the new additions clearly state the expressly prohibited actions of connected transactions between the Company and its controlling shareholder. The "freezing upon misappropriation" mechanism and a mechanism of responsibilities and accountability were established respectively. The amended version of the system was considered and approved in the Company's first extraordinary general meeting of 2008 which was held on 20 October.

(3) Rectification item 3: The increase of number of meetings of specialized committees under the board of directors, as full utilization of their consultative functions

Details of rectification: to fully utilize the functions of various specialized committees under the board of directors, the Company convened special meetings to discuss how the functions of specialized committees under the board of directors especially that of the strategy committee and safety, health and environmental protection committee, could be better utilized, and adopted the suggestions by the independent directors of the Company. Specific measures were implemented as follows:

First, to enhance the establishment of a framework, to provide a secured platform upon which the specialized committees can commence their work. At the early stage of establishment of the Company, the rules of meeting of each specialized committee were formulated in accordance with the Articles of Association of the Company. However, the fundamental service provided to the various specialized board committees was inadequate. To enhance the awareness of various business departments of the Company for serving the various specialized committees under the board, and to promote the committees' understanding of the relevant updates of the Company and their ability to provide timely opinions and suggestions, the Company has formulated a "Working System for Relevant Functional Departments of the Company for Serving Specialized Committees Under the Board of Directors of China Railway Group Limited". The system divides the relevant functional departments that serve the specialized board committees into three categories, namely ordinary working units, counterparty units and other relevant units, and specifies their scope of service and their responsibilities, providing stronger operational capability.

Second, to increase the number of meetings of the specialized board committees. To fully utilize the role played by the audit committee under the board of directors in the preparation of regular reports, the Company focused on the implementation of the "Procedures of Working of the Audit Committee under the Board of Directors", which was formulated in late March, whereby interim reports must be submitted to the audit committee under the board of directors in a timely manner in strict compliance with the system, which would allow sufficient time for the audit committee to review the respective reports and listen to the opinions given by the committee members. The audit committee reviewed the semi-annual report 2008 of the Company on 28 August and gave its recommendations on the enhancement of centralized management of funds, reduction of finance expenses, streamlining of management levels, and reduction of management costs.

The strategy committee under board of directors of the Company met for the first time in late August. Adequate discussions were made regarding overseas development strategies. On the same day, the safety, health and environmental protection committee met for the first time to listen to the Working Report of the Staff Safety, Health and Environmental Protection of China Railway, which proposed the further enhancement of safety, health and environmental protection and to include safety, health and environmental protection work in the key dates of progress of production and operations.

To facilitate the remuneration committee's understanding of the latest conditions of human resources, in early August, the vice president responsible for human resources and the head of human resources department of the Company made a detailed report to the chairman of the remuneration committee under the board of directors and listened to the constructive advice provided by the chairman of remuneration committee in respect of reforming the remuneration structure.

Since the establishment of the Company, the specialized committees met for a total of 10 times, which included 4 meetings of the audit committee, 2 meetings of the remuneration committees, 2 meetings of the strategy committee, 1 meeting of the nomination committee and 1 meeting of the safety, health and environmental protection committee. The specialized committees play an increasingly important role in the work of the board of directors. Their opinions are important in the decision-making process of the board of directors.

(4) Rectification item 4: The enhancement of the organizational structure and streamlining the management chain of the Company

Details of rectification: To further shorten the management chain of the Company and reduce the management hierarchy, so as to enhance its decision-making and management efficiency and to optimize resource allocation, the Company has, during the course of restructuring in preparation for its listing in 2007, consolidated or cancelled 132 enterprises, which were of small scales and were engaged in business out of the scope of the Company's core businesses or recorded unsatisfactory results of operations. To further integrate its internal resources, and to enhance its internal control and execution capability, on 24 March, the Company issued the "Notice Regarding the Cleaning up and Cancelling of Legal-Enterprises of Level 4 or Below" (Zhong Tie Gu Fen Hua [2008] No. 77), under which enterprises of Level 4 or below would be cancelled. Divisional units of the Company highly regarded the notice and forthwith arranged their respective management personnel and relevant members to learn and study the concepts and steering groups had been successively formed to prepare and make arrangement for the scope, manners, principles and steps for the cleaning up and cancelling work. As of the end of May, the divisional units submitted their work reports and their schedules of cancelling enterprises in accordance with the requirements laid down by the Company. For those enterprises of Level 4 or below which were not yet in a position to become cancelled and were proposed to remain, detailed reports together with reasons for remaining have been submitted to the Company.

The number of legal-enterprises of Level 4 or below totaled 247, of which 118 were to be cancelled and 129 were to remain. Cancellation will complete by the end of June 2009. To date, the cancelling work is progressing smoothly.

To ensure the smooth completion of the cleaning up and cancellation of legal-enterprises of Level 4 or below, the Company's next step is to focus on the detailed analysis of the 129 enterprises proposed to remain, in strict compliance with the requirements of the documents, to put them under strict auditing processes before approval is granted. At the same time, it will supervise and guide the cancellation work in respect of the 118 enterprises to be cancelled, and to keep abreast of the progress of cancellation of those units. Operational guidelines will be issued to those legal-enterprises of Level 4 or below. Reply and guidance will be given to specific questions raised in the process of cancellation of those units. In addition, those units will be requested to submit their progress reports regarding their cancellation at the end of each month. In accordance with the progress of cancellation, the

second half of the year will be spent on supervising and checking the key units to expedite the work progress. For those legal-project enterprises proposed to remain, files will be established to keep full track of their progress until completion of the project and cancellation process.

III. PROBLEMS IDENTIFIED DURING THE STAGE OF PUBLIC CONSULTATION AND RECTIFICATION

During the public consultation stage, the investor at large and analysts gave its positive comments and sound suggestions to our corporate governance via various channels such as telephone, e-mail and investor meetings. The main concern of the investors focused on how the Company would further enhance its efficiency and profitability, maintain its development momentum and bring about steady revenue on an ongoing basis to the investors. Among the investors so consulted, there were suggestions on how to raise the level of corporate governance and better communicate with investors. Some of the investors considered that ‘One thinking, Two enhancements, Three concentrations’ and measures like shortening management chain which are adopted by the Company, were important means to reduce costs and increase efficiency. At the same time they also looked forward to seeing the benefits that the measures bring to the company.

Recognition to the Company by the investor at large and the capital market represents both encouragement and pressing force to the Company. The Company will further enhance its communications and exchanges with the investors in its future work to further increase the quality of information disclosure, and provide more opportunities for the investors to understand the Company.

IV. REGULATORY OPINION ON THE COMPANY’S CORPORATE GOVERNANCE GIVEN BY CHINA SECURITIES REGULATORY COMMISSION BEIJING BRANCH AND DETAILS OF RECTIFICATION

On 15–17 and 21 October 2008, China Securities Regulatory Commission Beijing Branch conducted a 4-day on-site investigation into the corporate governance of the Company. On 29 October, the Company received the “Regulatory Opinion” issued by China Securities Regulatory Commission Beijing Branch. The following are issues raised in the “Regulatory Opinion” on the Company’s corporate governance and the corresponding rectification measures of the Company:

Item	Regulatory Opinion	Rectification Measures	Deadlines for Rectification
1	Remuneration standards of directors, supervisors and senior management have not been formulated by the Company. Remuneration for directors, supervisors and senior management for the year of 2007 has not been considered and approved by the Board of Directors or the shareholders’ general meeting.	Formulation of remuneration standards of directors, supervisors and senior management, and undergoing relevant decision-making procedures in accordance with the Articles of Association of the Company.	By the time when the annual general meeting of 2008 is convened
2	Internal Control and Audit Department of the Company is managed by the Chief Financial Officer of the Company, which is not in compliance with the requirement that “Person in charge of the Audit Department shall be accountable to and report his or her duty to the Board of Directors” as stipulated in the Articles of Association of the Company, and audit of the Company has not been commenced.	Adoption of appropriate measures to improve and strengthen the independence of the Internal Control and Audit Department of the Company.	By the end of 2008

Item	Regulatory Opinion	Rectification Measures	Deadlines for Rectification
3	Articles 157 and 177 of the Articles of Association of the Company authorise the Chairman and the President of the Company, respectively, to make decision on matters related to entrusted finance in accumulated amount of not exceeding 3% and 2% of the latest audited net assets of the Company, respectively. Since the net assets of the Company are relatively huge, the authorisation to the Chairman and the President is excessively wide.	Amending the Articles of Association of the Company and revising the authorisation granted to the Chairman and the President on matters related to entrusted finance.	By the time when annual general meeting of 2008 is convened
4	The presence at general meetings, Board meetings and president work meetings of the Company by external supervisors of controlling shareholder enables them to gain access to statutory disclosable information, but the Company has not entered into confidentiality agreements with the aforesaid supervisors in accordance with the “Investigation Measures on External Disclosure of Information (Trial)”.	Entering into confidentiality agreements with the supervisors of the controlling shareholder appointed by the State-owned Assets Supervision and Administration Commission in accordance with the “Investigation Measures on External Disclosure of Information (Trial)”, stipulating the confidentiality obligations and strengthening the confidentiality management of information exchanged during general meetings, Board meetings and president work meetings.	By the end of 2008

Item	Regulatory Opinion	Rectification Measures	Deadlines for Rectification
5	<p>“Administration Measures on Headquarters’ Staff (Trial)” formulated by the Company considers the Secretary to the Board of Directors as mid-level management, which is not in compliance with the requirement that “the Secretary to the Board of Directors shall be the senior management of the Company” under the Company Law and the Articles of Association of the Company.</p>	<p>Practical implementation of the requirements under the Company Law and the Articles of Association of the Company and revision of relevant provisions in the “Administration Measures on Headquarters’ Staff (Trial)”, so as to consider the Secretary to the Board of Directors as senior management, ensure his or her access to information under the relevant procedures of the Company and reduce the risk of non-compliance in respect of information disclosure.</p>	<p>By the end of 2008</p>
6	<p>Since the Company is newly established and listed, the establishment and implementation of its internal control system is still subject to further improvement. Internal control measures such as the “Interim Measures on Investment Management”, the “Administration Measures on Centralize Procurement of Materials” and the “Internal Reporting System of Significant Events” are just formulated. Subsidiaries and functional departments of the Company are yet to strengthen their awareness in implementing relevant measures (such as reporting to the senior in a timely manner).</p>	<p>Strengthening the implementation of the internal control system of the Company.</p>	<p>Ongoing</p>

Refinement of corporate governance is a mission to complete the work designated by the securities regulatory bodies as well as an important path to enhance the operational management and regulate operation standards of the Company. Through this corporate governance project, the Company

improved its corporate governance mechanism, in particular, it enhanced internal reporting procedures on significant events of the Company, refined the system of connected transactions, established the mechanism to prevent misappropriation of funds of the Company by the controlling shareholder and its subsidiaries, expedited the streamlining process of the management hierarchy of the Company, significantly improved the regulation of daily operations and gradually increased transparency.

The Company takes this corporate governance project as an opportunity to, under the guidance and assistance of relevant regulatory authorities, continue to strictly comply with the laws and regulations, as well as the relevant requirements of the China Securities Regulatory Commission, the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, further step up its efforts in fostering the progress of incomplete rectification items, further enhance the awareness on regulated operations, refine its internal control system and enhance its implementation efforts, increase transparency of the operations of Company, strengthen the incentive and restriction mechanism on senior management, in order to effectively enhance the level of corporate governance of the Company.

China Railway Group Limited

31 October 2008