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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)

DISCLOSEABLE TRANSACTION

**IN RELATION TO THE ACQUISITION OF 33.54% EQUITY INTEREST OF
THE TARGET COMPANY**

The Board is pleased to announce that on 12 May 2022 (after trading hours of the Stock Exchange), Yunnan Credit (as seller), the other Yunnan Shareholders (as shareholders), CRDI (a wholly-owned subsidiary of the Company, as shareholder), YDAB (as a party to exercise shareholder's rights entrusted by SASACYP), the Target Company and the Company (as purchaser) entered into the Share Purchase Agreement in relation to the sale and purchase of the Sale Equity, representing 33.54% equity interest of the Target Company. Pursuant to the Share Purchase Agreement, the Consideration of the Sale Equity is RMB11,000,000,000.

As at the date of this announcement, the Target Company is owned as to 5.17%, 14.66%, 14.82%, 45.38%, 19.21% and 0.76% by the Company, CRDI, SASACYP, Yunnan Credit, Yunnan Industrial and Yunnan Investment, respectively. Upon Closing, the Target Company will be owned as to 38.71%, 14.66%, 14.82%, 11.84%, 19.21% and 0.76% by the Company, CRDI, SASACYP, Yunnan Credit, Yunnan Industrial and Yunnan Investment, respectively.

The Target Company is principally engaged in construction management of the Yunnan Dianzhong Water Diversion Project (Phase I).

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules in respect of the Transaction are more than 5% but all are less than 25%, the entering into of the Share Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the reporting and announcement requirements under the Hong Kong Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 12 May 2022 (after trading hours of the Stock Exchange), Yunnan Credit (as seller), the other Yuannan Shareholders (as shareholders), CRDI (a wholly-owned subsidiary of the Company, as shareholder), YDAB (as a party to exercise shareholder's rights entrusted by SASACYP), the Target Company and the Company (as purchaser) entered into the Share Purchase Agreement in relation to the sale and purchase of the Sale Equity, representing 33.54% equity interest of the Target Company.

As at the date of this announcement, the Target Company is owned as to 5.17%, 14.66%, 14.82%, 45.38%, 19.21% and 0.76% by the Company, CRDI, SASACYP, Yunnan Credit, Yunnan Industrial and Yunnan Investment, respectively. Upon Closing, the Target Company will be owned as to 38.71%, 14.66%, 14.82%, 11.84%, 19.21% and 0.76% by the Company, CRDI, SASACYP, Yunnan Credit, Yunnan Industrial and Yunnan Investment, respectively.

Upon Closing, the Company and CRDI (a wholly-owned subsidiary of the Company) will hold an aggregate of 53.37% equity interest of the Target Company and the Target Company will become a subsidiary of the Company.

THE SHARE PURCHASE AGREEMENT

Set out below is a summary of the principal terms of the Share Purchase Agreement:

Date

12 May 2022

Parties

- (1) Yunnan Credit, as seller;
- (2) the Company, as purchaser;
- (3) CRDI, as a shareholder;
- (4) SASACYP, as a shareholder;
- (5) YDAB, as a party to exercise shareholder's rights entrusted by SASACYP;
- (6) Yunnan Industrial, as a shareholder;
- (7) Yunnan Investment, as a shareholder; and
- (8) the Target Company.

Subject Matter

Pursuant to the Share Purchase Agreement, Yunnan Credit agreed to sell and the Company agreed to purchase the Sale Equity, representing 33.54% equity interest of the Target Company. Upon Closing, the Target Company will be owned as to 38.71%, 14.66%, 14.82%, 11.84%, 19.21% and 0.76% by the Company, CRDI, SASACYP, Yunnan Credit, Yunnan Industrial and Yunnan Investment, respectively.

Consideration

Pursuant to the Share Purchase Agreement, the Consideration of the Sale Equity is RMB11,000,000,000.

The Company agreed to pay the total Consideration of RMB11,000,000,000 to the bank account designated by Yunnan Credit in two tranches:

1. The first payment for the transfer of the Sale Equity: 40% of the Consideration, i.e. RMB4,400,000,000, to be payable within 10 Business Days from the date of the Share Purchase Agreement.
2. The second payment for the transfer of the Sale Equity: 60% of the Consideration, i.e. RMB6,600,000,000, to be payable within 10 Business Days from the date on which all the Closing Conditions are fulfilled.

The Consideration payable by the Company to Yunnan Credit will be satisfied by its own funds and funds from bank loans.

Basis of the Consideration

The Consideration was determined after arm's length negotiations among the parties to the Share Purchase Agreement by taking into consideration various factors, including but not limited to (i) a valuation made by an independent valuer in respect of the 100% equity interest of the Target Company with aggregated appraised value of approximately RMB32.797 billion as at 31 December 2021 prepared under asset-based approach; and (ii) the business development opportunities and prospect of the Target Company; and (iii) the benefits to be derived by the Group as described under the section headed "REASONS FOR AND BENEFITS OF THE TRANSACTION" in this announcement.

Closing Conditions

The obligation of the Company to pay the Consideration to Yunnan Credit is conditional upon the satisfaction of all of the following Closing Conditions or waiver in writing by the Company:

- (1) from the date of the Share Purchase Agreement to the Closing Date, Yunnan Credit shall continuously hold all paid-up Sale Equity of the Target Company that is freely transferable and not subject to any third-party right (except for the circumstance of pledge to the Company pursuant to the Share Purchase Agreement);
- (2) the Share Purchase Agreement and the Transaction shall have obtained all internal approvals of all parties of the Share Purchase Agreement;
- (3) the Share Purchase Agreement has been duly and validly executed by the parties of the Share Purchase Agreement; and the articles of association of the Target Company following the completion of the Transaction has been approved in the shareholders' meeting of the Target Company;

- (4) there is no valid injunction or similar judgment or ruling that may prohibit or restrict any party from completing the Transaction;
- (5) all required approvals specified in the Share Purchase Agreement for the Transaction shall have been obtained and such approvals shall be deemed to be valid as of the Closing Date;
- (6) the representations and warranties made by the Yunnan Shareholder Group, YDAB and the Target Company under the Share Purchase Agreement are true, accurate, complete and not misleading as of the date of the Share Purchase Agreement and remain so until the Closing Date;
- (7) the Target Company shall have completed the registration of change with the competent Administration Bureau for Market Regulation regarding the Transaction and obtained the new business license, except for the failure of timely registration of change due to reasons of the Company;
- (8) the financial statements of the Target Company shall have complied with the requirements stipulated in the Share Purchase Agreement;
- (9) the restructuring of the board of directors of Phase II Company shall have been completed in accordance with the Share Purchase Agreement; and
- (10) no events that have a material adverse effect on the business, operations, financial condition or prospects of the Target Company and its subsidiaries shall have occurred from the date of the Share Purchase Agreement to the Closing Date.

Closing

Closing shall take place within 10 Business Days from the date on which all the Closing Conditions are fulfilled. The completion of full payment of the Consideration from the Company to the bank account designated by Yunnan Credit shall be deemed as the completion of the Closing. Upon Closing, the Company will directly hold 38.71% equity interest and indirectly hold 14.66% equity interest in the Target Company through CRDI.

Liability for breach of contract

After signing of the Share Purchase Agreement, except for any force majeure event, if either party does not perform or fails to timely and appropriately perform any of its obligations under the Share Purchase Agreement, or breaches any representations, warranties or undertakings that it makes under the Share Purchase Agreement, it shall bear the corresponding legal responsibilities pursuant to the requirement of the laws. The breaching party shall continue to perform its obligations, take remedial measures or pay compensation to the non-breaching party at the request of the non-breaching party.

INFORMATION ABOUT THE PARTIES TO THE SHARE PURCHASE AGREEMENT

Information of the Group and the Company

The Company is a joint stock limited company incorporated in the PRC. The Group provides a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expands to other businesses such as property development and mineral resource development.

CRDI

CRDI is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company. Its principal business activities include infrastructure construction and asset management.

The Target Company

The Target Company is a limited liability company incorporated under the laws of PRC. As at the date of this announcement, the Target Company is owned as to 5.17%, 14.66%, 14.82%, 45.38%, 19.21% and 0.76% by the Company, CRDI, SASACYP, Yunnan Credit, Yunnan Industrial and Yunnan Investment, respectively. The Target Company is principally engaged in construction management of Yunnan Dianzhong Water Diversion Project (Phase I).

Based on the audited financial statements of the Target Company, the audited consolidated total assets and net assets of the Target Company as at 31 December 2021 amounted to approximately RMB35.48 billion and RMB35.26 billion, respectively. The net profits (before and after tax) of the Target Company for the years ended 31 December 2020 and 31 December 2021 are nil.

Yunnan Credit

Yunnan Credit is a company incorporated in the PRC with limited liability and a directly wholly-owned subsidiary of SASACYP. Its principal business activities include enterprise credit management consulting services, financing consulting services, and asset management services for self-owned capital investment, etc.

SASACYP

SASACYP is an institution directly under the Yunnan Provincial People's Government. Its main responsibilities include: pursuant to the authorization of the Yunnan Provincial People's Government, performing the responsibilities of the investor in accordance with laws; supervising the state-owned assets of the invested enterprises; undertaking the duty of the supervision of maintaining and increasing the value of state-owned assets of supervised enterprises; guiding and promoting the reform and reorganization of supervised enterprises; managing and evaluating the management of supervised enterprises in accordance with legal procedures and cadre management authority; and guiding and supervising the supervision and management work of state-owned assets of state (city) governments in accordance with laws.

YDAB

YDAB is an organization directly under the Yunnan Provincial People's Government and entered into the Share Purchase Agreement as a party to exercise shareholder's rights entrusted by SASACYP. Its main duties include implementation of the People's Government of Yunnan Province's major decision deployment in respect of the construction of Yunnan Dianzhong Water Diversion Project; fulfilling the responsibility of the legal person of Yunnan Dianzhong Water Diversion Project and undertaking the construction and management of the project; formulating the relevant policy, systems and measures for the construction and management of Yunnan Dianzhong Water Diversion Project, drafting relevant local regulations, and discussing and making proposal on addressing the project-related major issues.

Yunnan Industrial

Yunnan Industrial is a company incorporated in the PRC with limited liability and is owned as to approximately 66.5% equity interest by SASACYP. Its principal business activities include investment and financing business, asset management, corporate mergers and acquisitions, equity transactions, entrusted financial management of state-owned assets and entrusted disposal of state-owned assets in various businesses and industries; domestic and international trade; and other businesses approved by the Yunnan Provincial People's Government.

Yunnan Investment

Yunnan Investment is a company incorporated in the PRC with limited liability and is owned as to 90% equity interest by SASACYP. Its principal business activities include operating and managing provincial capital construction funds and provincial special construction funds; investing and managing by way of equity participation and financing business approved by the state for certain types of projects and important investment projects of various departments of the State Council in Yunnan Province.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Yunnan Credit, SASACYP, YDAB, Yunnan Industrial, Yunnan Investment and their ultimate beneficial owners are independent third parties not connected with the Company and its connected persons within the meaning of the Hong Kong Listing Rules as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

In the beginning of 2022, the “ ‘14th Five-Year Plan’ for National Water Security Assurance” issued by the State Council and the Ministry of Water Resources clarified the main goals and key tasks of water security assurance during the ‘14th Five-Year Plan’ period. Yunnan Dianzhong Water Diversion Project is one of the 172 major national water conservancy projects, a key national water conservancy and hydropower project during the “14th Five-Year Plan” period, and a strategic infrastructure project for sustainable development in Yunnan province.

The water resources and hydropower engineering is one of the emerging businesses vigorously cultivated to start the second growth curve in the Company's development planning during the "14th Five-Year Plan" period. The Transaction will help the Group to speed up the cultivation and development of their water conservancy and hydropower business, and contribute to the Company's further participation in water conservancy and hydropower projects within Yunnan Province and even all over the PRC, which is also an important initiative of the Company to adjust its industrial structure based on the market, optimize its allocation of resources, boost its industrial transformation with incremental market, and expand its emerging business. At the same time, cooperating with Yunnan Shareholder Group on the equity interest in the Target Company does not only continue and deepen the "Central Enterprises Enter Yunnan", but also being a useful trial in a model of cooperation between central and local government enterprises. Meanwhile, with the industrial advantages, advanced management and financial strength of the Company, it is ensured that Yunnan Dianzhong Water Diversion Project will complete in guaranteed quality and quantity on time, helping the infrastructure construction in Yunnan Province grow to a new level.

The Directors are of the view that the Share Purchase Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

It is further contemplated that the Company, SASACYP, Yunnan Industrial and Yunnan Investment will set up a joint venture after the Transaction and inject all equity interests in the Target Company held by the Company into such joint venture. Thereafter, the accounts of the joint venture will be consolidated into the accounts of the Company. The Company will make further announcement pursuant to the Hong Kong Listing Rules as and when appropriate.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules in respect of the Transaction are more than 5% but all are less than 25%, the entering into of the Share Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the reporting and announcement requirements under the Hong Kong Listing Rules.

The Transaction is subject to the satisfaction or waiver of the Closing Conditions. There is no assurance that the Transaction will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as respectively ascribed below:

"Board"	the board of directors of the Company
"Business Day"	a day on which banks are generally open for business in the PRC
"Closing"	the closing of the Transaction in accordance with the Share Purchase Agreement
"Closing Conditions"	the conditions precedent to Closing
"Closing Date"	the date on which the Closing occurs

“Company”	China Railway Group Limited (中國中鐵股份有限公司), a joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange (stock code: 390) and the Shanghai Stock Exchange (stock code: 601390), respectively
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Consideration”	the total consideration for the transfer of the Sale Equity payable by the Company to Yunnan Credit, being RMB11,000,000,000
“CRDI”	China Railway Development & Investment Group Co., Ltd.* (中鐵開發投資集團有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“other Yunnan Shareholders”	SASACYP, Yunnan Industrial and Yunnan Investment
“Phase II Company”	Yunnan Dianzhong Water Diversion Phase II Engineering Co., Ltd.* (雲南省滇中引水二期工程有限公司), a limited liability company incorporated in the PRC and a company in which 41.38% equity interest is held by the Target Company
“PRC”	the People’s Republic of China, for the purpose of this announcement and for geographical reference only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	33.54% equity interest in the Target Company
“SASACYP”	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People’s Government* (雲南省人民政府國有資產監督管理委員會)
“Share Purchase Agreement”	the share purchase agreement entered into among Yunnan Credit, other Yunnan Shareholders, CRDI, YDAB, the Company and the Target Company dated 12 May 2022
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Yunnan Dianzhong Water Diversion Engineering Co., Ltd.* (雲南省滇中引水工程有限公司), a limited liability company incorporated in the PRC
“Transaction”	the transaction contemplated under the Share Purchase Agreement
“YDAB”	Yunnan Dianzhong Water Diversion Project Construction Administration Bureau* (雲南省滇中引水工程建設管理局)
“Yunnan Credit”	Yunnan Credit Promotion Co., Ltd.* (雲南省信用增進有限公司), a limited liability company incorporated in the PRC
“Yunnan Industrial”	Yunnan Industrial Investment Holding Group Co., Ltd.* (雲南省工業投資控股集團有限責任公司), a limited liability company incorporated in the PRC
“Yunnan Investment”	Yunnan Investment Holding Group Co., Ltd.* (雲南省投資控股集團有限公司), a limited liability company incorporated in the PRC
“Yunnan Shareholder Group”	SASACY, Yunnan Credit, Yunnan Industrial and Yunnan Investment
“%”	per cent

* For identification purposes only.

By Order of the Board
China Railway Group Limited
Chen Yun
Chairman

12 May 2022

As at the date of this announcement, the executive directors of the Company are Mr. CHEN Yun (Chairman), Mr. CHEN Wenjian and Mr. WANG Shiqi; the non-executive director of the Company is Mr. WEN Limin; the independent non-executive directors of the Company are Mr. CHUNG Shui Ming Timpson, Mr. ZHANG Cheng and Mr. XIU Long.