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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)

ANNOUNCEMENT

DISCLOSEABLE TRANSACTION

**SUPPLEMENTAL AGREEMENTS ON PROPOSED ISSUANCE OF
NEW A SHARES FOR ACQUISITION**

PROPOSED ISSUANCE OF CONSIDERATION SHARES FOR ACQUISITION

References are made to the announcements of the Company dated 13 June 2018 and 6 August 2018 in relation to the Restructuring.

As disclosed in the aforesaid announcements, on 6 August 2018, the Company and nine Transferors including China Reform, China Great Wall, China Orient, Structural Reform Fund, Suida Investment, BOC Asset, China Cinda, ICBC Investment and BOCOM Investment entered into the China Railway No.2 Engineering Equity Acquisition Agreement, the China Railway No.3 Engineering Equity Acquisition Agreement, the China Railway No.5 Engineering Equity Acquisition Agreement and the China Railway No.8 Engineering Equity Acquisition Agreement, respectively, pursuant to which, the Company conditionally agreed to acquire and the Transferors conditionally agreed to sell, the Target Equity at a consideration of approximately RMB11,653,711,805 (subject to final adjustment) which will be paid by the Company through issue of a total of approximately 1,696,319,023 Consideration Shares (subject to final adjustment) at an issue price of RMB6.87 per Consideration Share to the Transferors. The consideration of the Target Equity was determined based on the estimated appraised value of the Target Equity in the preliminary valuation made by Zhongshuizhiyuan Appraisal, and may be subject to adjustment depending on results of the final valuation report prepared by Zhongshuizhiyuan Appraisal and filed with the SASAC.

As at the date of this announcement, the SASAC has approved the filing of the final valuation reports on the Target Subsidiaries in respect of the Restructuring. According to the filing results of the valuation reports, on 16 October 2018, the Company and nine Transferors entered into the China Railway No.2 Engineering Equity Acquisition Supplemental Agreement, the China Railway No.3 Engineering Equity Acquisition Supplemental Agreement, the China Railway No.5 Engineering Equity Acquisition Supplemental Agreement and the China Railway No.8 Engineering Equity Acquisition Supplemental Agreement, respectively, to revise certain terms of the Equity Acquisition Agreements, including the final considerations of all Proposed Acquisitions and the number of the Consideration Shares to be issued. The total consideration under the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) is approximately RMB11,654,737,347 (equivalent to approximately HK\$13,214,137,742) will be paid by the Company through issuance of an aggregate of approximately 1,696,468,306 Consideration Shares at an issue price of RMB6.87 (equivalent to approximately HK\$7.79) per Consideration Share to the Transferors. The relevant Consideration Shares will be issued and listed on the SSE. Upon completion of the transactions under the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements), the total A Shares of the Company held in aggregate by the Transferors will represent approximately 10.43% of the total A Shares and approximately 8.64% of the total share capital of the Company as enlarged by the Issuance, and all of the Target Subsidiaries will become wholly-owned subsidiaries of the Company.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

None of the Directors has any material interests in the transactions contemplated under the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements), and thus shall abstain from voting on the relevant board resolutions in respect of the Restructuring.

As the highest applicable percentage ratio (as defined under the Hong Kong Listed Rules) of the transactions contemplated under the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) is higher than 5% but less than 25%, the transaction of the Company's acquisition of the equity interests in the Target Subsidiaries held by the Transferors by issuance of Consideration Shares to the Transferors pursuant to the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) constitutes a disclosable transaction of the Company and shall be subject to reporting and announcement requirements, but exempt from shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules. The final number of the Consideration Shares to be issued shall be subject to the number approved by the CSRC.

EGM

In compliance with relevant domestic laws, regulations and regulatory requirements, the Company will convene the EGM to consider and, if thought fit, to approve, the resolutions in respect of the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) and the transactions contemplated thereunder. The voting in relation to the above-mentioned resolutions will be conducted by way of poll.

The Company will duly dispatch to the shareholders a circular containing, among others, the further details of the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) and the transactions contemplated thereunder.

As the completion of the Proposed Acquisition and the issuance of the Consideration Shares is subject to the fulfilment of conditions precedent of the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements), and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

OVERVIEW

This announcement is made by the Company pursuant to Rule 14.36 of the Hong Kong Listing Rules.

References are made to the announcements of the Company dated 13 June 2018 and 6 August 2018 in relation to the Restructuring.

As disclosed in the aforesaid announcements, on 6 August 2018, the Company and nine Transferors including China Reform, China Great Wall, China Orient, Structural Reform Fund, Suida Investment, BOC Asset, China Cinda, ICBC Investment and BOCOM Investment entered into the China Railway No.2 Engineering Equity Acquisition Agreement, the China Railway No.3 Engineering Equity Acquisition Agreement, the China Railway No.5 Engineering Equity Acquisition Agreement and the China Railway No.8 Engineering Equity Acquisition Agreement, respectively, pursuant to which, the Company conditionally agreed to acquire and the Transferors conditionally agreed to sell, the Target Equity at a consideration of approximately RMB11,653,711,805 (subject to final adjustment) which will be paid by the Company through issue of a total of approximately 1,696,319,023 Consideration Shares (subject to final adjustment) at an issue price of RMB6.87 per Consideration Share to the Transferors. The consideration of the Target Equity was determined based on the estimated appraised value of the Target Equity in the preliminary valuation made by Zhongshuizhiyuan Appraisal, and may be subject to adjustment depending on results of the final valuation report prepared by Zhongshuizhiyuan Appraisal and filed with the SASAC.

As at the date of this announcement, the SASAC has approved the filing of the final valuation reports on the Target Subsidiaries in respect of the Restructuring. According to the filing results of the valuation reports, on 16 October 2018, the Company and nine Transferors entered into the China Railway No.2 Engineering Equity Acquisition Supplemental Agreement, the China Railway No.3 Engineering Equity Acquisition Supplemental Agreement, the China Railway No.5 Engineering Equity Acquisition Supplemental Agreement and the China Railway No.8 Engineering Equity Acquisition Supplemental Agreement, respectively, to revise certain terms of the Equity Acquisition Agreements, including the final considerations of all Proposed Acquisitions and the number of the Consideration Shares to be issued. The total consideration under the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) is approximately RMB11,654,737,347 (equivalent to approximately HK\$13,214,137,742) will be paid by the Company through issuance of an aggregate of approximately 1,696,468,306 Consideration Shares at an issue price of RMB6.87 (equivalent to approximately HK\$7.79) per Consideration Share to the Transferors. The relevant Consideration Shares will be issued and listed on the SSE. Upon completion of the transactions under the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements), the total A Shares of the Company held in aggregate by the Transferors will represent approximately 10.43% of the total A Shares and approximately 8.64% of the total share capital of the Company as enlarged by the Issuance, and all of the Target Subsidiaries will become wholly-owned subsidiaries of the Company.

EQUITY ACQUISITION SUPPLEMENTAL AGREEMENTS

On 16 October 2018, the Company and each of the Transferors entered into the Equity Acquisition Supplemental Agreements respectively, and agreed to amend the major terms of each of the Equity Acquisition Agreements as summarized below.

As at the date of this announcement, China Reform held 424,924,009 A Shares of the Company indirectly through its wholly-owned subsidiary, CNIC Corporation Limited, representing approximately 1.86% of the total share capital of the Company. In addition, according to the Articles of Association of China Structural Reform Fund Corporation Limited and the Entrusted Management Agreement with Chengtong Fund Management Co., Ltd., Chengtong Fund Management Co., Ltd. is entrusted to manage Structural Reform Fund and is in charge of the execution of fund management affairs. Chengtong Fund Management Co., Ltd. is a wholly-owned subsidiary of China Chengtong Holdings Group Ltd. therefore China Chengtong Holdings Group Ltd. is the controlling shareholder and ultimate controller of Structural Reform Fund. As at the date of this announcement, China Chengtong Holdings Group Ltd. held 424,924,009 A Shares of the Company indirectly through its wholly-owned subsidiary, Beijing Chengtong Financial Control Investment Co., Ltd., representing approximately 1.86% of the total share capital of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief after having made all reasonable inquiries, all Transferors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

1. China Railway No.2 Engineering Equity Acquisition Supplemental Agreement

The percentage of equity interests in China Railway No.2 Engineering held by each of the Transferors prior to the completion of the Proposed Acquisition and to be taken as the Target Equity under the China Railway No.2 Engineering Equity Acquisition Agreement, the consideration payable and the estimated number of the Consideration Shares to be issued by the Company are set out below:

Transferors	Percentage of equity interests in China Railway No.2 Engineering held by the Transferor prior to the completion of the Proposed Acquisition and to be taken as the Target Equity	Consideration under the Equity Acquisition Agreement (RMB0'000)	Revised Consideration (RMB0'000)	Number of Consideration Shares to be issued under the Equity Acquisition Agreement (Shares)	Revised Consideration Shares to be issued (Shares)
China Great Wall	7.03%	100,294.8242	100,296.6032	145,989,554	145,992,144
China Reform	6.75%	96,283.0313	96,284.7391	140,149,972	140,152,458
Structural Reform Fund	3.87%	55,162.1532	55,163.1316	80,294,254	80,295,679
BOC Asset	2.04%	29,085.4990	29,086.0149	42,336,970	42,337,721
ICBC Investment	1.27%	18,053.0682	18,053.3884	26,278,119	26,278,585
BOCOM Investment	1.27%	18,053.0682	18,053.3884	26,278,119	26,278,585
Suida Investment	3.09%	44,129.7226	44,130.5053	64,235,404	64,236,543
Total	25.32%	361,061.3667	361,067.7709	525,562,392	525,571,715

Pursuant to the China Railway No.2 Engineering Equity Acquisition Supplemental Agreement, a total consideration of approximately RMB3,610,677,709 (equivalent to approximately HK\$4,093,785,314) representing an aggregate of approximately 25.32% equity interests in China Railway No.2 Engineering will be paid by the Company through issuance of an aggregate of approximately 525,571,715 Consideration Shares at an issue price of RMB6.87 (equivalent to approximately HK\$7.79) per Consideration Share to the Transferors. The consideration was determined based on the appraised value of equity interests of China Railway No.2 Engineering as at the Valuation Benchmark Date in the final valuation report prepared by Zhongshuizhiyuan Appraisal using the income approach and filed with the SASAC.

2. China Railway No.3 Engineering Equity Acquisition Supplemental Agreement

The percentage of equity interests in China Railway No.3 Engineering held by each of the Transferors prior to the completion of the Proposed Acquisition and to be taken as the Target Equity under the China Railway No.3 Engineering Equity Acquisition Agreement, the consideration payable and the estimated number of the Consideration Shares to be issued by the Company are set out below:

Transferors	Percentage of equity interests in China Railway No.3 Engineering held by the Transferor prior to the completion of the Proposed Acquisition and to be taken as the Target Equity	Consideration under the Equity Acquisition Agreement (RMB0'000)	Revised Consideration (RMB0'000)	Number of Consideration Shares to be issued under the Equity Acquisition Agreement (Shares)	Revised Consideration Shares to be issued (Shares)
China Great Wall	8.81%	90,775.9947	90,779.8830	132,133,907	132,139,567
China Orient	1.96%	20,172.4432	20,173.3072	29,363,090	29,364,348
China Cinda	4.89%	50,431.1081	50,433.2683	73,407,726	73,410,870
China Reform	5.00%	51,439.7303	51,441.9337	74,875,881	74,879,088
Structural Reform Fund	2.84%	29,250.0428	29,251.2957	42,576,481	42,578,305
BOC Asset	1.57%	16,137.9545	16,138.6457	23,490,472	23,491,478
ICBC Investment	0.98%	10,086.2216	10,086.6536	14,681,545	14,682,174
BOCOM Investment	0.98%	10,086.2216	10,086.6536	14,681,545	14,682,174
Suida Investment	2.35%	24,206.9319	24,207.9688	35,235,708	35,237,218
Total	29.38%	302,586.6487	302,599.6096	440,446,355	440,465,222

Pursuant to the China Railway No.3 Engineering Equity Acquisition Supplemental Agreement, a total consideration of approximately RMB3,025,996,096 (equivalent to approximately HK\$3,430,873,475) representing an aggregate of approximately 29.38% equity interests in China Railway No.3 Engineering will be paid by the Company through issuance of an aggregate of approximately 440,465,222 Consideration Shares at an issue price of RMB6.87 (equivalent to approximately HK\$7.79) per Consideration Share to the Transferors. The consideration was determined based on the appraised value of equity interests of China Railway No.3 Engineering as at the Valuation Benchmark Date in the final valuation report prepared by Zhongshuizhiyuan Appraisal using the income approach and filed with the SASAC.

3. China Railway No.5 Engineering Equity Acquisition Supplemental Agreement

The percentage of equity interests in China Railway No.5 Engineering held by each of the Transferors prior to the completion of the Proposed Acquisition and to be taken as the Target Equity under the China Railway No.5 Engineering Equity Acquisition Agreement, the consideration payable and the estimated number of the Consideration Shares to be issued by the Company are set out below:

Transferors	Percentage of equity interests in China Railway No.5 Engineering held by the Transferor prior to the completion of the Proposed Acquisition and to be taken as the Target Equity	Consideration under the Equity Acquisition Agreement (RMB0'000)	Revised Consideration (RMB0'000)	Number of Consideration Shares to be issued under the Equity Acquisition Agreement (Shares)	Revised Consideration Shares to be issued (Shares)
China Orient	6.29%	70,362.2817	70,381.6636	102,419,624	102,447,836
China Reform	7.55%	84,434.7382	84,457.9965	122,903,549	122,937,403
Structural Reform Fund	4.41%	49,253.5972	49,267.1645	71,693,736	71,713,485
BOC Asset	2.34%	26,134.5618	26,141.7608	38,041,574	38,052,053
ICBC Investment	1.44%	16,082.8071	16,087.2373	23,410,199	23,416,648
BOCOM Investment	1.44%	16,082.8071	16,087.2373	23,410,199	23,416,648
Suida Investment	3.51%	39,201.8426	39,212.6410	57,062,361	57,078,080
Total	26.98%	301,552.6357	301,635.7010	438,941,242	439,062,153

Pursuant to the China Railway No.5 Engineering Equity Acquisition Supplemental Agreement, a total consideration of approximately RMB3,016,357,010 (equivalent to approximately HK\$3,419,944,682) representing an aggregate of approximately 26.98% equity interests in China Railway No.5 Engineering will be paid by the Company through issuance of an aggregate of approximately 439,062,153 Consideration Shares at an issue price of RMB6.87 (equivalent to approximately HK\$7.79) per Consideration Share to the Transferors. The consideration was determined based on the appraised value of equity interests of China Railway No.5 Engineering as at the Valuation Benchmark Date in the final valuation report prepared by Zhongshuizhiyuan Appraisal using the income approach and filed with the SASAC.

4. China Railway No.8 Engineering Equity Acquisition Supplemental Agreement

The percentage of equity interests in China Railway No.8 Engineering held by each of the Transferors prior to the completion of the Proposed Acquisition and to be taken as the Target Equity under the China Railway No.8 Engineering Equity Acquisition Agreement, the consideration payable and the estimated number of the Consideration Shares to be issued by the Company are set out below:

Transferors	Percentage of equity interests in China Railway No.8 Engineering held by the Transferor prior to the completion of the Proposed Acquisition and to be taken as the Target Equity	Consideration under the Equity Acquisition Agreement (RMB0'000)	Revised Consideration (RMB0'000)	Number of Consideration Shares to be issued under the Equity Acquisition Agreement (Shares)	Revised Consideration Shares to be issued (Shares)
China Great Wall	7.15%	60,153.4197	60,153.4569	87,559,562	87,559,617
China Orient	7.15%	60,153.4197	60,153.4569	87,559,562	87,559,617
China Reform	3.46%	29,074.1529	29,074.1709	42,320,455	42,320,481
Structural Reform Fund	2.03%	17,043.4688	17,043.4794	24,808,542	24,808,558
BOC Asset	1.07%	9,023.0129	9,023.0184	13,133,934	13,133,942
ICBC Investment	0.72%	6,015.3420	6,015.3457	8,755,956	8,755,961
BOCOM Investment	0.72%	6,015.3420	6,015.3457	8,755,956	8,755,961
Suida Investment	1.51%	12,692.3715	12,692.3793	18,475,067	18,475,079
Total	23.81%	200,170.5294	200,170.6532	291,369,034	291,369,216

Pursuant to the China Railway No.8 Engineering Equity Acquisition Supplemental Agreement, a total consideration of approximately RMB2,001,706,532 (equivalent to approximately HK\$2,269,534,271) representing an aggregate of approximately 23.81% equity interests in China Railway No.8 Engineering will be paid by the Company through issuance of an aggregate of approximately 291,369,216 Consideration Shares at an issue price of RMB6.87 (equivalent to approximately HK\$7.79) per Consideration Share to the Transferors. The consideration was determined based on the appraised value of equity interests of China Railway No.8 Engineering as at the Valuation Benchmark Date in the final valuation report prepared by Zhongshuizhiyuan Appraisal using the income approach and filed with the SASAC.

The final number of the Consideration Shares to be issued shall be subject to the number approved by the CSRC.

Save as disclosed above, other major terms of the Equity Acquisition Agreements disclosed in the announcement of the Company dated 6 August 2018 shall remain unchanged.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY UPON COMPLETION OF THE PROPOSED ACQUISITION AND THE ISSUANCE

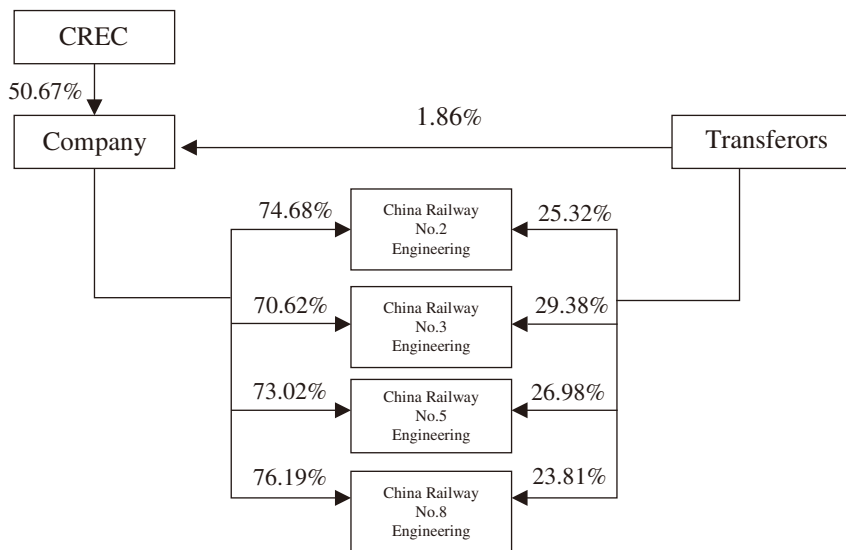
The table below sets out the shareholding structure of the Company as at the date of this announcement and immediately subsequent to completion of the Proposed Acquisition and the Issuance (assuming that there is no other change in the shareholding structure of the Company before the issuance of the Consideration Shares):

Shareholder	As at the date of this announcement		Immediately subsequent to completion of the Proposed Acquisition and the Issuance	
	Number of Shares (Shares)	Percentage in the total issued share capital of the Company	Number of Shares (Shares)	Percentage in the total issued share capital of the Company
<i>A Shares</i>				
CREC	11,410,582,290	49.95%	11,410,582,290	46.50%
China Reform ^{Note}	424,904,009	1.86%	805,193,439	3.28%
China Great Wall	–	–	365,691,328	1.49%
China Orient	–	–	219,371,801	0.89%
Structural Reform Fund	–	–	219,396,027	0.89%
Suida Investment	–	–	175,026,920	0.71%
BOC Asset	–	–	117,015,194	0.48%
China Cinda	–	–	73,410,870	0.30%
ICBC Investment	–	–	73,133,368	0.30%
BOCOM Investment	–	–	73,133,368	0.30%
Other public A Shareholders	6,801,425,244	29.77%	6,801,425,244	27.71%
<i>H Shares</i>				
CREC	164,394,000	0.72%	164,394,000	0.67%
Other public H Shareholders	4,042,996,000	17.70%	4,042,996,000	16.47%
Total issued Shares	22,844,301,543	100.00%	24,540,769,849	100.00%

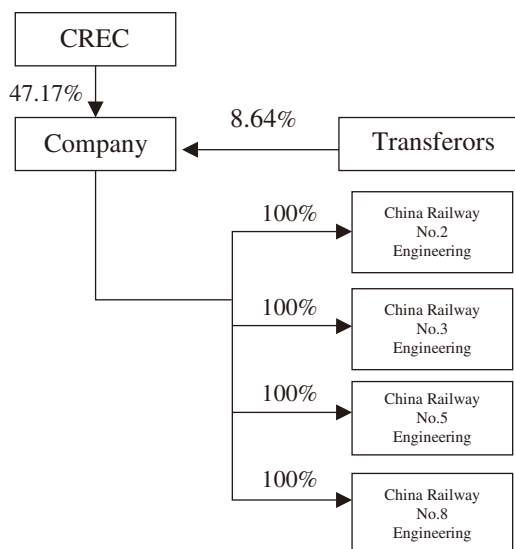
Note: As at the date of this announcement, China Reform held 424,924,009 A Shares of the Company indirectly through its wholly-owned subsidiary, CNIC Corporation Limited.

The charts below set out the simplified shareholding structure of relevant companies as at the date of this announcement and immediately subsequent to completion of the Proposed Acquisition and the Issuance:

As at the date of this announcement:



Immediately subsequent to completion of the Proposed Acquisition and the Issuance:



INFORMATION ON THE VALUATION

1. The Appraised Value of the Target Equity

Zhongshuizhiyuan Appraisal, a PRC qualified valuer, has been engaged by the Company to assess the market value of the total shareholders' equity of each of Target Subsidiaries as at the Valuation Benchmark Date in accordance with the relevant requirements of SASAC. The Valuation Benchmark Date is 30 June 2018. The appraised values of the Target Equity are set out as follows:

In RMB0'000

Target Subsidiaries	Book Value of the 100% Equity Interest A	Appraised Value of the 100% Equity Interest B	Difference C=B-A	Difference in Percentage (%) D=C/A×100%
China Railway No.2 Engineering	1,220,998.33	1,426,418.29	205,419.96	16.82%
China Railway No.3 Engineering	768,181.08	1,029,847.34	261,666.26	34.06%
China Railway No.5 Engineering	787,186.21	1,117,861.91	330,675.70	42.01%
China Railway No.8 Engineering	736,573.50	840,804.97	104,231.47	14.15%

Note: The book value of net assets of each Target Subsidiaries as set out above is audited and on the parent company basis.

2. Assumptions for the Valuation

In conducting the aforesaid valuation, Zhongshuizhiyuan Appraisal adopted the following major assumptions (including commercial assumptions):

(1) General Assumptions

- i. Transaction assumption: assuming all the assets to be valued are already in the process of transaction and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued.
- ii. Open market assumption: open market assumption is an assumption of the market conditions for the proposed entry of the assets and what is the impact of such market conditions on the assets. The open market refers to fully developed and sophisticated market conditions and a competitive market with the availability of voluntary purchasers and sellers, where the purchasers and sellers are in equal position and have opportunities and time to obtain sufficient market information, so as to make rational judgments and act voluntarily without being subject to any compulsory or restrictive conditions.

- iii. Asset continuous use assumption: asset continuous use assumption is an assumption of the market conditions for the proposed entry of the assets and the condition of the assets under such market conditions. This is to assume, firstly, the assets to be valued are in use, and secondly, the assets in use will continue to be used. Given that the asset continuous use assumption does not take into account the change of use or optimised use condition of the assets, the scope of applicability of the valuation result may be restricted.
- iv. Enterprise going concern assumption: assuming for the period of return in the future, there will be no significant change to the respective scope of business of the entities to be valued and each of such entities will carry on its business under the same condition and in the same manner as at the Valuation Benchmark Date, and also assuming that the entities to be valued carry out its business legally and there is nothing unforeseeable which would prevent the continuous operation of any such entity.

(2) *Special Assumptions*

- i. The valuation assumes that the external economic environment remains unchanged and the current national macroeconomic conditions will not change significantly as at the Valuation Benchmark Date. Nor will there be any unforeseeable factor or force majeure event which will result in any material adverse effect.
- ii. There will be no significant change to the social economic environment of the enterprises or to any policies of tax, exchange and tax rate adopted by the enterprises.
- iii. The future management members of the enterprises will duly perform their duties and continue to carry out the operation and management in the same manner as currently adopted.
- iv. Assuming the Target Subsidiaries will be able to obtain the approval from relevant authorities of their qualification for conducting each of their businesses upon the expiry of the necessary qualifications and their industrial or business qualification will continue to be effective.
- v. Assuming the entities to be valued will fully comply with all relevant laws and regulations and industrial policies of the State and there will be no event of material irregularity which will affect the development of the Company or the realisation of the economic return of the Company.
- vi. The valuation of each asset shall be based on the actual quantity of such asset as at the Valuation Benchmark Date, and the prevailing market value of the asset shall be determined with reference to the effective price prevailing at the place where the asset is located as at the Valuation Benchmark Date.

- vii. Assuming the accounting policies to be adopted by the entities to be valued after the Valuation Benchmark Date will be consistent in all material respects with the accounting policies adopted as at the time of the preparation of the valuation report.
- viii. Assuming the respective scope and mode of business of the entities to be valued after the Valuation Benchmark Date will remain the same as that currently adopted and based on the same management approach and standard as currently in effect.
- ix. Assuming the enterprises will keep their existing credit policy unchanged and they will not encounter any material fund collection problem.
- x. Assuming the basic information and financial information provided by the entities to be valued are true, accurate and complete.

3. Rules 14.60A and 14.62 of Hong Kong Listing Rules

As Zhongshuizhiyuan Appraisal has used the income approach in its valuation of China Railway No.2 Engineering, China Railway No. 3 Engineering, China Railway No. 5 Engineering and China Railway No. 8 Engineering, relevant valuation shall constitute the profit forecast under Rule 14.61 of the Hong Kong Listing Rules. Reference is made to the announcements of the Company dated 6 August 2018 and 17 August 2018. The Company has applied to Hong Kong Stock Exchange for, and Hong Kong Stock Exchange has already granted, the waiver from strict compliance with the time requirement in the Rules 14.60A and 14.62 of the Hong Kong Listing Rules subject to the conditions that: (i) the Company will announce and submit the required information under Rules 14.60A and 14.62 by October 2018; and (ii) the Company discloses details of the waiver (including reasons) by way of an announcement.

PricewaterhouseCoopers, the Company's independent auditor, has reviewed the arithmetic accuracy of calculations of the discounted future estimated cash flows on which the business valuations are based, which does not involve the adoption of accounting policies. The Board has confirmed that the discounted future estimated cash flows, which serve as a basis for the equity prices of China Railway No.2 Engineering, China Railway No. 3 Engineering, China Railway No. 5 Engineering and China Railway No. 8 Engineering in the valuation reports, was made after prudent and detailed enquiry by the Board, and is fair and reasonable.

The letters issued by PricewaterhouseCoopers and the Board are set forth in Appendix I to this announcement.

INFORMATION ON THE EXPERTS

The qualifications of the experts who make conclusions or give opinions in this announcement are set out as follows:

Name	Qualification	Date of Conclusion or Opinion
PricewaterhouseCoopers	Certified Public Accountants	16 October 2018
Zhongshuizhiyuan Appraisal	PRC Qualified Valuer	26 August 2018

As at the date of this announcement, to the best of the Directors' knowledge, neither of the experts has any beneficial interests in the share capital of any member of the Group, or has any right to subscribe for or nominate other persons to subscribe for any voting shares, convertible securities, warrants, call option or derivative securities of any member of the Group, whether legally enforceable or not.

Each of the experts has given written consent to the publication of this announcement and the letters contained in this announcement and/or any reference to its name herein, and such written consent has not been withdrawn.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

The Directors (including the independent non-executive Directors) are of the opinion that the proposed transactions under the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) are entered into on normal commercial terms, fair and reasonable and in line with the interests of the Company and the shareholders as a whole.

None of the Directors has any material interests in the transactions contemplated under the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements), and thus shall abstain from voting on the relevant board resolutions in respect of the Restructuring.

As the highest applicable percentage ratio (as defined under the Hong Kong Listed Rules) of the transactions contemplated under the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) is higher than 5% but less than 25%, the transaction of the Company's acquisition of the equity interests in the Target Subsidiaries held by the Transferors by issuance of Consideration Shares to the Transferors pursuant to the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) constitutes a disclosable transaction of the Company and shall be subject to reporting and announcement requirements, but exempt from shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules. The final number of the Consideration Shares to be issued shall be subject to the number approved by the CSRC.

EGM

In compliance with relevant domestic laws, regulations and regulatory requirements, the Company will convene the EGM to consider and, if thought fit, to approve, the resolutions in respect of the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) and the transactions contemplated thereunder. The voting in relation to the above-mentioned resolutions will be conducted by way of poll.

The Company will duly dispatch to the shareholders a circular containing, among others, the further details of the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) and the transactions contemplated thereunder.

As the completion of the Proposed Acquisition and the issuance of the Consideration Shares is subject to the fulfilment of conditions precedent of the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements), and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

“A Share(s)”	the ordinary share(s) in the Company’s share capital, with a nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB
“A Shareholder(s)”	holder(s) of A Shares
“Board”	the board of directors of the Company
“BOC Asset”	BOC Financial Asset Investment Co., Ltd. (中銀金融資產投資有限公司), a limited liability company incorporated in the PRC
“BOCOM Investment”	BOCOM Financial Asset Investment Co., Ltd. (交銀金融資產投資有限公司), a limited liability company incorporated in the PRC
“China Cinda”	China Cinda Asset Management Co., Ltd (中國信達資產管理股份有限公司), a joint stock company incorporated in the PRC
“China Great Wall”	China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司), a joint stock company incorporated in the PRC
“China Orient”	China Orient Asset Management Co., Ltd. (中國東方資產管理股份有限公司), a joint stock company incorporated in the PRC

“China Railway No.2 Engineering”	China Railway No.2 Engineering Group Co., Ltd. (中鐵二局集團有限公司), formerly known as China Railway Erju Engineering Co., Ltd. (中鐵二局工程有限公司), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of the Company as at the date of this announcement
“China Railway No.3 Engineering”	China Railway No.3 Engineering Group Co., Ltd. (中鐵三局集團有限公司), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of the Company as at the date of this announcement
“China Railway No.5 Engineering”	China Railway No.5 Engineering Group Co., Ltd. (中鐵五局集團有限公司), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of the Company as at date of this announcement
“China Railway No.8 Engineering”	China Railway No.8 Engineering Group Co., Ltd. (中鐵八局集團有限公司), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of the Company as at the date of this announcement
“China Reform”	China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司), a limited liability company incorporated in the PRC
“Company”	China Railway Group Limited (中國中鐵股份有限公司), a joint stock company incorporated in the PRC and the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 390) and the SSE (stock code: 601390), respectively
“connected person(s)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules
“Consideration Shares”	new A Shares to be issued by the Company to the Transferors in accordance with the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) for payment of the consideration for Target Equity
“CREC”	China Railway Engineering Group Company Limited (中國鐵路工程集團有限公司), formerly known as China Railway Engineering Corporation (中國鐵路工程總公司), a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company

“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the forthcoming extraordinary general meeting of the Company convened to consider and, if thought fit, to approve, among other things, the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) and the transactions contemplated thereunder
“Equity Acquisition Agreements”	collectively, the Equity Acquisition Agreements dated 6 August 2018 entered into between the Company and each Transferors respectively in relation to the proposed issuance of new A Shares for acquisition
“Equity Acquisition Supplemental Agreements”	collectively, the equity acquisition supplemental agreements dated 16 October 2018 entered into between the Company and each Transferor in relation to the proposed of issuance of new A Shares for acquisition.
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in HK\$
“H Shareholder(s)”	holder(s) of H Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ICBC Investment”	ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司), a limited liability company incorporated in the PRC
“Issuance”	issuance of new A Shares by the Company to the Transferors in accordance with the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements)

“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“Proposed Acquisition”	the acquisition of equity interests in the Target Subsidiaries by the Company from the Transferors in accordance with the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements)
“Restructuring”	the Company’s acquisition of equity interests held by the Transferors in the Target Subsidiaries through issuance of new A Shares
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“Share(s)”	A Shares and/or H Shares
“Shareholder(s)”	A Shareholders and/or H Shareholders
“SSE”	the Shanghai Stock Exchange
“Structural Reform Fund”	China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司), a joint stock company incorporated in the PRC
“Suida Investment”	Suida (Jiaying) Investment Partnership (LLP) (穗達(嘉興)投資合夥企業(有限合夥)), a limited liability partnership incorporated in the PRC
“Target Equity”	the equity interest held by the Transferors in the Target Subsidiaries prior to the completion of the Proposed Acquisition
“Target Subsidiaries”	China Railway No.2 Engineering, China Railway No.3 Engineering, China Railway No.5 Engineering and China Railway No.8 Engineering
“Transferors”	China Reform, China Great Wall, China Orient, Structural Reform Fund, Suida Investment, BOC Asset, China Cinda, ICBC Investment and BOCOM Investment, or some of them, depending on specific Equity Acquisition Agreement(s) (as amended by the Equity Acquisition Supplemental Agreements)
“Valuation Benchmark Date”	30 June 2018

“Zhongshuizhiyuan Appraisal” Zhongshuizhiyuan Assets Appraisal Co., Ltd (中水致遠資產評估有限公司), a PRC qualified valuer which was engaged by the Company to evaluate the value of equity interest of the Target Subsidiaries

“%” per cent

For reference only, an exchange rate of HK\$1.00 to RMB0.88199 has been used for the conversion of Renminbi into Hong Kong dollars in this announcement.

By Order of the Board
China Railway Group Limited
LI Changjin
Chairman

16 October 2018

As at the date of this announcement, the executive directors of the Company are LI Changjin (Chairman), ZHANG Zongyan, ZHOU Mengbo and ZHANG Xian; the independent nonexecutive directors are GUO Peizhang, WEN Baoman, ZHENG Qingzhi and CHUNG Shui Ming Timpson; and the non-executive director is MA Zonglin.

APPENDIX I – LETTERS FROM THE BOARD AND PRICEWATERHOUSECOOPERS RELATING TO THE PROFIT FORECAST

As each of the valuation of China Railway No.2 Engineering, China Railway No.3 Engineering, China Railway No.5 Engineering, and China Railway No.8 Engineering is based on the income approach, it is deemed to be a profit forecast under the Hong Kong Listing Rules. The following is the text of letters from the Board and PricewaterhouseCoopers on the profit forecast for the purpose of incorporation in this announcement.

1. LETTER FROM THE BOARD

To: Listing Division
The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”)
11th Floor, One International Finance Centre,
1 Harbour View Street, Central,
Hong Kong

Dear Sir/Madam,

Company: China Railway Group Limited (the “**Company**”)

Re: Profit forecast – Confirmation letter under the requirements of Rule 14.62(3) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”)

Reference is made to the announcement of the Company dated 6 August 2018 in relation to, among other things, the valuation of China Railway No.2 Engineering Group Co., Ltd., China Railway No.3 Engineering Group Co., Ltd., China Railway No.5 Engineering Group Co., Ltd., and China Railway No.8 Engineering Group Co., Ltd., (collectively, the “**Target Subsidiaries**”) conducted by Zhongshuizhiyuan Assets Appraisal Co., Ltd (the “**Valuer**”). Since the Company has applied to the Stock Exchange for, and the Stock Exchange has already granted, the waiver from strict compliance with the time requirement in the Rules 14.60A and 14.62 of the Hong Kong Listing Rules (the “**Waiver**”), the Company is required to comply with relevant provisions in Rules 14.60A and 14.62 of the Hong Kong Listing Rules as soon as possible after the appraised value of the equity interest to be transferred in the Target Subsidiaries is filed with and approved by the State-owned Assets Supervision and Administration Commission of the State Council (“**SASAC**”) and finally determined.

Reference is also made to the announcement of the Company dated 16 October 2018 in relation to, among other things, the SASAC approved the filing of the valuation reports on the Target Subsidiaries and the Valuer has prepared the final valuation reports dated 26 August 2018 (the “**Valuation Reports**”).

The board of directors of the Company has reviewed and discussed with the Valuer and PricewaterhouseCoopers, the independent auditor of the Company (the “**Independent Auditor**”), the basis and assumptions of the valuation. The board of directors of the Company has also considered the confirmation letter issued by the Independent Auditor on 16 October 2018 in relation to the calculations of the profit forecast in the Valuation Reports.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules and the Waiver, the board of directors of the Company confirmed that the profit forecast used in the Valuation Reports has been made after due and careful enquiry.

The Board of Directors of China Railway Group Limited

16 October 2018

2. LETTER FROM PRICEWATERHOUSECOOPERS

INDEPENDENT AUDITOR’S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATIONS OF CHINA RAILWAY NO.2 ENGINEERING GROUP CO., LTD., CHINA RAILWAY NO.3 ENGINEERING GROUP CO., LTD., CHINA RAILWAY NO.5 ENGINEERING GROUP CO., LTD. AND CHINA RAILWAY NO.8 ENGINEERING GROUP CO., LTD. (THE “TARGET COMPANIES”)

TO THE BOARD OF DIRECTORS OF CHINA RAILWAY GROUP LIMITED

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuations (the “**Valuations**”) dated 26 August 2018 prepared by Zhongshuizhiyuan Assets Appraisal Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in the Target Companies are based. The Valuations are set out in the announcement of China Railway Group Limited (the “**Company**”) dated 16 October 2018 (the “**Announcement**”) in connection with the proposed issuance of consideration A shares for acquisition of the Target Companies’ equity interests. The Valuations based on the discounted future estimated cash flows are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuations are based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Companies.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, have been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 October 2018