

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of China Railway Group Limited.



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

**ADJUSTMENT TO ISSUE PRICE AND NUMBER OF SHARES TO
BE ISSUED OF PROPOSED ISSUANCE OF NEW A SHARES FOR
ACQUISITION**

References are made to the announcements dated 13 June 2018, 6 August 2018 and 16 October 2018, the circular dated 23 October 2018 and the poll results announcement dated 7 December 2018 of the Company in relation to the Restructuring.

According to the Proposal on the Plan for the Acquisition of Assets by Issuance of Shares of the Company considered and approved at the 2018 first extraordinary general meeting of the Company and the agreements in relation to the Restructuring, after implementation of the profit distribution plan for the year 2018 of the Company, the issue price and number of the Consideration Shares to be issued will be adjusted to RMB6.75 (equivalent to HK\$7.67) per Consideration Share and 1,726,627,740 Consideration Shares respectively. The relevant Consideration Shares will be listed on 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 8.48% of the total A Shares and approximately 7.03% of the total share capital of the Company as enlarged by the Issuance.

Based on the adjusted issue price of the Issuance and number of the Consideration Shares to be issued, as the highest applicable percentage ratio (as defined under the Hong Kong Listing 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.

This announcement is made by China Railway Group Limited (the "**Company**") pursuant to Rule 14.36 of the Hong Kong Listing Rules.

References are made to the announcements dated 13 June 2018, 6 August 2018 and 16 October 2018, the circular dated 23 October 2018 (the "**Circular**") and the poll results announcement dated 7 December 2018 of the Company in relation to the Restructuring. Unless otherwise defined, all the terms in this announcement has the same meaning as defined in the Circular.

PROPOSED ISSUANCE OF NEW A SHARES FOR ACQUISITION

As disclosed in the Circular, 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. 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\$13,236,348,647) 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\$7.80) per Consideration Share to the Transferors.

On 7 December 2018, the Company held the 2018 first extraordinary general meeting at which relevant proposals including the Proposal on the Plan for the Acquisition of Assets by Issuance of Shares of the Company were considered and approved. On 29 May 2019, the Company received from CSRC the Approval of the Acquisition of Assets by Issuance of Shares of China Railway Group Limited to China Reform Holdings Corporation Ltd. and Other Entities (Zheng Jian Xu Ke [2019] No. 913), which has approved the Restructuring.

1. Pricing Benchmark Date and Issue Price of the Issuance

The Pricing Benchmark Date of the Restructuring is the date of the announcement on resolutions passed at the first Board meeting convened by the Company for consideration of the Restructuring. After consultation, the parties to the Restructuring have agreed to select the average trading price of the Shares of the Company over the last 20 trading days prior to the date of the announcement on resolutions passed at the first Board meeting to be the market reference price for the issue price of the Restructuring, and in accordance with the principle that the issue price of the Restructuring shall not be less than 90% of the average trading price of the Shares over the last 20 trading days prior to the date of the announcement on resolutions passed at the first Board meeting, the parties have agreed to set the issue price at RMB6.87 (equivalent to approximately HK\$7.80) per Consideration Share.

During the period from the Pricing Benchmark Date of the Issuance to the Issuance Completion Date, in case of any ex-rights or ex-dividends events of the Company, including distribution of dividends, issuance of bonus shares, rights issue and conversion of capital reserve into share capital, etc., the issue price will be adjusted in accordance with the following formulas and the calculation results shall be rounded up to the nearest hundredth. The formulas for adjustment of issue price are as follows:

Distribution of share dividend or conversion of capital reserve to share capital: $P1 = P0/(1+n)$;

Rights issue: $P1 = (P0+A \times k)/(1+k)$;

Where the two events above occur concurrently: $P1 = (P0+A \times k)/(1+n+k)$;

Distribution of cash dividend: $P1 = P0 - D$;

Where the three events above occur concurrently: $P1 = (P0 - D + A \times k)/(1+n+k)$.

Where $P0$ represents the effective issue price before adjustment; n represents the ratio of share dividend or conversion to share capital; k represents the ratio of the rights issue; A represents the price of the right issue; D represents the cash dividend payable for each share; and $P1$ represents the effective issue price after adjustment.

2. Number of Shares to be issued

The number of Shares to be issued will be determined in accordance with the following formula: Total number of Shares to be issued = Sum of Shares issued to other shareholders of China Railway No.2 Engineering other than the Company for the acquisition of their equity interests in China Railway No.2 Engineering + Sum of Shares issued to other shareholders of China Railway No.3 Engineering other than the Company for the acquisition of their equity interests in China Railway No.3 Engineering + Sum of Shares issued to other shareholders of China Railway No.5 Engineering other than the Company for the acquisition of their equity interests in China Railway No.5 Engineering + Sum of Shares issued to other shareholders of China Railway No.8 Engineering other than the Company for the acquisition of their equity interests in China Railway No.8 Engineering.

Number of Shares to be issued to any Transferor for payment of the transfer consideration payable to such Transferor for the acquisition of its equity interests in China Railway No.2 Engineering, China Railway No.3 Engineering, China Railway No.5 Engineering or China Railway No.8 Engineering = Transfer consideration of the equity interests held by the Transferor in China Railway No.2 Engineering, China Railway No.3 Engineering, China Railway No.5 Engineering or China Railway No.8 Engineering ÷ Issue price, wherein the number of Shares to be issued shall be an integer and rounded down to the nearest integer, and the Company is not required to pay for the fraction part of transfer consideration that is equivalent to a fractional share of the Company.

The transaction price of the Target Equity shall be RMB11,654,737,347 (equivalent to approximately HK\$13,236,348,647). Based on the issue price of RMB6.87 (equivalent to approximately HK\$7.80) per Consideration Share, the number of the Consideration Shares to be issued for the Issuance will be 1,696,468,306 Shares in aggregate. The number of the Consideration Shares proposed to be issued to the Transferors are set out as follows:

Transferors	Consideration payable to issue the Consideration Shares (RMB0'000)	Number of Consideration Shares to be issued (Shares)
China Reform	261,258.8402	380,289,430
China Great Wall	251,229.9431	365,691,328
China Orient	150,708.4277	219,371,801
Structural Reform Fund	150,725.0712	219,396,027
Suida Investment	120,243.4944	175,026,920
BOC Assets	80,389.4398	117,015,194
China Cinda	50,433.2683	73,410,870
ICBC Investment	50,242.6250	73,133,368
BOCOM Investment	50,242.6250	73,133,368
Total	<u>1,165,473.7347</u>	<u>1,696,468,306</u>

In the event of an adjustment to the price of the Consideration Shares of the Issuance arising from ex-dividend, ex-right or otherwise, the number of the Consideration Shares to be issued will also be adjusted accordingly.

THE PROFIT DISTRIBUTION PLAN FOR THE YEAR 2018 OF THE COMPANY AND ITS IMPLEMENTATION

The Proposal on Profit Distribution Plan for the Year Ended 31 December 2018 was considered and approved at the annual general meeting for the year 2018 of the Company to distribute a cash dividend of RMB1.28 per 10 shares (tax inclusive), based on the Company's total share capital of 22,844,301,543 Shares as at 31 December 2018, the total amount of such dividend is RMB2,924,070,597.50. The Company will not issue bonus shares or capitalize capital reserve into share capital for the year 2018.

On 28 June 2019, the Company published the Announcement in Relation to Withholding Tax in Respect of 2018 Final Dividend and Closure of Register of Holders of H Shares on the website of Hong Kong Stock Exchange, pursuant to which the 2018 final dividend to the H Shareholders shall be HK\$0.14573 per Share (tax inclusive). The register of H Shareholders shall be closed from 16 July 2019 to 22 July 2019. The record date shall be 22 July 2019 and the cash dividend distribution date shall be 29 July 2019.

On 16 July 2019, the Company published the Announcement of China Railway Group Limited on the Implementation of 2018 Annual Distribution (Announcement No.: 2019-047), pursuant to which the cash dividend to A Shareholders shall be RMB0.128 per Share (tax inclusive). The record date shall be 22 July 2019, the ex-rights (dividend) date and the cash dividend distribution date shall be 23 July 2019.

As at the date of this announcement, the aforesaid profit distribution plan has been completed.

ADJUSTMENT TO ISSUE PRICE AND NUMBER OF SHARES TO BE ISSUED OF THE ISSUANCE

According to the plan for the Restructuring and the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements), the issue price and number of the Consideration Shares to be issued of the Issuance will be adjusted as follows :

1. Adjustment to Issue Price

According to the Proposal on the Plan for the Acquisition of Assets by Issuance of Shares of the Company considered and approved at the 2018 first extraordinary general meeting of the Company and the agreements in relation to the Restructuring, the issue price of the Issuance shall be RMB6.87 (equivalent to approximately HK\$7.80) per Consideration Share. After implementation of the profit distribution plan for the year 2018 of the Company, the issue price of the Issuance shall be adjusted to RMB6.75 (equivalent to approximately HK\$7.67) per Consideration Share.

2. Adjustment to Number of Shares to be Issued

According to the agreements in relation to the Restructuring, the appraised value of the Target Equity in the Restructuring is RMB11,654,737,347 (equivalent to approximately HK\$13,236,348,647) and the transaction price shall be RMB11,654,737,347 (equivalent to approximately HK\$13,236,348,647). Based on the adjusted issue price of the Issuance of RMB6.75 (equivalent to approximately HK\$7.67) per Consideration Share, the number of the Consideration Shares to be issued to the Transferors are set out as follows:

Transferor	Number of Consideration Shares to be issued (Shares)
China Reform	387,050,131
China Great Wall	372,192,507
China Orient	223,271,744
Structural Reform Fund	223,296,399
Suida Investment	178,138,508
BOC Asset	119,095,464
China Cinda	74,715,953
ICBC Investment	74,433,517
BOCOM Investment	74,433,517
Total	<u>1,726,627,740</u>

The relevant Consideration Shares will be listed on 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 8.48% of the total A Shares and approximately 7.03% of the total share capital of the Company as enlarged by the Issuance.

Save for the above adjustments, other matters in respect of the Restructuring remain unchanged.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

Based on the adjusted issue price of the Issuance and number of the Consideration Shares to be issued, as the highest applicable percentage ratio (as defined under the Hong Kong Listing 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.

For reference only, an exchange rate of HK\$1.00 to RMB0.88051 has been used for the conversion of Renminbi into Hong Kong dollars in this announcement.

By Order of the Board
China Railway Group Limited
He Wen Tam Chun Chung
Joint Company Secretaries

30 July 2019

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