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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 TRANSACTIONS

THE ESTABLISHMENT OF JOINT VENTURE

The Board is pleased to announce that on 8 October 2022, the Company, YDAB and the Yunnan Group Shareholders entered into the JV Shareholders Agreement under which the parties agreed to establish the Joint Venture. Pursuant to the JV Shareholders Agreement, the Company, SASACYP, Yunnan Industrial and Yunnan Investment undertake to subscribe a registered capital of RMB70,510, RMB12,560, RMB16,280 and RMB650, respectively, in cash, and increase the registered capital of RMB27.284 billion, RMB4.857 billion, RMB6.301 billion and RMB0.250 billion, respectively, to the Joint Venture by injecting their respective equity interest in Dianzhong Water Diversion and the Company's 100% equity interest in CRDI into the Joint Venture.

Upon the establishment of the Joint Venture and the increase of the registered capital, the Joint Venture will be owned as to 70.51%, 12.56%, 16.28% and 0.65% by the Company, SASACYP, Yunnan Industrial and Yunnan Investment, respectively. The Joint Venture will become a direct subsidiary of the Company upon its establishment, and CRDI and Dianzhong Water Diversion will become direct subsidiaries of the Joint Venture.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

Establishment of the Joint Venture

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 relevant transaction are more than 5% but all are less than 25%, the establishment of the Joint Venture pursuant to the JV Shareholders 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.

Deemed acquisition of 34.79% equity interest in Dianzhong Water Diversion

As the Yunnan Group Shareholders will inject their respective equity interest in Dianzhong Water Diversion into the Joint Venture pursuant to the JV Shareholders Agreement to satisfy their respective capital commitment and the Joint Venture will become a subsidiary of the Company, the injection of 34.79% equity interest in Dianzhong Water Diversion into the Joint Venture by the Yunnan Group Shareholders is deemed as an acquisition of 34.79% equity interest in Dianzhong Water Diversion by the Company. When aggregated with the previous acquisition which was conducted within 12 months before this deemed acquisition (please refer to the announcement of the Company dated 12 May 2022 for details), one or more of the applicable percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules in respect of the deemed acquisition of 34.79% equity interest in Dianzhong Water Diversion exceed 5% but are below 25%, therefore, the deemed acquisition 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

Reference is made to the announcement of the Company dated 12 May 2022 with respect to the acquisition of 33.54% equity interest in Dianzhong Water Diversion. As at the date of this announcement, Dianzhong Water Diversion is owned as to 53.37%, 14.82%, 11.84%, 19.21% and 0.76% by the Company, SASACYP, Yunnan Credit, Yunnan Industrial and Yunnan Investment, respectively.

The Board is pleased to announce that on 8 October 2022, the Company, YDAB and the Yunnan Group Shareholders entered into the JV Shareholders Agreement under which the parties agreed to establish the Joint Venture. Pursuant to the JV Shareholders Agreement, the Company, SASACYP, Yunnan Industrial and Yunnan Investment undertake to subscribe a registered capital of RMB70,510, RMB12,560, RMB16,280 and RMB650, respectively, in cash, and increase the registered capital of RMB27.284 billion, RMB4.857 billion, RMB6.301 billion and RMB0.250 billion, respectively, to the Joint Venture by injecting their respective equity interest in Dianzhong Water Diversion and the Company's 100% equity interest in CRDI into the Joint Venture.

Upon the establishment of the Joint Venture and the increase of the registered capital, the Joint Venture will be owned as to 70.51%, 12.56%, 16.28% and 0.65% by the Company, SASACYP, Yunnan Industrial and Yunnan Investment, respectively. The Joint Venture will become a direct subsidiary of the Company upon its establishment, and CRDI and Dianzhong Water Diversion will become direct subsidiaries of the Joint Venture.

THE JV SHAREHOLDERS AGREEMENT

The principal terms of the JV Shareholders Agreement are as follow:

Date : 8 October 2022

Parties : (i) the Company;
(ii) SASACYP;
(iii) YDAB;
(iv) Yunnan Industrial; and
(v) Yunnan Investment.

Shareholding and capital commitments : The registered capital of the Joint Venture at the time of its establishment shall be RMB100,000, which shall be paid up by the parties no later than 31 December 2022, of which:

- (i) The Company subscribes for a registered capital of RMB70,510 in cash, representing 70.51% of the registered capital;
- (ii) SASACYP subscribes for a registered capital of RMB12,560 in cash, representing 12.56% of the registered capital;

The cash contribution of RMB12,560 subscribed by SASACYP shall be paid by Yunnan Investment. Upon the payment by Yunnan Investment, it is deemed that SASACYP has fulfilled its obligation of making cash contribution of RMB12,560. The claims and debts between SASACYP and Yunnan Investment in connection with the foregoing shall be dealt with by both parties through separate negotiation and shall be irrelevant to the Joint Venture and other shareholders of the Joint Venture. Upon the completion of the contribution, Yunnan Investment shall not reclaim such payment from the Joint Venture in any excuse.

- (iii) Yunnan Industrial subscribes for a registered capital of RMB16,280 in cash, representing 16.28% of the registered capital;
- (iv) Yunnan Investment subscribes for a registered capital of RMB650 in cash, representing 0.65% of the registered capital.

Upon completion of the establishment of the Joint Venture, the parties agree to increase the registered capital of the Joint Venture in accordance with the following provisions, and the total registered capital of the Joint Venture will be increased by RMB38.692 billion, of which:

- (i) the Company shall further subscribe for an additional registered capital of RMB27.284 billion, representing 70.51% of the registered capital upon completion of the increase of the capital contribution, which shall be paid by the Company by way of injection of its 53.37% equity interest in Dianzhong Water Diversion and 100% equity interest in CRDI into the Joint Venture;
- (ii) SASACYP shall further subscribe for an additional registered capital of RMB4.857 billion, representing 12.56% of the registered capital upon completion of the increase of the capital contribution, which shall be paid by SASACYP by way of injection of its 14.82% equity interest in Dianzhong Water Diversion into the Joint Venture;
- (iii) Yunnan Industrial shall further subscribe for an additional registered capital of RMB6.301 billion, representing 16.28% of the registered capital upon completion of the increase of the capital contribution, which shall be paid by Yunnan Industrial by way of injection of its 19.21% equity interest in Dianzhong Water Diversion into the Joint Venture;
- (iv) Yunnan Investment shall further subscribe for an additional registered capital of RMB0.250 billion, representing 0.65% of the registered capital upon completion of the increase of the capital contribution, which shall be paid by Yunnan Investment by way of injection of its 0.76% equity interest in Dianzhong Water Diversion into the Joint Venture.

Time of contribution :
and conditions

Each party shall make increased capital contribution to the Joint Venture and complete the registration of increase of the registered capital to the Joint Venture with the registration authority within 10 Business Days after the satisfaction of the following conditions:

- (i) the JV Shareholders Agreement, the articles of association of the Joint Venture and other relevant contracts and documents (if any) thereunder have been executed by the relevant parties;

- (ii) the increase of the capital contribution has been approved by China Railway Group and the Yunnan Group, and the valuation report in relation to the increase of the capital contribution has been filed according to relevant requirements;
- (iii) the representations and warranties made by the parties in the JV Shareholders Agreement shall be true and accurate from the date on which they were made and up to the date on which the parties increase their capital contributions to the Joint Venture; and
- (iv) all parties have fully complied with their responsibilities and obligations under the JV Shareholders Agreement until the date of the increase of capital contribution to the Joint Venture by the parties.

If any party fails to pay any capital contribution in accordance with the JV Shareholders Agreement, and such default continues for more than 60 days, any non-defaulting party has the right to issue a notice to the defaulting party and the Joint Venture to exercise the following remedies:

- (i) paying the amount of such delayed capital contribution, thereby increasing the equity interest of the non-defaulting party and reducing the equity interest of the defaulting party in the Joint Venture;
- (ii) requiring the Joint Venture to stop distributing any dividends or paying other payables to the defaulting party, but capped at the amount of the delayed capital contribution;
- (iii) requiring the defaulting party to pay the amount of delayed capital contribution to the Joint Venture, and to pay the non-defaulting parties 0.05% of the amount of delayed capital contribution for each day of delay;
- (iv) seeking a third party to pay the delayed capital contribution payable by the defaulting party to the Joint Venture;
- (v) adjusting the number of directors nominated by the defaulting party; or
- (vi) terminating the JV Shareholders Agreement.

- Board of directors : The board of directors of the Joint Venture shall consist of seven directors, of which the Company has the right to nominate four directors and the Yunnan Group has the right to nominate two directors, who shall be elected at the shareholders' meeting. One employee representative director shall be elected at employee representatives meeting. The chairman, who shall also be the legal representative of the Joint Venture, shall be the director nominated by the Company.
- Board of supervisors : The board of supervisors of the Joint Venture shall consist of three members. Each of the Company and the Yunnan Group shall nominate one shareholder representative supervisor. One employee representative supervisor shall be elected at the employee representatives meeting of the Joint Venture. The supervisor nominated by the Company shall be the chairman of the board of supervisors.
- Transfer restrictions and pre-emptive rights : Subject to the exceptions set out in the JV Shareholders Agreement (including intragroup transfers), no party may sell, transfer or otherwise dispose of all or any part of the equity interest in the Joint Venture held by it in accordance with the terms of the JV Shareholders Agreement.

The Company intends to subscribe for an additional registered capital of RMB27.284 billion by injecting its 53.37% equity interest in Dianzhong Water Diversion and 100% equity interest in CRDI after the establishment of the Joint Venture. The preliminary appraised value of all the shareholder' equity interest in Dianzhong Water Diversion, as evaluated by the entrusted appraisal institution, is RMB37.019 billion (of which, approximately RMB3.8 billion was the capital reserve exclusively enjoyed by SASACYP). The preliminary appraised value of all the shareholder' equity interest in CRDI is approximately RMB9.906 billion (the above appraised values are subject to the appraisal and filing procedure to determine the final appraised value). The amount of each party's contribution in excess of the registered capital will be included in the capital reserve of the Joint Venture and shared by all the shareholders.

Upon the completion of the capital contribution, the Joint Venture will be interested in 88.16% equity interest in Dianzhong Water Diversion and 100% equity interest in CRDI. It is expected that upon the formation of the Joint Venture, the financial results of the Joint Venture will be consolidated into the Group's consolidated financial statements.

INFORMATION ABOUT THE PARTIES TO THE JV SHAREHOLDERS 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.

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 JV Shareholders Agreement as a party to exercise shareholder's rights entrusted by SASACYP (if applicable). Its main duties include implementation of the People's Government of Yunnan Province's major decision deployment in respect of the construction of Dianzhong Water Diversion Project; fulfilling the responsibility of the legal person of 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 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 established in the PRC with limited liability. SASACYP directly owns approximately 41.11% equity interest in Yunnan Industrial and indirectly owns part of its equity interest through other entities, holding more than 50% equity interest in Yunnan Industrial in total. 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 established 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.

Each of SASACYP and Yunnan Industrial is a substantial shareholder of Dianzhong Water Diversion (a subsidiary of the Company) and Yunnan Investment is a subsidiary of SASACYP. As each of the total assets, profits and revenue of Dianzhong Water Diversion were less than 5% of those of the Group for latest financial year, Dianzhong Water Diversion is an insignificant subsidiary of the Company for the purpose of Rule 14A.09(1) of the Hong Kong Listing Rules. Accordingly, the Yunnan Group Shareholders are not connected persons of the Company under the Hong Kong Listing Rules. Pursuant to Rule 14A.10 of the Hong Kong Listing Rules, as the SASACYP is a PRC Governmental Body, the SASACYP is not treated as the connected person of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, YDAB and its ultimate beneficial owners are independent third parties and not connected with the Company and its connected persons (as defined in the Hong Kong Listing Rules).

INFORMATION ABOUT CRDI AND DIANZHONG WATER DIVERSION

CRDI

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

Based on the audited financial statements of CRDI, the audited consolidated total assets and net assets of CRDI as at 31 December 2021 amounted to approximately RMB33.255 billion and RMB6.875 billion, respectively. The net profits (before tax) of CRDI for the years ended 31 December 2020 and 31 December 2021 are RMB1.544 billion and RMB1.736 billion, respectively. The net profits (after tax) of CRDI for the years ended 31 December 2020 and 31 December 2021 are RMB1.312 billion and RMB1.475 billion, respectively.

Dianzhong Water Diversion

Dianzhong Water Diversion is a limited liability company established under the laws of the PRC. As at the date of this announcement, Dianzhong Water Diversion is owned as to 53.37%, 14.82%, 11.84%, 19.21% and 0.76% by the Company, SASACYP, Yunnan Credit, Yunnan Industrial and Yunnan Investment, respectively. As at the date of this announcement, Dianzhong Water Diversion is a direct subsidiary of the Company. Upon the establishment of the Joint Venture and the further increase of capital commitment, Dianzhong Water Diversion will be a direct subsidiary of the Joint Venture and an indirect subsidiary of the Company. Dianzhong Water Diversion is principally engaged in construction management of Dianzhong Water Diversion Project (Phase I).

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

REASONS FOR AND BENEFITS OF THE ENTERING OF THE JV SHAREHOLDERS AGREEMENT

The Dianzhong Water Diversion Project is one of the 172 national major water conservancy projects and a key national water conservancy and hydropower project during the 14th Five-Year Plan period. It is also a strategic foundation project for the sustainable development of Yunnan Province. Based in Kunming, CRDI is responsible for the investment, construction and operation of infrastructure and “infrastructure +” projects and major general contracting projects in Yunnan, Guizhou, Hubei and Chongqing, as well as in South Asia and Southeast Asia on behalf of the Company. At present, the total investment scale of the projects under its management amounts to nearly RMB400 billion. The Joint Venture established by the Company, SASACYP, Yunnan Industrial and Yunnan Investment on the basis of Dianzhong Water Diversion and CRDI is an important initiative for the Company and Yunnan Province to further deepen the central enterprise-local government cooperation.

Based on the strategic positioning of serving as opening major channels and bridgeheads to South Asia, Southeast Asia and the Indian Ocean Rim, giving full play to the policy advantages of Yunnan Province to promote the implementation of the central enterprise-local government cooperation results and the resource advantages of the Company as a leading enterprise in the global infrastructure industry, and positioned as an infrastructure investment builder, deep participant in social and economic development, and quality public service provider based in Yunnan province, the Joint Venture is committed to building an international, professional and market-oriented investment and construction platform centering on Southwest China and expanding to South Asia, Southeast Asia, the Indian Ocean Rim and other regional markets, covering the whole industrial chain business fields such as investment, financing, construction, operation and service. The implementation of this investment is good for the Company and its member enterprises to adjust the industrial structure and optimize the allocation of resources based on the market guidance, promoting the industrial transformation through new markets, expanding the development of new business, further enhancing their presence in Southwest China market, expanding international business in South Asia, Southeast Asia and other regions along the Belt and Road, consolidating the traditional business, and building a “second curve” development engine to improve asset quality.

The Directors (including independent non-executive Directors) are of the view that the JV Shareholders Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

Establishment of the Joint Venture

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 relevant transaction are more than 5% but all are less than 25%, the establishment of the Joint Venture pursuant to the JV Shareholders 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.

Deemed acquisition of 34.79% equity interest in Dianzhong Water Diversion

As the Yunnan Group Shareholders will inject their respective equity interest in Dianzhong Water Diversion into the Joint Venture pursuant to the JV Shareholders Agreement to satisfy their respective capital commitment and the Joint Venture will become a subsidiary of the Company, the injection of 34.79% equity interest in Dianzhong Water Diversion into the Joint Venture by the Yunnan Group Shareholders is deemed as an acquisition of 34.79% equity interest in Dianzhong Water Diversion by the Company. When aggregated with the previous acquisition which was conducted within 12 months before this deemed acquisition (please refer to the announcement of the Company dated 12 May 2022 for details), one or more of the applicable percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules in respect of the deemed acquisition of 34.79% equity interest in Dianzhong Water Diversion exceed 5% but are below 25%, therefore, the deemed acquisition 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.

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
“China Railway Group”	the Company, CRDI and/or their respective subsidiaries
“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 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

“CRDI”	China Railway Development & Investment Group Co., Ltd.* (中鐵開發投資集團有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Dianzhong Water Diversion”	Yunnan Dianzhong Water Diversion Engineering Co., Ltd.* (雲南省滇中引水工程有限公司), a limited liability company established in the PRC and a non-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 People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Joint Venture”	China Railway Yunnan Construction Investment Co., Ltd.* (中鐵雲南建設投資有限公司), a limited liability company to be established under the laws of the PRC pursuant to the JV Shareholders Agreement
“JV Shareholders Agreement”	the shareholders agreement entered into among the Company, YDAB and the Yunnan Group Shareholders dated 8 October 2022
“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
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 established in the PRC

“Yunnan Group”	SASACYP, Yunnan Industrial, Yunnan Investment and YDAB
“Yunnan Group Shareholders”	SASACYP, Yunnan Industrial and Yunnan Investment
“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 established 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 established in the PRC
“%”	per cent
* <i>for reference only</i>	

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

8 October 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.