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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)

**FURTHER ANNOUNCEMENT
PROFIT FORECAST OF THE DISCLOSEABLE TRANSACTION
IN RELATION TO THE ESTABLISHMENT OF JOINT VENTURE**

Reference is made to the announcement of China Railway Group Limited (the “**Company**”) dated 8 October 2022 in relation to the entering into the JV Shareholders Agreement among the Company, YDAB and the Yunnan Group Shareholders to establish the Joint Venture (the “**Announcement**”). Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

COMPLIANCE WITH THE HONG KONG LISTING RULES

As disclosed in the Announcement, the capital commitment was determined with reference to the preliminary appraised value of all the shareholders’ equity interest in Dianzhong Water Diversion and the preliminary appraised value of all the shareholders’ equity interest in CRDI among the Company, YDAB and the Yunnan Group Shareholders. The valuation report of CRDI (the “**Valuation Report**”) prepared by Zhongshui Asset Evaluation Co., Ltd.* (中水致遠資產評估有限公司), the PRC independent valuer (the “**PRC Independent Valuer**”), adopted an income approach and a market approach as the method of valuation, of which the income approach (which is based on the discounted cash flow forecast) was adopted for the finalised valuation (the “**Valuation**”). The discounted cash flow method under the income approach was used to determine the appraised value of all the shareholders’ equity interest in CRDI as at the valuation benchmark date (the “**Valuation Benchmark Date**”), being 30 June 2022, which is approximately RMB9.906 billion. Since the discounted cash flow method under the income approach was adopted by the PRC Independent Valuer in the preparation of the Valuation Report, such valuation constitutes a profit forecast under Rule 14.61 of the Hong Kong Listing Rules. This announcement (the “**Further Announcement**”) is made in compliance with Rules 14.60A and 14.62 of the Hong Kong Listing Rules.

ASSUMPTIONS OF THE VALUATION

Pursuant to Rule 14.62(1) of the Hong Kong Listing Rules, the principal and commercial assumptions, upon which the Valuation is based under income approach, are as follows:

General Assumptions

1. Transaction assumption: assuming that all assets to be valued (the “**CRDI Appraised Assets**”) are in the course of transaction and the evaluation assessed by the PRC Independent Valuer is based on simulated market including terms of transaction of the CRDI Appraised Assets.
2. Open market assumption: open market assumption is an assumption for the conditions of assets proposed to enter the market and how the assets will be affected under such market conditions. Open market refers to the fully developed and sound market conditions, which is a competitive market with voluntary purchasers and sellers, and in which purchasers and sellers are of equal standing and have opportunities and time to access sufficient market information; parties to the transaction trade voluntarily, rationally, under no compulsion and without restriction.
3. Continuous use assumption: continuous use assumption is an assumption on the conditions of assets proposed to enter the market and status of the assets under such market conditions. It is assumed that, firstly, the CRDI Appraised Assets are under use, and secondly, the assets under use will be used continuously. Under the continuous use assumption, change of uses of assets and the best conditions of use are not taken into account, and the scope of use of the appraisal result is limited.
4. Business continuity assumption: the production and operation of business of CRDI can continue to operate according to its status quo, and its operational conditions will not undergo material changes in the foreseeable operational period.

Specific Assumptions

1. The appraisal assumes that the external economic environment on the Valuation Benchmark Date remains unchanged, and the PRC’s current macroeconomics will not undergo material changes. There are no other unforeseen circumstances or force majeure to cause material adverse changes.
2. There is no material change in the social and economic environment in which CRDI is located and no material change of the policies of taxation, exchange rate, tax rate and other policies implemented.
3. The future operation and management team of CRDI will perform their duties and continue to maintain the existing operation and management model.
4. It is assumed that the relevant qualifications for various businesses of CRDI can be successfully approved by the relevant departments after the validity period expires, and the industry qualifications will continue to be valid.

5. It is assumed that CRDI fully complies with all relevant laws and regulations of the PRC, conforms to the PRC's industrial policy, and there will be no material violations that affect CRDI's development and profit realization.
6. All assets in this appraisal are based on the actual stock on the Valuation Benchmark Date, and the current market price of the relevant assets is based on the domestic effective price on the Valuation Benchmark Date.
7. It is assumed that the accounting policies adopted by CRDI after the Valuation Benchmark Date are consistent with the accounting policies adopted in the preparation of the Valuation Report in material respects.
8. It is assumed that on the basis of the existing way of management and governance level of CRDI, the scope and manner of operation is in line with the current directions after the Valuation Benchmark Date.
9. It is assumed that CRDI will maintain the existing credit policy unchanged in the future, and it will not encounter significant payment recovery problems.
10. It is assumed that the basic and financial information provided by CRDI is true, accurate and complete.
11. It is assumed that the cash inflow of CRDI after the Valuation Benchmark Date is the average inflow, and the cash outflow is the average outflow.
12. In the appraisal, the income tax forecast assumes that CRDI and some of its subsidiaries will enjoy the preferential tax rate of 15% corporate income tax for the large-scale development of western China on the Valuation Benchmark Date until the end of 2030 according to the existing policy and have a normal tax of 25% after 31 December 2030.

CONFIRMATIONS

PricewaterhouseCoopers, acting as the Company's reporting accountant (the "**Reporting Accountant**"), has reported on the arithmetical accuracy of the calculations of the discounted cash flow forecast, which does not involve the adoption of accounting policies, as adopted in the preparation of the Valuation Report issued by the PRC Independent Valuer.

The Directors have discussed with the PRC Independent Valuer the different aspects upon which the Valuation was prepared (including the principal and commercial assumptions) and have reviewed the Valuation for which the PRC Independent Valuer is responsible. The Directors have confirmed that the Valuation has been made after due and careful enquiry by them.

A report from the Reporting Accountant dated 28 October 2022 in compliance with Rule 14.62(2) of the Hong Kong Listing Rules and a letter from the Board dated 28 October 2022 in compliance with Rule 14.62(3) of the Hong Kong Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinions and advice included in this announcement are as follows:

Name	Qualification
Zhongshui Asset Evaluation Co., Ltd.	PRC Independent Valuer
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, each of the PRC Independent Valuer and the Reporting Accountant is a third party independent of the Group and its connected persons. As at the date of this announcement, each of the PRC Independent Valuer and the Reporting Accountant does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the PRC Independent Valuer and the Reporting Accountant has given and has not withdrawn its written consent to the issue of this announcement with inclusion of its name, statements and all references to its name (including its qualification) in the form and context in which they are included.

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

28 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.

APPENDIX I – REPORT FROM THE REPORTING ACCOUNTANT RELATING TO THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS WHICH IS REGARDED AS PROFIT FORECAST

The following is the text of a report received from the Reporting Accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE APPRAISED VALUE OF THE SHAREHOLDERS’ EQUITY INTEREST IN CHINA RAILWAY DEVELOPMENT & INVESTMENT GROUP CO., LTD.

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 valuation (the “**Valuation**”) dated 19 August 2022 prepared by Zhongshui Asset Evaluation Co., Ltd. in respect of the appraised value of the shareholders’ equity interest in China Railway Development & Investment Group Co., Ltd. (“**CRDI**”) as at 30 June 2022 is based. The Valuation is set out in the announcements of China Railway Group Limited (the “**Company**”) dated 8 October 2022 (the “**Announcement**”) and 28 October 2022 (the “**Further Announcement**”) in connection with the establishment of a joint venture. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast 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 including the bases and assumptions set out in the section headed “Assumptions of the Valuation” of the Further Announcement on which the discounted future estimated cash flows are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows 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 (“**HKSQC**”) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements 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.

Reporting Accountant’s Responsibilities

It is our responsibility, pursuant to paragraph 14.62(2) of the Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with 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 our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in the section headed “Assumptions of the Valuation” of the Further Announcement. The extent of procedures selected depends on the Reporting Accountant’s judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management’s actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. 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 CRDI.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 adopted by the directors of the Company as set out in the section headed “Assumptions of the Valuation” of the Further Announcement.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 28 October 2022

APPENDIX II – LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST

The following is the text of a letter from the Board for the purpose of incorporation in this announcement.



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)

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor Two Exchange Square
8 Connaught Place, Central, Hong Kong

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION – ESTABLISHMENT OF JOINT VENTURE

Reference is made to the announcement of China Railway Group Limited (the “**Company**”) dated 8 October 2022 in relation to the entering into the JV Shareholders Agreement among the Company, YDAB and the Yunnan Group Shareholders to establish the Joint Venture (the “**Announcement**”) and the Further Announcement dated 28 October 2022. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

We refer to the Valuation Report prepared by Zhongshui Asset Evaluation Co., Ltd., the PRC Independent Valuer, in relation to the Valuation as at the Valuation Benchmark Date of the appraised value of all the shareholders’ equity interest in CRDI which was determined based on the income approach (which is based on the discounted cash flow forecast). Such Valuation constitutes a profit forecast under Rule 14.61 of the Hong Kong Listing Rules.

We have discussed with the PRC Independent Valuer on different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the PRC Independent Valuer is responsible. We have also considered the report from PricewaterhouseCoopers regarding whether the profit forecasts, so far as the calculations are concerned, have been properly complied with the bases and assumptions set out in the Valuation Report. We have noted that the profit forecasts in the Valuation are mathematically accurate and the discounted cash flows will not be affected by accounting policies. Pursuant to the requirements of Rule 14.62(3) of the Hong Kong Listing Rules, the Board of the Company confirmed that the Valuation prepared by the PRC Independent Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
China Railway Group Limited

28 October 2022