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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)**

**CONNECTED TRANSACTION  
ACQUISITION OF  
HENAN PINGZHENG EXPRESSWAY DEVELOPMENT CO., LTD.**

**SUMMARY**

The Board is pleased to announce that Xinan Investment, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with CRECG on 29 September 2011. Pursuant to the Equity Transfer Agreement, Xinan Investment agreed to purchase and CRECG agreed to sell its 100% equity interest in Pingzheng, a company primarily engaged in investment in expressway, sale of engineering construction materials, ancillary services and leasing of engineering equipment of highway and road maintenance businesses. The consideration is RMB302,934,800 (equivalent to approximately HK\$366,009,158) and will be satisfied in cash and payable to CRECG within 15 days of the effective date of the Equity Transfer Agreement. The consideration will be funded by internal resources of the Group.

Pursuant to the Listing Rules, CRECG is a connected person of the Company by virtue of it being the controlling shareholder of the Company, holding approximately 56.10% interest in the Company. Accordingly, the acquisition of 100% equity interest in Pingzheng by Xinan Investment, a wholly-owned subsidiary of the Company, from CRECG constitutes a connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Equity Transfer Agreement is less than 5%, the Equity Transfer Agreement is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement. The transaction does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

Reference is made to the Announcement of the Resolution of the Sixth Meeting of the Second Session of the Board of Directors issued by the Company on 27 July 2011, where the Board announced that the Resolution of Acquisition by China Railway Xi Nan Investment & Management Co., Ltd. from China Railway Engineering Corporation of 100% Equity Interests in Henan Pingzheng Expressway Development Co., Ltd. was passed, but since the acquisition of Pingzheng had not been carried out and the agreement for transfer of equity interests in Pingzheng had not been entered into, the Company would make further announcement when the agreement is executed.

The Board is pleased to announce that Xinan Investment, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with CRECG on 29 September 2011. Pursuant to the Equity Transfer Agreement, Xinan Investment agreed to purchase and CRECG agreed to sell its 100% equity interest in Pingzheng for a consideration of RMB302,934,800 (equivalent to approximately HK\$366,009,158). The consideration will be satisfied in cash and payable to CRECG within 15 days of the effective date of the Equity Transfer Agreement and will be funded by internal resources of the Group.

## **THE EQUITY TRANSFER AGREEMENT**

### **1 Date**

Execution and effective date: 29 September 2011

### **2 Parties**

Vendor: CRECG

Purchaser: Xinan Investment

### **3 Consideration**

The consideration for the 100% equity interest in Pingzheng is RMB302,934,800 (equivalent to approximately HK\$366,009,158), which will be satisfied in cash and payable to CRECG within 15 days of the effective date of the Equity Transfer Agreement and will be funded by internal resources of the Group.

The consideration was determined with reference to the valuation report dated 30 June 2011 prepared by JDZX, an independent valuer, using asset-based valuation methods (other than methods based on discounted cash flows or projections of profits or cash flows) for the purpose of such valuation, and on the basis of normal commercial terms and arm's length negotiation between the parties to the Equity Transfer Agreement. According to the valuation report, the net assets value of Pingzheng as at 31 December 2010 is RMB302,934,800 (equivalent to approximately HK\$366,009,158).

## **4 Information on Pingzheng**

### *4.1 General information on Pingzheng*

Pingzheng is primarily engaged in investment in expressway, sale of engineering construction materials, ancillary services and leasing of engineering equipment of highway and road maintenance businesses.

Pingzheng was established on 15 October 2004, and was acquired by CRECG through a series of transactions. According to the information provided by CRECG, the aggregate original purchase cost of the equity interest in Pingzheng by CRECG was RMB226,000,000 (equivalent to approximately HK\$273,055,686). Prior to the completion of the transaction contemplated under the Equity Transfer Agreement, the total registered capital of Pingzheng is RMB528,000,000 (equivalent to approximately HK\$637,935,409), of which CRECG holds 100%.

### *4.2 Financial Information of Pingzheng*

According to the audited financial statements prepared in accordance with CAS, as of 31 December 2010, Pingzheng had total assets of RMB2,473,065,080.27 (equivalent to approximately HK\$2,987,984,439), total liabilities of RMB2,076,365,898.07 (equivalent to approximately HK\$2,508,688,122) and net assets of RMB396,699,182.20 (equivalent to approximately HK\$479,296,316).

According to the audited income statements prepared in accordance with CAS, Pingzheng had a net loss of RMB122,977,000.78 (equivalent to approximately HK\$148,582,165) and RMB91,841,721.73 (equivalent to approximately HK\$110,964,179) for the years ended 31 December 2009 and 2010, respectively. As Pingzheng reported net losses for the two years ended 31 December 2009 and 2010, there was no income tax payable by Pingzheng for these two years.

## **5 Completion**

The completion of the transaction contemplated under the Equity Transfer Agreement is not subject to any conditions. Pursuant to the Equity Transfer Agreement, CRECG agreed to assist in the completion of the registration or filing with the Administration for Industrial and Commerce in relation to the change of shareholders of Pingzheng. Any profits or losses of Pingzheng for the period between the basis date of asset valuation and the date on which the acquisition of Pingzheng completes shall be borne by Xinan Investment. Upon completion, the total registered capital of Pingzheng remains RMB528,000,000 (equivalent to HK\$637,935,409), and Pingzheng will become an indirect wholly-owned subsidiary of the Company.

## **INFORMATION ON THE PARTIES**

CRECG, a state-owned enterprise, is the Company's controlling shareholder holding 56.10% of the outstanding shares of the Company. Its principal activities are construction works and related technological research, survey, design and consulting services, manufacturing of specialised equipment, operation and development of real estate.

The Company is primarily engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing and property development and other businesses.

Xinan Investment is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company, and is primarily engaged in investment in expressway, sale of engineering construction materials, ancillary services and leasing of engineering equipment of highway and road maintenance businesses.

## **REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION**

Pingzheng is primarily engaged in expressway operation management business with stable growth in operating income. The acquisition will help enhance the development of the Company's expressway operation business and would bring synergy as a result of integrated management. It will also effectively minimize the competition between the businesses of CRECG, the controlling shareholder, and that of the Company. In view of the above, the Directors are of the view that the acquisition of Pingzheng is in line with the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Pursuant to the Listing Rules, CRECG is a connected person of the Company by virtue of it being the controlling shareholder of the Company, holding approximately 56.10% interest in the Company. Accordingly, the acquisition of 100% equity interest in Pingzheng by Xinan Investment, a wholly-owned subsidiary of the Company, from CRECG constitutes a connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Equity Transfer Agreement is less than 5%, the Equity Transfer Agreement is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement. The transaction does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

The independent non-executive Directors consider that the acquisition is on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The remaining Directors (Mr. Li Changjin (the chairman of CRECG), Mr. Bai Zhongren (a director of CRECG) and Mr. Yao Guiqing (a director of CRECG) who are deemed interested in the acquisition abstained from voting on the board resolution about the acquisition) concurred with the view of the independent non-executive Directors.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors of the Company
“CAS”	Chinese Accounting Standards for Business Enterprises
“Company”	China Railway Group Limited, a joint stock limited company incorporated in the PRC with limited liability and whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Shanghai Stock Exchange
“CRECG”	China Railway Engineering Corporation, a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between Xinan Investment and CRECG in respect of the acquisition of 100% equity interest in Pingzheng on 29 September 2011
“Group”	the Company and its subsidiaries
“JDZX”	Beijing Jing Du Zhong Xin Asset Valuation Company Limited, an independent assets valuer
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China
“Pingzheng”	河南平正高速公路發展有限公司 (Henan Pingzheng Expressway Development Co., Ltd.) (being unofficial English translation) , a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Xinan Investment”

中鐵西南投資管理有限公司(China Railway Xi Nan Investment & Management Co., Ltd.) (being unofficial English translation), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company

*For reference only, the figures in RMB referred to in this announcement have been translated into Hong Kong dollars on the basis of an assumed exchange rate of HK\$1 = RMB0.82767.*

By Order of the Board  
**China Railway Group Limited**  
**Li Changjin**  
*Chairman*

Beijing, the PRC  
29 September 2011

*As at the date of this announcement, the executive directors of the Company are LI Changjin (Chairman), BAI Zhongren and YAO Guiqing; the non-executive director is HAN Xiuguo; and the independent non-executive directors are HE Gong, GONG Huazhang, WANG Taiwen and SUN Patrick.*