

In order to ensure the smooth implementation of the Share Incentive Scheme of China Railway Group Limited (hereinafter referred to as “the Company”), further refine the corporate governance structure of the Company, form a good balanced value distribution system, encourage the directors, senior management, middle management and core personnel of the Company to carry out their work faithfully and diligently, ensure the steady improvement of the Company’s performance, and ensure the realization of the Company’s development strategy and operation objective, these Measures are formulated in accordance with the relevant national regulations and the actual circumstances of the Company.

I. APPRAISAL PURPOSE

The appraisal purpose is to further refine the corporate governance structure of the Company, establish and perfect the incentive and restraint mechanism of the Company, encourage Participants to carry out their work faithfully and diligently, ensure the realization of the Company’s development strategy and operation objective, promote the sustainable development of the Company, and ensure the smooth implementation of the Company’s Share Incentive Scheme.

II. APPRAISAL PRINCIPLE

The appraisal of the performance of participants must be based on the principles of equality, openness and justice and in strict accordance with these Measures, to align the Share Incentive Scheme with the performance and contribution of Participants, improve the management performance, and maximize the benefits of the Company and all Shareholders.

III. SCOPE OF APPRAISAL

The Measures are applicable to all Participants participating in the Company’s Share Incentive Scheme.

IV. APPRAISAL ORGANIZATION

The remuneration committee of the board of the Company shall be responsible for leading and organizing the appraisal of Participants such as directors, senior management, middle management and core personnel of the Company.

V. PERFORMANCE APPRAISAL INDICATORS AND STANDARDS

The proportion of the Restricted Shares of Participants that can be unlocked during a particular year shall be determined jointly based on the appraisal results at the Company level and at the individual level. If the performance appraisal fails to meet the standard at the Company level, or the performance appraisal at the individual level fails to meet the conditions for unlocking for such period, the corresponding number of Restricted Shares shall not be carried over to the next unlocking period.

1. Conditions on the performance for the first grant under the Share Incentive Scheme

- (1) The average growth rate of net profit from 2018 to 2020 shall not be less than 11.75%;
- (2) The average return on net assets from 2018 to 2020 shall be not be less than 9.86%;
- (3) The economic value added performance target set by SASAC was achieved in 2020.

In principle, the growth rate of net profit and return on net assets shall not be lower than the industry average or 50th percentile of benchmarking.

The return on net assets used in calculating the above indicators refer to the weighted average return on net assets after deduction of non-recurring profit and loss; net profit refers to those attributable to shareholders of the Company after deduction of non-recurring profit and loss.

2. Requirements of performance appraisal for unlocking under the first incentive scheme

The Restricted Shares under the Share Incentive Scheme shall be appraised on performance and unlocked on an annual basis during the three accounting years (2022-2024) of the unlocking periods to achieve the performance appraisal targets, which shall be regarded as the unlocking conditions of the Restricted Shares. The performance conditions of the Company for unlocking the Restricted Shares to be granted under the first and the reserved grant under the Share Incentive Scheme are:

Unlocking Period	Performance Appraisal Target
First Unlocking Period	<ol style="list-style-type: none"> (1) The weighted average returns on net assets after deducting non-recurring profit and loss for 2022 shall be not less than 10.50% or not below the average performance of industry peers or the 75th percentile of benchmarking companies; (2) On the basis of 2020, the compound growth rate of net profit after deducting non-recurring profit and loss attributable to the Shareholders for 2022 shall be not less than 12% or not below the average performance of industry peers or the 75th percentile of benchmarking companies; (3) The economic value added performance targets of SASAC will be achieved in 2022.

Unlocking Period	Performance Appraisal Target
Second Unlocking Period	<p>(1) The weighted average returns on net assets after deducting non-recurring profit and loss for 2023 shall be not less than 11.00% or not below the average performance of industry peers or the 75th percentile of benchmarking companies;</p> <p>(2) On the basis of 2020, the compound growth rate of net profit after deducting non-recurring profit and loss attributable to the Shareholders for 2023 shall be not less than 12% or not below the average performance of industry peers or the 75th percentile of benchmarking companies;</p> <p>(3) The economic value added performance targets of SASAC will be achieved in 2023.</p>
Third Unlocking Period	<p>(1) The weighted average returns on net assets after deducting non-recurring profit and loss for 2024 shall be not less than 11.50% or not below the average performance of industry peers or the 75th percentile of benchmarking companies;</p> <p>(2) On the basis of 2020, the compound growth rate of net profit after deducting non-recurring profit and loss attributable to the Shareholders for 2024 shall be not less than 12% or not below the average performance of industry peers or the 75th percentile of benchmarking companies;</p> <p>(3) The economic value added performance targets of SASAC will be achieved in 2024.</p>
<i>Notes:</i>	<p>(1) The net profit after deducting non-recurring profit and loss attributable to the shareholders shall be subject to the audited financial report of the Company for the year.</p> <p>(2) The weighted average returns on net assets after deducting non-recurring profit and loss = net profit after deducting non-recurring profit and loss attributable to the shareholders/((net assets attributable to the Shareholders at the end of the period + net assets attributable to the Shareholders at the beginning of the period)/2). The past and future effects of perpetual bonds of the Company on the indicator shall be not included while calculating the net assets attributable to the shareholders.</p> <p>(3) If the major asset restructuring as determined by a superior authority or such strategic measures as debt-to-equity, increase in capital and shares, rights issue, issuance of preferred shares and perpetual bonds implemented by the Company in response to the call of national policies related to deleveraging and debt reduction may affect the relevant performance indicators and force majeure events encountered by the Company have significant influence on operating results, resulting in incomparability of relevant performance indicators, the board of the Company will be authorized to restore the actual value of the relevant performance indicators.</p>

In the event that the Company's performance appraisal targets of Restricted Shares in a certain unlocking period could not be achieved, all Participants' Restricted Shares for such period shall be not unlocked.

3. Achievement of the performance appraisal conditions at subsidiary level

According to the performance appraisal conditions for secondary organizations established by the Company, the unlocking quota of the Participants in the secondary organizations could be linked with the results of performance appraisal of their organizations:

Appraisal Result	A	B	C	D
Appraisal coefficient for the organization	1.0	1.0	0.8	0

The actual unlocking amounts held by the Participants that are planned to be actually unlocked in the appraisal year of the organization = appraisal coefficient for the organization × the amounts of Restricted Shares that are planned to be unlocked in the appraisal year of the organization

4. Appraisal at individual level

The remuneration committee will score the Participants and determine the unlocking proportion of the Participants based on the comprehensive appraisal results of each appraisal year. The actual unlocking amounts held by individuals in the appraisal year = standard coefficient × the restricted quota that are planned to be unlocked in the appraisal year by individuals.

Appraisal Result	Excellent	Good	Fair	Poor
Standard coefficient	1.0	1.0	0.8	0

If the Restricted Shares currently held by the Participants which are unable to be wholly or partly unlocked as a result of the performance appraisal at the Company or individual level shall not be unlocked or be deferred until the next unlocking period, the Company shall repurchase those Restricted Shares at the lower of the grant price and the market price (i.e. the average trading price of the Company's underlying shares in the one trading day immediately preceding the date of the announcement of the board of the Company resolution for consideration of the repurchase) of the Shares during repurchasing.

VI. APPRAISAL PERIOD AND FREQUENCY**1. Appraisal period**

The appraisal period refers to the fiscal year prior to the unlocking of Restricted Shares of Participants.

2. Frequency of Appraisals

Appraisals will be conducted once every year during the term of the Share Incentive Scheme.

VII. APPRAISAL PROCEDURE

Under the guidance of the remuneration committee of the board of the Company, the human resources department and the appraisal and distribution department of the Company shall be responsible for the implementing the appraisal, keep the appraisal results, and form a performance appraisal report and submit it to the remuneration committee of the board of the Company.

VIII. APPRAISAL RESULT MANAGEMENT**1. Feedback and appeal of appraisal results**

The appraisees have the right to know their own appraisal results, and the remuneration committee of the board of the Company shall notify the appraisees of the appraisal results within five working days after the appraisal is completed.

If the appraisees have any objection to their appraisal results, they may communicate with the human resources department and the appraisal and distribution department. If the matter cannot be solved properly, the appraisees may appeal to the remuneration committee of the board of the Company, which shall review and determine the final appraisal results or grades within ten working days.

2. Archiving of appraisal results

Upon completion of appraisal, the appraisal results shall be archived as confidential data.

IX. SUPPLEMENTARY PROVISIONS

1. These Measures shall be formulated, interpreted and amended by the board of the Company.
2. These Measures shall be reviewed and approved at the shareholders' meetings of the Company and be implemented after the Share Incentive Scheme comes into effect.