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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Railway Group Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

- (1) PROPOSED ADOPTION OF THE 2021 RESTRICTED SHARE INCENTIVE SCHEME OF CHINA RAILWAY GROUP LIMITED  
AND  
(2) CONNECTED TRANSACTION – PROPOSED GRANT UNDER THE SCHEME  
AND  
(3) PROPOSED ADOPTION OF THE APPRAISAL MANAGEMENT MEASURES FOR IMPLEMENTATION OF THE SCHEME  
AND  
(4) PROPOSED ADOPTION OF THE MANAGEMENT MEASURES OF THE SCHEME  
AND  
(5) PROPOSED GRANT OF MANDATE TO THE BOARD TO HANDLE THE RELEVANT MATTERS IN RESPECT OF THE SCHEME  
AND  
(6) NOTICE OF THE 2021 SECOND EXTRAORDINARY GENERAL MEETING  
AND  
(7) NOTICE OF THE 2021 FIRST H SHARE CLASS MEETING**

**The Independent Financial Adviser to  
the Independent Board Committee and Independent Shareholders**



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A letter from the Board is set out on pages 6 to 42 of this circular, a letter from the Independent Board Committee is set out on page 43 of this circular, and a letter from Gram Capital Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee is set out on pages 44 to 56 of this circular.

The Company will convene the Extraordinary General Meeting at 9:30 a.m. on Thursday, 30 December 2021, at Conference Room, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing, the PRC, and will convene the A Share Class Meeting immediately following the conclusion of the Extraordinary General Meeting at Conference Room, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing, the PRC, and the H Share Class Meeting immediately following the conclusion of the A Share Class Meeting at Conference Room, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing, the PRC. The notice of the Extraordinary General Meeting and the notice of H Share Class Meeting are set out on pages EGM-1 to EGM-2 and pages H-1 to H-2 of this circular, respectively.

If you intend to appoint a proxy to attend the Extraordinary General Meeting or H Share Class Meeting, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For holder of H Shares, the proxy form should be returned to Computershare Hong Kong Investor Services Limited in person, by post or by facsimile not less than 24 hours before the time appointed for holding the Extraordinary General Meeting or H Share Class Meeting or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Extraordinary General Meeting or H Share Class Meeting or at any adjourned meeting should you so wish, but in such event the proxy form shall be deemed to be revoked.

If you intend to attend the Extraordinary General Meeting or H Share Class Meeting in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited or to the Company's Board of Directors' Office on or before Wednesday, 29 December 2021.

14 December 2021

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“A Share Class Meeting”	the 2021 first A share class meeting of the Company to be held on Thursday, 30 December 2021 for, among other things, consideration and approval of the Scheme
“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》)
“Announcement”	the announcement dated 23 November 2021 published by the Company on the SSE with respect to the Scheme
“Appraisal Management Measures”	the Appraisal Management Measures for Implementation of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited (中國中鐵股份有限公司2021年限制性股票激勵計劃實施考核管理辦法), the full text of which is set out in Appendix II of this circular
“Articles of Association”	the Articles of Association of the Company
“Board”	the board of directors of the Company
“Company”	中國中鐵股份有限公司 (China Railway Group Limited), a joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange (stock code: 390) and the Shanghai Stock Exchange (stock code: 601390), respectively
“Company Law”	the Company Law of the PRC
“Connected Grant”	the proposed grant of the Restricted Shares to the Connected Participants under the Scheme
“Connected Participants”	the list of persons set out in the section headed “2.The Scheme – II. Basis for Determining the Participants and the Scope of the Participants – (V) List of connected persons at the first grant” under the “Letter from the Board” of this circular, who are connected persons of the Company
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules

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## DEFINITIONS

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“CSDC”	China Securities Depository and Clearing Corporation Limited
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Extraordinary General Meeting”	the 2021 second extraordinary general meeting of the Company to be held on Thursday, 30 December 2021 for, among other things, consideration and approval of the Scheme
“Grant Date”	the date on which the Company grants Restricted Shares to the Participants after the approval for the implementation of the Scheme, which must be a trading day
“Grant Price”	the price of each Restricted Share granted to the Participants by the Company
“Group”	the Company and its subsidiaries
“Guidelines”	the Notice on the Distribution of the Guidelines for the Implementation of Share Incentive Schemes by the State-Owned Listed Companies (Guo Zi Kao Fen [2020] No. 178) (《關於印發〈中央企業控股上市公司實施股權激勵工作指引〉的通知》(國資考分[2020]178號))
“H Share Class Meeting”	the 2021 first H share class meeting of the Company to be held on Thursday, 30 December 2021 for, among other things, consideration and approval of the Scheme
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the committee formed by all independent non-executive directors of the Company, to give advice to Independent Shareholders in respect of the Connected Grant under the Scheme

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## DEFINITIONS

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“Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Grant under the Scheme
“Independent Shareholders”	Shareholders other than shareholders who are, or related to, the Participants
“Latest Practicable Date”	9 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Lock-up Period”	the period during which the Restricted Shares granted and issued to the Participants under the Scheme shall not be transferred, used as security, or for repayment of debts
“Management Measures”	the Management Measures of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited (中國中鐵股份有限公司2021年限制性股票激勵計劃管理辦法), the full text of which is set out in Appendix III of this circular
“Notices”	the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No. 171) (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號)) and the Notice on Matters Concerning Further Improving Share Incentive Work of the State-Owned Listed Companies (Guo Zi Fa Kao Fen Gui [2019] No. 102) (《關於進一步做好中央企業控股上市公司股權激勵工作有關事項的通知》(國資發考分規[2019]102號))
“Participant(s)”	certain directors, senior management personnel, middle management personnel and core personnel of the Group to be granted and issued with the Restricted Shares under the Scheme
“PRC” or “China”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

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## DEFINITIONS

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“Reserved Grant”	20 million Restricted Shares, being the portion of Restricted Shares reserved for a further grant
“Restricted Share(s)”	a certain number of A Shares of the Company to be granted and issued to the Participants by the Company according to the conditions and price stipulated under the Scheme, which are subject to the Lock-up Period and can only be unlocked after the Unlocking Conditions under the Scheme are satisfied
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“Scheme”	the 2021 Restricted Share Incentive Scheme of China Railway Group Limited, under which A Shares of the Company will be granted and issued to certain directors, senior management personnel, middle management personnel and core personnel of the Group, the full text of which is set out in Appendix I of this circular
“Securities Law”	the Securities Law of the PRC
“Share(s)”	the share(s) in the ordinary share capital of the Company, including A share(s) and H share(s) of the Company
“Shareholder(s)”	holder(s) of Shares
“Specific Mandate”	the specific mandate proposed to be granted to the Board by the Shareholders at the Extraordinary General Meeting, the A Share Class Meeting and the H Share Class Meeting in relation to the issuance of Restricted Shares
“SSE” or “Shanghai Stock Exchange”	the Shanghai Stock Exchange
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

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## DEFINITIONS

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“Term”	the period commencing on the date of the completion of the registration of the Restricted Shares and ending on the date when all the Restricted Shares which have been granted and issued to the Participants are unlocked or repurchased and cancelled
“Trial Measures”	the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175) (《國有控股上市公司(境內)實施股權激勵試行辦法》(國資發分配[2006]175號))
“Unlocking Condition(s)”	the conditions prescribed under the Scheme which have to be satisfied to unlock the Restricted Shares granted and issued to the Participants
“Unlocking Period”	the period during which the Restricted Shares held by the Participants can be unlocked after all the Unlocking Conditions prescribed under the Scheme are satisfied
“%”	per cent.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. CHEN Yun (*Chairman*)  
Mr. CHEN Wenjian  
Mr. WANG Shiqi

*Non-executive Director:*

Mr. WEN Limin

*Independent non-executive Directors:*

Mr. CHUNG Shui Ming Timpson  
Mr. ZHANG Cheng  
Mr. XIU Long

*Registered Office:*

918, Block 1  
No. 128 South 4th Ring Road West  
Fengtai District  
Beijing 100070  
PRC

*Principal Place of Business in Hong Kong:*

Unit 1201-1203  
12th Floor, APEC Plaza  
49 Hoi Yuen Road, Kwun Tong  
Kowloon  
Hong Kong

14 December 2021

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED ADOPTION OF THE 2021 RESTRICTED SHARE INCENTIVE SCHEME OF CHINA RAILWAY GROUP LIMITED AND  
(2) CONNECTED TRANSACTION – PROPOSED GRANT UNDER THE SCHEME AND  
(3) PROPOSED ADOPTION OF THE APPRAISAL MANAGEMENT MEASURES FOR IMPLEMENTATION OF THE SCHEME AND  
(4) PROPOSED ADOPTION OF THE MANAGEMENT MEASURES OF THE SCHEME AND  
(5) PROPOSED GRANT OF MANDATE TO THE BOARD TO HANDLE THE RELEVANT MATTERS IN RESPECT OF THE SCHEME**

### **1 INTRODUCTION**

Reference is made to the announcement of the Company dated 22 November 2021 in relation to proposed adoption of the Scheme by the Company and the proposed grant to the Participants under the Scheme.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide the Shareholders with further information in respect of the resolutions regarding the following matters to be proposed at the Extraordinary General Meeting and the H Share Class Meeting to enable the Shareholders to make their informed decisions as to how to vote at the Extraordinary General Meeting and the H Share Class Meeting (as applicable):

- (i) to consider and approve the resolution regarding the Scheme and its summary;
- (ii) to consider and approve the resolution regarding the Appraisal Management Measures;
- (iii) to consider and approve the resolution regarding the Management Measures;
- (iv) to consider and approve the resolution regarding the mandate to the Board to handle the relevant matters in respect of the Scheme; and
- (v) to consider and approve the resolution regarding the Connected Grant under the Scheme.

## 2 THE SCHEME

The principal terms of the Scheme are summarised below.

The full text of the Scheme is set out in Appendix I of this circular.

### I. Purposes of the Scheme

In order to further promote the establishment and improvement of the long-term incentive mechanism of the Company, attract and retain talents, fully incentivize the directors, senior management personnel, middle management personnel and core personnel of the Group, effectively align the interests of the Shareholders, the Company with the individual interests of the operators to focus on and work collectively for the long-term development of the Company, the Scheme is formulated in accordance with the relevant requirements under the Securities Law, the Company Law, the Administrative Measures, the Trial Measures, the Notices, the Guidelines and the Articles of Association as well as in conjunction with the current management systems such as the remuneration system and performance appraisal system of the Company.

### II. Basis for Determining the Participants and the Scope of the Participants

#### (I) *Legal basis for determining the Participants*

The Participants of the Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the Trial Measures, the Notices, the Guidelines and the relevant requirements under other relevant laws, regulations, regulatory documents and the Articles of Associations as well as the actual circumstances of the Company.

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## LETTER FROM THE BOARD

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### *(II) Positions held by the Participants in the Company*

The Participants under the Scheme shall include the directors, senior management personnel, middle management personnel and core personnel of the Group who are in office during the implementation of the Scheme.

### *(III) The scope of the Participants*

The total number of the Participants proposed at the first grant under the Scheme shall not exceed 732. The specific scope of the Participants includes:

1. directors and senior management of the Group;
2. middle management of the Group;
3. core personnel of the Group.

None of the Participants under the Scheme shall be a person in charge of a central enterprise administrated by the central government and party committee of SASAC, an independent non-executive Director, a Supervisor, a Shareholder or actual controller individually or collectively holding more than 5% of the Shares and their respective spouse, parents or children. The Participants shall not participate in the share incentive scheme of two or more listed companies at the same time.

To be qualified as a Participant, a Director must have been elected at general meetings and senior management member must have been appointed by the Board. All Participants should be appointed, employed or hired by the Group when they are granted incentive interests.

A person shall not be qualified as a Participant under the Scheme if such person:

1. has been determined by the Shanghai Stock Exchange as an ineligible person in the past 12 months;
2. has been determined by the CSRC or any of its delegated agencies as an ineligible person in the past 12 months;
3. has been imposed with administrative penalties or measures prohibiting access into the securities market by the CSRC or any of its delegated agencies due to material non-compliance of laws and regulations in the past 12 months;
4. is prohibited from being a director or senior management of a company under the Company Law;
5. is prohibited from participating in any share incentive scheme of listed companies as required by laws and regulations; or
6. falls under any other circumstances as determined by the CSRC.

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## LETTER FROM THE BOARD

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### *(IV) Verification of the Participants*

1. After the Scheme is considered and approved by the Board, the Company shall publish the name and position of the Participants internally for not less than 10 days.
2. The Company shall carry out self-investigations on the trading of Shares and derivatives of the Company by insiders during the six months' period prior to the date of the Announcement to examine whether there has been any insider trading. A person who possess inside information and involves in trading the Shares, shall not be a Participant, save as where such trading does not constitute insider trading pursuant to laws, administrative regulations and relevant judicial interpretations. A person who leaks inside information that leads to insider trading shall not be a Participant.
3. The Supervisory Committee shall review the list of the Participants and take sufficient consideration of the public opinions. The Company shall disclose the explanation of the Supervisory Committee regarding the review of the list of Participants and the status of announcement five days prior to the consideration of the Scheme at the Extraordinary General Meeting, the A share Class Meeting and the H Share Class Meeting. Any adjustments to the lists of the Participants made by the Board shall also be subject to verification by the Supervisory Committee. The basis for determining the Participants of the Reserved Grant shall be ascertained with reference to the basis of the first grant.

### *(V) List of connected persons at the first grant*

Details of the Participants proposed at the first grant under the Scheme who are connected persons of the Company pursuant to Chapter 14A of the Listing Rules are as follow:

Name	Reasons for being a connected person of the Company	Number of Restricted Shares to be granted (0'000 Shares)	Percentage of total Restricted Shares to be granted	Percentage of total A share capital of the Company as at the Latest Practicable Date	Percentage of total share capital of the Company as at the Latest Practicable Date
YANG Linhao (楊林浩)	Director of a subsidiary of the Company	33.72	0.19%	0.0017%	0.0014%
YANG Yude (楊玉德)	Director of a subsidiary of the Company	28.66	0.16%	0.0014%	0.0012%
TAN Shijun (譚世俊)	Director of a subsidiary of the Company	33.72	0.19%	0.0017%	0.0014%
LI Jianguang (李建光)	Director of a subsidiary of the Company	33.72	0.19%	0.0017%	0.0014%

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## LETTER FROM THE BOARD

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Name	Reasons for being a connected person of the Company	Number of Restricted Shares to be granted (0'000 Shares)	Percentage of total Restricted Shares to be granted	Percentage of total A share capital of the Company as at the Latest Practicable Date	Percentage of total share capital of the Company as at the Latest Practicable Date
SHEN Yaoxing (沈堯興)	Director of a subsidiary of the Company	26.65	0.15%	0.0013%	0.0011%
LIU Bo (劉勃)	Director of a subsidiary of the Company	44.96	0.25%	0.0022%	0.0018%
HAN Yonggang (韓永剛)	Director of a subsidiary of the Company	44.96	0.25%	0.0022%	0.0018%
LI Kaiyan (李開言)	Director of a subsidiary of the Company	26.65	0.15%	0.0013%	0.0011%
YUAN Min (袁敏)	Director of a subsidiary of the Company	38.22	0.21%	0.0019%	0.0016%
YANG Zhiyan (楊智艷)	Director of a subsidiary of the Company	22.48	0.12%	0.0011%	0.0009%
WANG Jianying (王建營)	Director of a subsidiary of the Company	22.48	0.12%	0.0011%	0.0009%
WANG Xiaoqing (汪小慶)	Director of a subsidiary of the Company	19.32	0.11%	0.0009%	0.0008%
ZHANG Chunsheng (張春勝)	Director of a subsidiary of the Company	19.11	0.11%	0.0009%	0.0008%

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed in this circular, all other Participants proposed to be granted of the Restricted Shares at the first grant are third parties independent of the Company and the connected persons of the Company.

### III. Source, Number and Distribution of Underlying Shares Involved in the Scheme

#### (I) Number of Restricted Shares to be granted

A number of up to 200 million Restricted Shares are proposed to be granted under the Scheme, representing approximately 0.98% of the total A share capital of the Company of 20,363,539,283 Shares and 0.81% of the total share capital of the Company of 24,570,929,283 Shares as at the Latest Practicable Date. In particular, 180 million Restricted Shares will be granted under the first grant, representing 90.00% of the total number of Restricted Shares available to be granted under the Scheme and 0.88% of the total A share capital of the Company as at the Latest Practicable Date; and a number of 20 million Restricted Shares will be reserved for further grant, representing 10.00% of the total number of Restricted Shares available to be granted under the Scheme and 0.10% of the total A share capital of the Company as at the Latest Practicable Date.

## LETTER FROM THE BOARD

The purpose of the Reserved Grant is to satisfy the needs of subsequent introduction of core personnel by the Company. The number of Restricted Shares under the Reserved Grant shall not exceed 20% of the total number of Restricted Shares available under the Scheme. The Reserved Grant shall be granted by the Board within 12 months after the consideration and approval of the Scheme by the Shareholders at the Extraordinary General Meeting, the A Share Class Meeting and the H Share Class Meeting. The Restricted Shares reserved under the Reserved Grant shall lapse if the Participants for the Reserved Grant are not determined after 12 months.

The total number of Shares to be granted under the Scheme within the Term shall not exceed 10% of the Company's total A share capital, and the total number of Restricted Shares to be granted under the Scheme within the Term to any of the Participants under the Scheme shall not exceed 1% of the total A share capital of the Company at the time the Scheme is submitted for approval at the Extraordinary General Meeting, the A Share Class Meeting and the H Share Class Meeting.

### *(II) Source of the underlying Shares*

The source of underlying Shares under the Scheme will be A Shares to be issued by the Company to the Participants under the Specific Mandate.

### *(III) The distribution of the Restricted Shares to be granted among the Participants is set out in the table below:*

Name	Position	Number of Restricted Shares to be granted (0'000 shares)	Percentage of the total Restricted Shares to be granted	Percentage of the total A share capital as at the Latest Practicable Date	Percentage of total share capital of the Company as at the Latest Practicable Date
KONG Dun (孔遁)	Vice president, chief engineer	40	0.20%	0.0020%	0.0016%
MA Jiangqian (馬江黔)	Vice president, chief economist	40	0.20%	0.0020%	0.0016%
LI Xincheng (李新生)	Vice president	40	0.20%	0.0020%	0.0016%
HE Wen (何文)	Secretary to the Board	40	0.20%	0.0020%	0.0016%
Middle management personnel and core personnel (including the Connected Participants) (no more than 728 Participants)		17,840	89.20%	0.8761%	0.7261%
Reserved shares		2,000	10.00%	0.0982%	0.0814%
Total (no more than 732 Participants at the first grant)		20,000	100.00%	0.9821%	0.8140%

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## LETTER FROM THE BOARD

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*Notes:*

- (1) The Participants under the Scheme shall not be a participant in the share incentive scheme of two or more listed companies.
- (2) The total number of the Shares to be granted under the Scheme within the Term to any of the aforesaid Participants will not exceed 1% of the total A share capital of the Company. The total number of Shares to be granted under the Scheme within the Term shall not exceed 10% of the Company's total A share capital at the time the Scheme is submitted for approval at the Extraordinary General Meeting, the A Share Class Meeting and the H Share Class Meeting.
- (3) The value of the entitlements granted to Directors and senior management of the Company shall be determined at no more than 40% of the total remuneration level (including the value of interests granted) at the time of grant, and the value of the entitlements granted to other Participants such as the core members in management, technology and business shall be determined reasonably by the Board. If relevant policies are adjusted within the Term of the Scheme, the Board may revise this clause in accordance with the adjustments stipulated by relevant authorities.

#### **IV. Term, Grant Date, Lock-Up Period, Unlocking Arrangement and Black-Out Period**

***(I) Term of the Scheme***

The Term of the Scheme shall commence from the completion date of registration of the Restricted Shares under the first grant and end on the date of all the Restricted Shares granted and issued to the Participants having unlocked or repurchased and cancelled, the maximum period of which shall not exceed 72 months.

***(II) Grant Date of the Scheme***

The Grant Date shall be determined by the Board after the Scheme is approved by SASAC and approved by the Shareholders at the Extraordinary General Meeting, the A Share Class Meeting and H Share Class Meeting. The Company shall grant the Restricted Shares to Participants and complete the registration and publication of announcement procedures within 60 days from the date on which the Scheme is approved by the Shareholders at the Extraordinary General Meeting, the A Share Class Meeting and the H Share Class Meeting and the conditions for the grant are satisfied. In the event the Company fails to complete the procedures mentioned above within such 60-day period, it shall terminate the implementation of the Scheme. The Restricted Shares which have not been granted shall lapse. Any period during which no grant of entitlements is allowed pursuant to the Administrative Measures shall not be counted towards the abovementioned 60-day period. The Grant Date of the Restricted Shares under the Reserved Grant shall be separately determined by the Board within 12 months after the Scheme has been approved by the Shareholders at the Extraordinary General Meeting, the A Share Class Meeting and the H Share Class Meeting. The Restricted Shares under the Reserved Grant shall lapse if Participants are not clearly identified over such 12-month period.

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## LETTER FROM THE BOARD

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The Grant Date must be a trading day, and no grant of Restricted Shares to the Participants by the Company shall take place during any of the following period:

1. within 30 days prior to the publication of any periodic results of the Company, in the event of delay in publication of the periodic results due to special circumstances, such period shall commence from 30 days prior to the original date of publication and ending on one day immediately preceding the date of publication;
2. within 10 days prior to the publication of estimated results or preliminary results of the Company;
3. the period commencing from the date of occurrence of any significant event which may have significant effect on the trading prices of the A Shares and derivatives of the Company or the date on which relevant decision-making procedures commence and ending on the second trading day following the publication in accordance with laws;
4. such other period as stipulated by the CSRC and the Shanghai Stock Exchange.

The aforementioned period during which no Restricted Shares shall be granted by the Company shall not be included in the 60-day period. Where a Participant who is a Director or a member of the senior management of the Company reduces his/her shareholding in the Company within six months prior to the grant of the Restricted Shares, the grant of the Restricted Shares shall be postponed for six months from the date of the latest of such shareholding reduction in accordance with the short-term trading requirements under the Securities Law. The aforementioned postponement shall not be included in the abovementioned 60-day period.

### *(III) Lock-up Period and unlocking arrangement of the Scheme*

Lock-up Period of the Restricted Shares granted under the Scheme shall be 24 months, 36 months and 48 months from the relevant completion date of registration of the Restricted Shares under the corresponding grant. The Restricted Shares granted and issued to the Participants under the Scheme shall not be transferred, pledged or used for repayment of debt during the Lock-up Period. After the expiry of the Lock-up Period, the Company will proceed the unlocking arrangement for those Restricted Shares which satisfied the Unlocking Conditions. Restricted Shares which does not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company in accordance with the stipulated principles in the Scheme.

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## LETTER FROM THE BOARD

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During the Lock-up Period, Shares acquired by the Participants by virtue of holding the Restricted Shares as a result of capitalisation issue, bonus issue and share sub-division shall be subject to lock-up provisions in accordance with the Scheme, and shall not be sold in the secondary market or otherwise transferred. The Unlocking Period of such Shares is the same as that of the Restricted Shares. If the Company repurchases the unlocked Restricted Shares, such additional Shares shall be repurchased at the same time.

The unlocking schedule and arrangements for the Restricted Shares of the Scheme to be granted under the first grant and the Reserved Grant are set out below:

<b>Unlocking period</b>	<b>Unlocking schedule</b>	<b>Proportion of the Unlocked Restricted Shares</b>
First Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares;	1/3
Second Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares;	1/3
Third Unlocking Period	Commencing from the first trading day after expiry of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 60-month period from the date of completion of registration of certain corresponding Restricted Shares.	1/3



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## LETTER FROM THE BOARD

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### *(IV) Selling restrictions of the Scheme*

The selling restrictions under the Scheme shall be implemented in accordance with the Company Law, the Securities Law and the relevant laws, regulations, regulatory documents and the Articles of Association, the details of which are as follows:

1. Where a Participant is a Director or a member of the senior management of the Company, the number of Shares that may be transferred by him/her each year during his/her term of office shall not exceed 25% of the total number of the Shares held by him/her; and no transfer of the Shares shall be made within six months from his/her departure from the Company.
2. Where a Participant is a Director or a member of the senior management of the Company, if he/she disposes any Shares held by him/her within six months after they were acquired or acquire any Shares within six months after they were disposed, the gains arising from the transactions shall belong to the Company, and the Board shall collect all such gains.
3. Participant who is a Director or senior management personnel of the Company shall prolong the Lockup Period of 20% of the aggregate Restricted Shares granted and issued to him/her to the expiry of his/her term of office and unlock the restrictions subject to his/her performance appraisal or the result of economic duty audit during such term.

Whether a Participant is a Director or senior management personnel of the Company shall be determined based on the position such Participant holds at the time when he/she was granted the Restricted Shares under the Scheme; performance appraisal or economic duty audit of a Participant refers to those conducted during the term of office during the year when the Participants were granted the Restricted Shares under the Scheme.

4. If, during the Term of the Scheme, there is any amendment to the requirements regarding transfer of Shares by a Director and senior management personnel of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the Shares transferred by the corresponding Participants during the relevant times.

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## LETTER FROM THE BOARD

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### V. Grant Price and Basis of Determination of Restricted Shares

#### *(I) Grant Price of the Restricted Shares under the first grant*

The Grant Price of the Restricted Shares shall be RMB3.55 per Share. Upon fulfilment of grant conditions, each Participant is entitled to purchase the A Shares newly issued to the Participants by the Company at the price of RMB3.55 per Share.

The Grant Price of RMB3.55 per A Share represents:

- (i) a discount of approximately 37.72% to the closing price of RMB5.70 per A Share as quoted on the Shanghai Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 6.93% over the closing price of HK\$4.05 (equivalent to approximately RMB3.32 based on HK\$1: RMB0.82096) per H Share, as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (iii) a discount of approximately 31.86% to the closing price of RMB5.21 per A Share, as quoted on the Shanghai Stock Exchange on the Board Resolution Date; and
- (iv) a premium of approximately 16.39% over the closing price of HK\$3.72 (equivalent to approximately RMB3.05 based on HK\$1: RMB0.82096) per H Share, as quoted on the Hong Kong Stock Exchange on the Board Resolution Date.

#### *(II) Basis for determining the Grant Price of the Restricted Shares under the first grant*

The Grant Price of the Restricted Shares under the first grant shall not be less than the nominal value of the Shares, and shall not be lower than 60% of the fair market value. The fair market value shall be the higher of the following prices:

1. the average trading price of the underlying A Shares of the Company on the last trading day immediately preceding the date of the Announcement (the total transaction value for the last trading day/total volume of the Shares of the Company traded for the last trading day);
2. any of the average trading price of the underlying A Shares of the Company for the last 20 trading days, 60 trading days and 120 trading days immediately preceding the date of the Announcement.

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## LETTER FROM THE BOARD

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Based on the above pricing principles, the Grant Price of the Restricted Shares under the Scheme shall be RMB3.55 per Share.

***(III) Basis for determining the Grant Price of the Restricted Shares under the Reserved Grant***

The grant of the Restricted Shares under the Reserved Grant is subject to the consideration and passing of related resolutions by the Board and the disclosure of related information. The Grant Price of the Restricted Shares under the Reserved Grant shall not be less than the nominal value of the Shares, and shall not be lower than 60% of the fair market value. The fair market value shall be the higher of the following prices:

1. the average trading price of the A Shares on the last trading day immediately preceding the date of the announcement of Board resolutions on the Reserved Grant;
2. any of the average trading price of the A Shares for the last 20 trading days, 60 trading days and 120 trading days immediately preceding the date of the announcement of Board resolutions on the Reserved Grant.

**VI. Conditions of Granting and Unlocking Restricted Shares for the Participants**

***(I) Conditions of grant of Restricted Shares***

The Company shall grant Restricted Shares to the Participants upon satisfaction of all of the following conditions of grant, and no Restricted Shares shall be granted and issued to the Participants if any of the following conditions of grant has not been satisfied.

1. *None of the following events with respect to the Company has occurred:*
  - (1) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the financial and accounting report of the Company for the latest accounting year;
  - (2) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for the latest accounting year;
  - (3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;

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## LETTER FROM THE BOARD

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- (4) prohibition from implementation of a share incentive scheme by laws and regulations; or
  - (5) other circumstance as determined by the CSRC.
2. *None of the following events with respect to the Participant has occurred:*
- (1) he or she has been determined by the Shanghai Stock Exchange as an ineligible person in the past 12 months;
  - (2) he or she has been determined by the CSRC or any of its delegated agencies as an ineligible person in the past 12 months;
  - (3) he or she has been imposed with administrative penalties or measures prohibiting access into the securities market by the CSRC or any of its delegated agencies due to material non-compliance of laws and regulations in the past 12 months;
  - (4) he or she is prohibited from being a director or senior management of a company under the Company Law;
  - (5) he or she is prohibited from participating in any share incentive scheme of listed companies as required by laws and regulations; or
  - (6) he or she falls under any other circumstances as determined by the CSRC.
3. *The Company is deemed to have achieved the performance target if all of the following conditions are satisfied:*
- (1) the average growth rate of the net profit for 2018 to 2020 shall not be less than 11.75%;
  - (2) the average return on net assets for 2018-2020 shall not be less than 9.86%;
  - (3) the economic value added performance targets set by SASAC in 2020 is achieved.

The aforementioned growth rate of the net profit and return on net assets shall not be lower than the industry average or 50 percentile of benchmarking enterprises.

The return on net assets used in calculating the above targets of the Scheme is the weighted average return on net assets after deduction of non-recurring profit or loss; net profit refers to that attributable to Shareholders after deduction of non-recurring profit or loss.

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## LETTER FROM THE BOARD

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The individual performance appraisal result of the Participants in 2020 is competent or above.

### *(II) Unlocking Conditions for the Restricted Shares*

During the Unlocking Period, the Restricted Shares granted and issued to the Participants may only be unlocked upon satisfaction of all the following conditions:

1. *None of the following events with respect to the Company has occurred:*
  - (1) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
  - (2) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
  - (3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings within the 36 months after listing;
  - (4) prohibition from implementation of a share incentive scheme by laws and regulations; or
  - (5) other circumstance as determined by the CSRC.
2. *None of the following events with respect to the Participant has occurred:*
  - (1) he or she has been determined by the Shanghai Stock Exchange as an ineligible person in the past 12 months;
  - (2) he or she has been determined by the CSRC or any of its delegated agencies as an ineligible person in the past 12 months;
  - (3) he or she has been imposed with administrative penalties or measures prohibiting access into the securities market by the CSRC or any of its delegated agencies due to material non-compliance of laws and regulations in the past 12 months;
  - (4) he or she is prohibited from being a director or senior management of a company under the Company Law;
  - (5) he or she is prohibited from participating in any share incentive scheme of listed companies as required by laws and regulations; or

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(6) he or she falls under any other circumstances as determined by the CSRC.

3. *Achievement of the performance appraisal conditions of the Company*

The Restricted Shares under the 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.

(1) The performance conditions of the Company for unlocking the Restricted Shares to be granted under the first and the Reserved Grant under the Scheme are:

<b>Unlocking Period</b>	<b>Performance appraisal targets</b>
First Unlocking Period	<p>(1) The weighted average returns on net assets after deducting non-recurring profit and loss for 2022 shall not be less than 10.50% and not lower than the average performance of industry peers or the 75th percentile of the 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 2022 shall not be less than 12% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies;</p> <p>(3) Achieve the economic value added performance targets of SASAC for 2022.</p>
Second Unlocking Period	<p>(1) The weighted average returns on net assets after deducting non-recurring profit and loss for 2023 shall not be less than 11.00% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies;</p>

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## LETTER FROM THE BOARD

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### Unlocking Period

### Performance appraisal targets

- (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 not be less than 12% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies;
- (3) Achieve the economic value added performance targets of SASAC for 2023.

### Third Unlocking Period

- (1) The weighted average returns on net assets after deducting non-recurring profit and loss for 2024 shall not be less than 11.50% and not lower than the average performance of industry peers or the 75th percentile of the 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 2024 shall not be less than 12% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies;
- (3) Achieve the economic value added performance targets of SASAC for 2024.

### Notes:

1. 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.
2. The weighted average returns on net assets after deducting non-recurring profit and loss =  $\frac{\text{Net profit after deducting non-recurring profit and loss attributable to the Shareholders}}{(\text{net assets attributable to the Shareholders at the end of the period} + \text{net assets attributable to the Shareholders at the beginning of the period})/2}$ . The past and future effects of perpetual bond of the Company on the indicators shall not be included while calculating the net assets attributable to the Shareholders.
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 is authorized to restore the actual value of the relevant performance indicators.

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## LETTER FROM THE BOARD

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In the event that the Company's performance appraisal targets of Restricted Shares in certain Unlocking Period could not be achieved, all Participants' corresponding Restricted Shares for such Unlocking Period shall not be unlocked and shall be repurchased and cancelled by the Company at the lower of the Grant Price and the then market price of the Shares at the time of repurchasing (i.e. the average trading price of the Company's underlying A Shares in the one trading day immediately preceding the date of the announcement of the Board resolution for consideration of the repurchase) in accordance with the Scheme.

(2) Selection of industry peers/benchmark companies of unlocking appraisal

The Company falls within the "construction – civil engineering construction" industry under the industry classification by the CSRC. The above average performance of the "industry peers" refers to those of all A-share listed companies falling within the "construction – civil engineering construction" industry. 15 A-share listed companies whose principal businesses are similar are selected by the Company as the performance benchmark companies for unlocking the Restricted Shares. The details are as follows:

No.	Stock Code	Stock Name	No.	Stock Code	Stock Name
1	601668.SH	China State Construction	9	601611.SH	China Nuclear Engineering & Construction
2	601800.SH	China Communications Construction	10	600820.SH	Shanghai Tunnel Engineering
3	601186.SH	China Railway Construction	11	600039.SH	Sichuan Road & Bridge
4	601669.SH	PowerChina	12	600502.SH	Anhui Construction
5	601618.SH	China Metallurgical	13	000498.SZ	Engineering Shandong Hi-Speed Road & Bridge
6	601868.SH	China Energy Engineering	14	600491.SH	Longyuan Construction
7	600170.SH	Shanghai Construction	15	002051.SZ	China CAMC
8	601117.SH	China National Chemical Engineering			

If the industry classification of the Company or the industry constituent stock of industry peers is adjusted by relevant institutions during the Term of the Scheme, the Company shall adopt the latest updated industry classification data for the appraisal in the respective year. If there are any significant changes in principle business or extreme values or abnormal values with overly



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excessive performance variation in the samples of the industry peers or benchmark companies, the Board may remove or change the relevant samples according to the actual situations.

#### 4. *Achievement of the performance appraisal conditions at subsidiary level*

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

<b>Results of appraisal</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Appraisal coefficient for the organization	1.0	1.0	0.8	0

The actual unlocking amounts held by the Participants 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

#### 5. *Achievement of the performance appraisal conditions at individual level*

The appraisal could be conducted on an annual basis under the Appraisal Management Measures for the Implementation of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited enacted by the Company. 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.

<b>Results of appraisal</b>	<b>Excellent</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>
Standard coefficient	1.0	1.0	0.8	0

The Restricted Shares then 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 carried over until the next Unlocking Period. The Company shall then repurchase those Restricted Shares at the lower of the Grant Price and the market price of the A Shares at the time of repurchasing (i.e. the average trading price of the Company's underlying A Shares in the one trading day immediately preceding the date of the announcement of the Board resolution for consideration of the repurchase).

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## LETTER FROM THE BOARD

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### *(III) Scientific reasoning and reasonableness on the appraisal indicators*

The appraisal indicators of the Scheme are categorised into two levels, i.e. performance appraisal at the Company level and performance appraisal at the individual level.

According to the relevant requirements of SASAC, performance indicators, in principle, shall contain the comprehensive indicators that shall reflect shareholders' return and the value of the Company and the indicators that shall reflect the sustainability of the Company and the quality of the Company's development. Based on the above requirements, the Scheme combined the practice of state-owned enterprises and the characters of the Company, and selected suitable indicators (including growth rate of the net profit, return on net assets and economic value added (EVA)) as the indicators when the Restricted Shares are unlocked for performance appraisal at the Company level. The above indicators shall be the core financial indicators of the Company, reflecting the Company's ability of development, shareholders' return and creating value of the Company. Through a reasonable projection as well as taking into account the incentive effect of the Scheme, the Company established the aforementioned performance targets for the Scheme.

In addition to the performance appraisal at the Company level, the Company also has established a strict performance appraisal system for the Participants, which evaluates comprehensively the performance of the Participants in an accurate and all-round manner. The Company will determine whether the Participants meet the Unlocking Conditions based on their performance appraisal results for the previous year.

Given the above, the appraisal system for the Scheme is all-round, comprehensive and operable, and the appraisal indicators are scientific and reasonable, which are binding on the Participants and can serve the appraisal goal of the Scheme.

## **VII. Methods and Procedures for Adjustment of the Scheme**

### *(I) Method of adjustment to the number of Restricted Shares to be granted*

In the event of any capitalisation issue, bonus issue, share split, share consolidation, rights issue conducted by the Company in the period from the date of the Announcement to the completion of registration of the Restricted Shares held by the Participants, the number of Restricted Shares to be granted shall be adjusted accordingly by the Company. The adjustment method is as follows:

#### *1. Capitalisation issue, bonus issue and share split*

$$Q = Q_0 \times (1 + n)$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $n$  represents the ratio of increase of share resulting from the issue of shares by capitalisation issue, bonus issue and share split (i.e. the number of Shares increased per Share upon capitalisation issue, bonus issue or share split);  $Q$  represents the number of Restricted Shares after the adjustment.

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## LETTER FROM THE BOARD

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2. *Share consolidation*

$$Q = Q_0 \times n$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $n$  represents the ratio of consolidation of Shares (i.e. 1 Share in consolidated to  $n$  Shares);  $Q$  represents the number of Restricted Shares after the adjustment.

3. *Rights issue*

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $P_1$  represents the closing price as at the record date for the share;  $P_2$  represents the price of rights issue;  $n$  represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue);  $Q$  represents the number of Restricted Shares after the adjustment.

4. *Dividend distribution and additional issue of new Shares*

Under the circumstance of dividend distribution and additional issue of new Shares by the Company, no adjustment shall be made to the number of Restricted Shares.

**(II) Method of adjustment to the Grant Price of Restricted Shares**

In the event that any dividend distribution, capitalisation issue, bonus issue, share split, share consolidation or rights issue conducted by the Company in the period from the date of the Announcement to the completion of registration of the Restricted Shares held by the Participants, the Grant Price of Restricted Shares shall be adjusted accordingly by the Company. The adjustment method is as follows:

1. *Capitalisation issue, bonus issue and share split*

$$P = P_0 / (1 + n)$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the ratio of increase of Shares resulting from the issue of Shares by capitalisation issue, bonus issue and share split;  $P$  represents the Grant Price after the adjustment.

2. *Share consolidation*

$$P = P_0 / n$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the proportion of a Share that may result from consolidation;  $P$  represents the Grant Price after the adjustment.

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## LETTER FROM THE BOARD

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### 3. *Dividend distribution*

$$P = P_0 - V$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $V$  represents the dividend per Share;  $P$  represents the Grant Price after the adjustment.

### 4. *Rights Issue*

$$P = P_0 \times (P_1 + P_2 \times n) / (P_1 \times (1 + n))$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $P_1$  represents the closing price as at the record date for the Share;  $P_2$  represents the price of rights issue;  $n$  represents the ratio of the rights issue;  $P$  represents the Grant Price after the adjustment.

### 5. *Additional issue of new Shares*

Under the circumstance of additional issue of new Shares by the Company, no adjustment shall be made to the Grant Price of Restricted Shares.

### **(III) *Procedures for adjustment to the Scheme***

The Board shall be authorised by the Shareholders at Shareholders' meetings to adjust the Grant Price or the number of Restricted Shares for the above reasons. The Company will engage legal advisers to give professional advice to the Board on whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Scheme.

## **VIII. Accounting Treatment for the Restricted Shares**

In accordance with the requirements of the Accounting Standards for Business Enterprise No. 11 – Share based Payments 《(企業會計準則第11號-股份支付)》, at each balance sheet date within the Lock-up Period, the Company shall revise the number of the Restricted Shares which are expected to be unlocked according to the change in the latest available number of persons eligible to unlock the Restricted Shares, completion of the performance targets and other subsequent information, and recognise the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares on the Grant Date.

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## LETTER FROM THE BOARD

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### *(I) Accounting treatment*

#### *1. On the Grant Date*

The share capital and capital reserve shall be recognized according to the status of the grant of the Restricted Shares to the Participants by the Company.

#### *2. On each balance sheet date during the Lock-up Period*

Pursuant to the requirements of the accounting standards, the services provided by the staff will be recognized as costs and the owners' equity or liabilities will also be recognised on each balance sheet date during the Lock-up Period.

#### *3. On the unlocking date*

On the unlocking date, if the Unlocking Conditions are fulfilled, the Restricted Shares shall be unlocked; if all or part of the Shares are repurchased or cancelled by the Company since the same have not been unlocked, such Shares will be dealt with pursuant to the accounting standards and relevant requirements.

### *(II) Determination method of the fair value of the Restricted Shares and estimated impact on the operating performance of each of the period*

The Company proposed to grant 180,000,000 Restricted Shares to the Participants under the first grant. The Company measures the fair value of the Restricted Shares based on the difference between the closing price on the Grant Date and the Grant Price and projects the total amortisation expense of the Restricted Shares to be RMB298,800,000. Such total amortisation expense shall be recognised in phases based on the unlocking proportions during the implementation of the Schemes, and will be charged to operating profit or loss.

Assuming that the Restricted Shares will be granted on 1 December 2021, the effect of the first grant of the Restricted Shares under the Scheme on the accounting costs incurred in each period is as follow:

<b>The number of shares granted</b> <i>(0'000 Shares)</i>	<b>Total cost</b> <i>(RMB0'000)</i>	<b>2021</b> <i>(RMB0'000)</i>	<b>2022</b> <i>(RMB0'000)</i>	<b>2023</b> <i>(RMB0'000)</i>	<b>2024</b> <i>(RMB0'000)</i>	<b>2025</b> <i>(RMB0'000)</i>
18,000.00	29,880.00	899.17	10,790.00	10,375.00	5,533.33	2,282.50

*Note:*

The above figures do not constitute the final accounting cost. Other than the Grant Date, Grant Price and number of Shares granted, accounting cost also relates to the actual number of effective and lapsed entitlements. The final result of the above impact on the operating performance of the Company shall be subject to the annual audited report issued by the accounting firm.

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## LETTER FROM THE BOARD

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The total costs incurred from the Scheme will be charged to the recurring gain or loss. As estimated by the Company based on the current condition, without considering the stimulus effects of the Scheme on the performance of the Company, the amortization of the costs of the Scheme has an impact on the net profit of each year during the Term but the impact is not significant. Taking into consideration the positive impact of the Scheme on the development of the Company, it will stimulate the enthusiasm of the management team, improve the operating efficiency, and reduce agency costs. It is expected that the performance improvement of the Company brought by the Scheme shall far exceed the increase in costs incurred by the Scheme.

### **IX. Procedures of Implementation of The Scheme**

#### *(I) Procedures for the Scheme to become effective*

1. The remuneration committee of the Board shall be responsible for preparing the Scheme, and submitting it to the Board for consideration.
2. The Board shall pass a resolution on the Scheme in accordance with law. When the Board shall consider and approve the Scheme, any Director who is a proposed Participant or related to the Participants shall abstain from voting.
3. The independent non-executive Directors and the Supervisory Committee shall opine on matters as to whether the Scheme may benefit the Group's sustainable development, and whether there is any notifiable damage to the interests of the Company and the Shareholders as a whole.
4. The Company shall engage legal advisers to issue legal opinion on the Scheme.
5. Before convening the Shareholders' meeting, the Company shall publish the name and position of the Participants internally via Company website or other channels for not less than 10 days. The Supervisory Committee shall review the list of the Participants and take sufficient consideration of the public opinions. The Company shall disclose the explanation of the Supervisory Committee regarding the review of the list of Participants under the Scheme and the status of announcement five days prior to the consideration of the Scheme at the Shareholders' meeting.
6. The Company should carry out self-investigation on the trading of Shares by insiders during the six months' period prior to the date of the Announcement to examine whether there was any insider trading.
7. The Scheme shall be considered and approved by SASAC upon the consent of China Railway Engineering Group Company Limited.

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## LETTER FROM THE BOARD

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8. The Company shall issue notice on the convening of Shareholders' meeting(s) and publish the legal opinion.
9. When Shareholders' meeting(s) is/are convened to consider the Scheme, the independent non-executive Directors shall solicit proxy voting rights from all Shareholders regarding the resolutions related to the Scheme.
10. The Scheme shall be proposed and voted at a Shareholders' meeting and the A share and H share class meetings, and be approved by more than 2/3 of the voting rights held by the attending Shareholders. Except for the Directors, Supervisors and senior management of the Company, as well as the Shareholders individually or collectively holding more than 5% of the Shares, the voting by other Shareholders shall be separately counted and disclosed.

Shareholders who are, or related to, the Participants shall abstain from voting when considering and approving the Scheme at the Shareholders' meeting(s) of the Company.

### *(II) Procedures for grant under the Scheme*

1. Within 60 days after the Scheme is considered and approved at the Shareholders' meeting and the A share and H share class meetings, and the conditions for the grant are satisfied, the Company shall convene a Board meeting to consider whether the Participants have satisfied the conditions prescribed in the Scheme for the grant of the Restricted Shares and determine the Grant Date, and the independent Directors shall issue opinions. Moreover, the Supervisory Committee shall verify the Grant Date of the Restricted Shares and the list of Participants and issue its opinions. The Reserved Grant is subject to the confirmation, consideration and approval by the Board. The Board of the Company will handle specific issues concerning the grant of Restricted Shares in accordance with the authorisation by the Shareholders' meetings.
2. The Company shall engage legal advisers to issue legal opinions as to whether the Participants have satisfied the conditions of the grant.
3. The Company shall sign an agreement on the granting of Restricted Shares with the Participants in order to determine their respective rights and obligations.
4. The Participants shall pay the consideration for subscribing the Restricted Shares into the account designated by the Company and have it verified and confirmed by a certified public accountant, otherwise such Participant shall be deemed as having waived his or her right to subscribe for the Restricted Shares.

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## LETTER FROM THE BOARD

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5. The Company shall keep a register for management of the Restricted Shares with reference to the agreements signed by the Participants, and such register shall record the names of the Participants, number of shares granted, the Grant Date and the serial number of the agreement on the granting of Restricted Shares.
6. The Company shall apply to the Shanghai Stock Exchange for the grant of the Restricted Shares to Participants, and apply to the CSDC for the registration and settlement matters after the confirmation by the Shanghai Stock Exchange.
7. After the registration of grant of the Restricted Shares is completed, the Company shall, go through the formalities in relation to the registration with the Administration for Industry and Commerce (AIC) if the registration involves change in the registered capital of the Company.

### *(III) Procedures for unlocking under the Scheme*

1. Prior to the unlocking date, the Company shall confirm whether the Participants have satisfied the Unlocking Conditions. The Board shall consider whether the Unlocking Conditions under the Scheme have been satisfied and the independent non-executive Directors and Supervisory Committee shall issue their relevant opinions. The Company's legal advisers shall issue legal opinions as to whether the Unlocking Conditions have been satisfied.
2. As to the Participant who has satisfied the Unlocking Conditions, the Company shall tender applications to the Shanghai Stock Exchange to unlock the Restricted Shares. After confirmation by the Shanghai Stock Exchange, the Company shall apply to the CSDC for the relevant registration and settlement matters.
3. Restricted Shares held by Participants who have not satisfied the Unlocking Conditions shall be repurchased and cancelled by the Company. The Company shall disclose the implementation thereof timely by way of announcement.
4. Participants may transfer their unlocked Restricted Shares whereas the transfer of the Restricted Shares held by Directors and senior management personnel of the Company shall comply with the requirements of the relevant laws, regulations and regulatory documents.



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## LETTER FROM THE BOARD

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### *(IV) Procedures for amendments to and termination of the Scheme*

#### *1. Procedures for amendments to the Scheme*

- (1) Any proposed amendment to the Scheme prior to approval of the Scheme by the Shareholders at Shareholders' meeting(s) of the Company shall be subject to consideration and approval of the Board.
- (2) Any proposed amendment to the Scheme after approval of the Scheme by the Shareholders at a Shareholders' meeting, A share and H share class meetings of the Company shall be subject to consideration and approval at a Shareholders' meeting, A share and H share class meetings of the Company, provided that such amendment shall not:
  - i. result in the unlocking of restrictions in advance;
  - ii. reduce the Grant Price.

The independent non-executive Directors and the Supervisory Committee shall give independent opinions on whether the amended scheme is beneficial for the sustainable development of the Company or will be detrimental to the interests of the Company and the Shareholders as a whole. The legal advisers of the Company shall issue legal opinions on whether the amended scheme complies with the requirements of the Administrative Measures and relevant laws and regulations or will be detrimental to the interests of the Company and the Shareholders as a whole.

#### *2. Procedures for Termination of the Scheme*

- (1) The Scheme shall be terminated and the Company shall not proceed to grant new entitlements to the Participants if one of the circumstances prescribed in Article 7 of the Administrative Measures happened to the Company.
- (2) If the case that the Participants shall not become the Participants as prescribed in Article 8 of the Administrative Measures arises, the Company shall not proceed to grant entitlements to the Participants, the entitlements granted to him/her but not exercised shall lapse.
- (3) Proposed termination of the Scheme by the Company prior to approval of the Scheme by the Shareholders at a Shareholders' meeting shall be subject to consideration and approval of the Board.
- (4) Proposed termination of the Scheme by the Company after approval of the Scheme by Shareholders at a Shareholders' meeting, A share and H share class meetings of the Company shall be subject to consideration and approval at Shareholders' meeting, A share and H share class meetings of the Company.

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## LETTER FROM THE BOARD

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- (5) The law advisers engaged by the Company should issue legal opinions as to whether the termination of the Scheme is in compliance with the Administrative Measures and relevant laws, regulations and regulatory documents, and whether it would be detrimental to the interests of the Company or the Shareholders as a whole.
- (6) In case of termination of the Scheme, the Company shall repurchase all Restricted Shares that are still under locked-up and deal with such repurchased shares in accordance with the Company Law.
- (7) The Company shall lodge an application to the Shanghai Stock Exchange prior to the repurchase of the Restricted Shares. Upon confirmation by the Shanghai Stock Exchange, the CSDC will handle the relevant registration and settlement.
- (8) The Company terminate the implementation of the Scheme, and will not review or disclose the draft of the Scheme within three months from the date of announcement of the resolution.

### **X. Respective Rights and Obligations of the Company and the Participants**

#### ***(I) Rights and obligations of the Company***

- 1. The Company shall have the right to construe and execute the Scheme and shall appraise the performance of the Participants based on the requirements under the Scheme. If a Participant fails to fulfill the Unlocking Conditions required under the Scheme, the Company will repurchase and cancel the Restricted Shares, which have not been unlocked by the Participants, in accordance with the principles under the Scheme.
- 2. The Company shall have the right to withhold and pay, on behalf of the Participants, the individual income tax due in accordance with the relevant tax regulations.
- 3. The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants for acquiring the Restricted Shares under the Scheme.
- 4. The Company shall discharge its obligations in a timely manner in relation to reporting and information disclosure under the Scheme in accordance with the relevant requirements.

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## LETTER FROM THE BOARD

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5. The Company shall actively support the Participants who have fulfilled the Unlocking Conditions to unlock the Restricted Shares in accordance with requirements under the Scheme, the CSRC, the Shanghai Stock Exchange and the CSDC. However, the Company disclaims any liability for any losses incurred by the Participants who fail to unlock the Restricted Shares at their own will due to reasons on part of the CSRC, the Shanghai Stock Exchange and the CSDC.
6. The grants of the Restricted Shares by the Company to the Participants does not constitute a commitment of employment for a fixed term by the Company. The employment between the Company and the Participants shall still be governed by the employment contract between the parties.

### *(II) Rights and obligations of the Participants*

1. A Participant shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
2. A Participant shall be entitled to relevant rights and interests in accordance with the requirements under the Scheme. The Restricted Shares granted and issued to the Participants shall not be entitled to the disposal right to be transferred or used as guarantee or for repayment of debt before unlocking the Restricted Shares.
3. The source of funds shall be self-financed by the Participants.
4. Upon completion of registration by the CSDC, the Restricted Shares granted to the Participants shall have the rights of the Shares, including but not limited to the rights to dividend and rights to rights issue conferred by such Shares. However, any bonus shares, shares by conversion of capital reserve, rights issue shares acquired by the Participants from the Participants' Restricted Shares shall be subject to the same Lock-up Period as the Participants' Restricted Shares, and shall not be sold in the secondary market or otherwise transferred. The expiry date of the Lock-up Period of such shares is the same as that of the Restricted Shares.
5. When the Company pays cash dividends, the Participant is entitled to the cash dividend in respect of the Restricted Shares he/she was granted after withholding and paying the individual income tax. If the restrictions on those Restricted Shares fail to be unlocked, the Company shall deduct the cash dividend attributable to the Participant in repurchasing and cancelling the Restricted Shares in accordance with the requirements of the Scheme and make corresponding accounting treatment.

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## LETTER FROM THE BOARD

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6. Any gains of the Participants generated from the Scheme are subject to individual income tax and other taxes in full and in a timely manner according to the relevant tax laws and regulations. The Participants agree with the Company to withhold and pay, on behalf of themselves, the aforementioned individual income tax.
7. The Participants undertake: where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for exercise of rights, the Participants concerned shall return to the Company all interests gained under the Scheme from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statement or misleading representations or material omissions.
8. Upon approval of the Scheme at the Shareholders' meeting, the A share class meeting and the H share class meeting, the Company will sign an agreement on the granting of Restricted Shares with each Participant setting out the respective rights and obligations as well as other relevant matters.
9. Other relevant rights and obligations under the laws, regulations and the Scheme.

### **XI. Handling of Changes in Relation to the Company and the Participants**

#### ***(I) Unusual changes to the Company***

1. The Scheme shall be terminated upon occurrence of any of the following events, the Restricted Shares granted and issued to, but not yet unlocked, the Participants shall no longer be unlocked, and the Company shall repurchase and cancel the Restricted Shares at the lower of the Grant Price and the market price of the A Shares at the time of repurchasing:
  - (1) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
  - (2) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
  - (3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings within the last 36 months after listing;

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## LETTER FROM THE BOARD

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- (4) prohibition from implementation of a share incentive scheme by laws and regulations;
  - (5) other circumstances under which the Scheme shall be terminated as determined by the CSRC.
2. The Scheme shall remain unchanged and the Company shall proceed to implement the Scheme as stipulated in the event that any of the following events occurs to the Company:
  - (1) change in control of the Company;
  - (2) merger and separation of the Company.
3. Where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking the restrictions, all Restricted Shares which are not yet unlocked shall be repurchased and cancelled by the Company. In respect of the Restricted Shares granted to the Participants which have been unlocked, all the Participants shall return to the Company all entitlements granted. If the Participants, who are not liable for the abovementioned events, suffer loss as a result of returning the entitlements, they may claim for damages from the Company or responsible parties in accordance with the arrangements under the Scheme. The Board shall recover all the profits gained by the Participants in accordance with the preceding provisions and relevant arrangements under the Scheme.

### *(II) Changes to the individual circumstances of the Participants*

1. Within six months from the date of occurrence of any of the following circumstances, the Restricted Shares of the Participants which have satisfied the Unlocking Conditions within the year can be unlocked; Restricted Shares not satisfied with the Unlocking Conditions shall be repurchased and cancelled by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China when repurchasing:
  - (1) the Participant is transferred from the Company and ceases to take office in the Company due to organizational arrangements;
  - (2) the Participant is deceased (his/her legal successor shall unlock the restrictions as required, instead);
  - (3) the Participant loses the capacity for civil conducts; or
  - (4) the Participant is dismissed by the Company due to reasons other than incompetence to the position, disqualification in performance appraisal, negligence, violation of laws, non-compliance, etc.

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## LETTER FROM THE BOARD

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2. When a Participant becomes an independent non-executive Director, Supervisor or a person who is prohibited from holding the Company's Restricted Shares, all Restricted Shares held by such Participant that are still locked up shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China when repurchasing and cancelling.
3. All Restricted Shares held by a Participant that are still locked up shall be repurchased and cancelled by the Company at a repurchase price equal to the lower of the Grant Price and the market price of shares if any of the following circumstance occurs:
  - (1) such Participant proposes to terminate his/her employment contract with the Company;
  - (2) such Participant opts not to renew his/her employment contract with the Company when the contract expires;
  - (3) such Participant becomes disqualified for the Scheme due to his/her incompetence to the position, disqualification in performance appraisal, negligence, violation of laws, non-compliance of laws, etc.; or
  - (4) such Participant is dismissed due to a breach of his/her fiduciary duties as required under the Company Law and the Articles of Association, violation of laws and regulations, breach of professional ethics, leakage of the Company's confidential information, dereliction of duty or malpractice or any other acts that damage the interests or reputation of the Company (the Board reserves the right to recover all or part of the gains from the sale of the unlocked Restricted Shares based on the severity of the circumstances).
4. Where a Participant retires upon reaching the retirement age stipulated by law, all Restricted Shares held by such Participant that meet Unlocking Conditions in the year of such retirement can be unlocked within six months from the date of such retirement, and those not satisfied with the Unlocking Conditions shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China when repurchasing and cancelling.
5. Other circumstances that are not specified shall be identified by the Board and the consequences shall be determined thereby.

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## LETTER FROM THE BOARD

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### *(III) Resolution of disputes between the Company and the Participants*

Any dispute between the Company and the Participants shall be resolved in accordance with provisions of the Scheme and the agreement on the granting of Restricted Shares. Disputes not clearly covered by the provisions shall be negotiated and resolved in accordance with PRC laws and on fair and reasonable principles. Where the disputes cannot be settled through negotiations, they shall be resolved through litigation by submitting to the People's Court with jurisdiction over the Company's place of domicile.

## **XII. Principles of Repurchase and Cancellation of Restricted Shares**

### *(I) Method for adjustment to the repurchase price*

In general, if the Company shall repurchase and cancel the Restricted Shares under the requirements of the Scheme, the repurchase price represents the Grant Price except for those whose repurchase price needs to be adjusted in accordance with the Scheme.

After completion of the registration of the Restricted Shares granted and issued to the Participants, if there is any capitalisation issue, bonus issue, share split, rights issue, additional issue of new Shares or share consolidation, dividend distribution and other matters of the Company affecting the total share capital or the share price of the Company, the Company shall make adjustments to the purchase price of the locked-up Restricted Shares accordingly.

#### *1. Capitalisation issue, bonus issue and share split*

$$P = P0 \div (1 + n)$$

Where: P represents the repurchase price per Restricted Share after adjustment; P0 represents the Grant Price per Restricted Share; n represents the rate of increase per Share resulting from capitalisation issue, bonus issue, share split per share capital (i.e. the increase in the number of Shares per Share upon capitalisation issue, bonus issue or share split).

#### *2. Rights issue*

$$P = P0 \times (P1 + P2 \times n) \div [P1 \times (1 + n)]$$

Where: P1 represents the closing price on the date of share registration; P2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the number of Shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue).

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## LETTER FROM THE BOARD

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### 3. *Share consolidation*

$$P = P0 \div n$$

Where: P represents the repurchase price per Restricted Share after adjustment; P0 represents the Grant Price per Restricted Share; n represents consolidation ratio per Share (i.e. the ratio based on which one share of the Company shall be consolidated into n Shares).

### 4. *Dividend distribution*

$$P = P0 - V$$

Where: P0 represents the repurchase price per Restricted Share prior to adjustment; V represents the amount of dividends per share; P represents the repurchase price per Restricted Share after adjustment. P must remain greater than 1 after adjustment.

### 5. *Additional issue of new Shares*

Under the circumstance of additional issue of new Shares by the Company, no adjustment shall be made to the repurchase price of the Restricted Shares.

## **(II) *Method for adjustment of repurchase quantity***

Upon completion of registration of the Restricted Shares granted and issued to the Participants, in case of capitalisation issue, bonus issue, share split, rights issue, share consolidation and other matters, the Company shall make adjustments to the repurchase quantity of the locked-up Restricted Shares accordingly. The adjustment method is as follows:

### 1. *Capitalisation issue, bonus issue and share split*

$$Q = Q0 \times (1 + n)$$

Where: Q0 represents the number of Restricted Shares before the adjustment; n represents the ratio of increase per Share resulting from capitalisation issue, bonus issue and share split (i.e. the increase in number of Shares per Share upon capitalisation issue, bonus issue and share split); Q represents the number of Restricted Shares after the adjustment.



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## LETTER FROM THE BOARD

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### 2. *Rights issue*

$$Q = Q0 \times P1 \times (1 + n) \div (P1 + P2 \times n)$$

Where: Q0 represents the number of Restricted Shares before the adjustment; P1 represents the closing price as at the record date for the Share; P2 represents the price of rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue); Q represents the number of Restricted Shares after the adjustment.

### 3. *Share consolidation*

$$Q = Q0 \times n$$

Where: Q0 represents the number of Restricted Shares before the adjustment; n represents the ratio of consolidation of Shares (i.e. 1 Share is consolidated to n Shares); Q represents the number of Restricted Shares after the adjustment.

### 4. *Additional issue of new Shares*

Under the circumstance of additional issue of new Shares by the Company, no adjustment shall be made to the number of Restricted Shares.

### ***(III) Procedures of repurchase and cancellation***

The Company shall promptly convene a Board meeting to consider the adjustment to the repurchase volume or repurchase price according to the above provisions. According to the Administrative Measures, where the Board considered the plan on the repurchase of Restricted Shares pursuant to the requirements of Article 27 of the Administrative Measures, the plan on the repurchase of Shares shall be submitted to the Shareholders' meeting as well as the A share class meeting and the H share class meeting for consideration and approval and an announcement shall be made in a timely manner. When the Company carries out repurchases in accordance with the provisions of the Scheme, it shall apply to the Shanghai Stock Exchange for cancellation of such Restricted Shares. Upon confirmation by the Shanghai Stock Exchange, the CSDC will handle the related matters of registration and settlement.

The Company will comply with the relevant rules and regulations in relation to shares repurchase as applicable.

## **XIII. Reasons for and Benefits of the Adoption of the Schemes**

Please refer to the section headed "2. SCHEME – I. PURPOSES OF THE SCHEME" for reference.

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## **LETTER FROM THE BOARD**

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The Board is of the view that the adoption of the Scheme will assist the Company in achieving the aforesaid goals, and that the terms and conditions of the Scheme and the grant of Restricted Shares to the Connected Participants are on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### **3 INFORMATION OF THE GROUP**

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.

### **4 HONG KONG LISTING RULES IMPLICATIONS**

The Scheme does not constitute a share option scheme under Chapter 17 of the Hong Kong Listing Rules.

Restricted Shares are proposed to be granted and issued to the Connected Participants who are directors of subsidiaries of the Company. Accordingly, they are connected persons of the Company and therefore, the Connected Grant under the Scheme constitutes non-exempted connected transactions of the Company, which is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In the event that any Participant proposed to be granted of Restricted Shares under the Reserved Grant is a connected person of the Company, such grant will constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company will comply with the relevant requirements under the Hong Kong Listing Rules, including requirements on reporting, announcement and Independent Shareholders' approval and on appointment of an independent financial adviser under Chapter 14A of the Hong Kong Listing Rules, as and when appropriate, for such subsequent grant of Restricted Shares under the Reserved Grant.

### **5 PROPOSED ADOPTION OF THE APPRAISAL MANAGEMENT MEASURES**

To guarantee the smooth implementation of the Scheme, the Appraisal Management Measures are prepared to set out the appraisal measures with respect to, among others, the Unlocking Conditions.

The full text of Appraisal Management Measures is set out in Appendix II of this circular.

The Appraisal Management Measures will be effective upon the approval by Shareholders at the Extraordinary General Meeting, the A Share Class Meeting and the H Share Class Meeting.

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## LETTER FROM THE BOARD

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### **6 PROPOSED ADOPTION OF THE MANAGEMENT MEASURES**

To guarantee the smooth implementation of the Scheme, the Management Measures are prepared in accordance with the relevant laws of the PRC, administrative regulations, regulatory documents, guidance and the Articles of Association and based on the actual circumstances of the Company.

The full text of Management Measures is set out in Appendix III of this circular.

The Management Measures will be effective upon the approval by Shareholders at the Extraordinary General Meeting, the A Share Class Meeting and the H Share Class Meeting.

### **7 PROPOSED GRANT OF MANDATE TO THE BOARD TO HANDLE THE RELEVANT MATTERS IN RESPECT OF THE SCHEME**

In order to implement the Scheme efficiently, the Board proposed to submit for Shareholders' approval to authorise the Board to handle all related matters in connection with the Scheme.

The full text of the authorisations is set out in Appendix IV of this circular.

### **8 EXTRAORDINARY GENERAL MEETING AND H SHARE CLASS MEETING**

The Company will convene the Extraordinary General Meeting at 9:30 a.m. on Thursday, 30 December 2021, at Conference Room, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing, the PRC, and will convene the A Share Class Meeting immediately following the conclusion of the Extraordinary General Meeting at Conference Room, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing, the PRC, and the H Share Class Meeting immediately following the conclusion of the A Share Class Meeting at Conference Room, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing, the PRC.

The notice of the Extraordinary General Meeting and the notice of H Share Class Meeting are set out on pages EGM-1 to EGM-2 and pages H-1 to H-2 of this circular, respectively.

If you intend to appoint a proxy to attend the Extraordinary General Meeting or H Share Class Meeting, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For holder of H Shares, the proxy form should be returned to Computershare Hong Kong Investor Services Limited in person, by post or by facsimile not less than 24 hours before the time appointed for holding the Extraordinary General Meeting or H Share Class Meeting or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Extraordinary General Meeting or H Share Class Meeting or at any adjourned meeting should you so wish, but in such event the proxy form shall be deemed to be revoked.

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## LETTER FROM THE BOARD

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In accordance with the Listing Rules, no Shareholders are required to abstain from voting on the resolutions to be proposed at the Extraordinary General Meeting or the H Share Class Meeting to approve the relevant resolutions.

### 9 RECOMMENDATION

Gram Capital Limited has been engaged as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Grant under the Scheme.

The Independent Financial Adviser considers that the terms of the Connected Grant are on normal commercial terms and are fair and reasonable and the Connected Grant is in the interests of the Group and the Shareholders as a whole.

Having considered the advice from the Independent Financial Adviser which are set out on pages 44 to 56 of this circular, the Independent Board Committee concurs with the views of the Independent Financial Adviser and also considers that the terms of the Connected Grant are on normal commercial terms and are fair and reasonable and the Connected Grant is in the interests of the Group and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of all the relevant resolutions to be proposed at the Extraordinary General Meeting to approve the Connected Grant.

None of the Directors has a material interest in the Scheme or the Connected Grant, nor is he required to abstain from voting in the relevant Board resolutions.

### 10 ADDITIONAL INFORMATION

Your attention is also drawn to the letter of the Independent Board Committee set out on page 43 of this circular, the letter set out on pages 44 to 56 of this circular from Gram Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Grant, and to the additional information set out in the appendices to this circular.

Yours faithfully  
By Order of the Board  
**China Railway Group Limited**  
**Mr. CHEN Yun**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

14 December 2021

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONNECTED TRANSACTION – PROPOSED GRANT UNDER THE SCHEME**

We refer to the circular dated 14 December 2021 (the “**Circular**”), of which this letter forms part, issued by the Company to its H Shareholders. Terms used in this letter shall have the same meaning as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to you to set out our opinion in respect of the proposed grant of Restricted Shares to the Connected Participants under the Scheme. The Independent Board Committee was set up to advise whether in its view the terms of the Connected Grant are on normal commercial terms and are fair and reasonable and the Connected Grant is in the interests of the Group and the Shareholders as a whole.

The terms of the Scheme and the proposed grant of Restricted Shares to Connected Participants under the Scheme are summarised in the “Letter from the Board” set out on pages 6 to 42 of the Circular. In addition, the Independent Board Committee has been advised by the Independent Financial Adviser in considering the Connected Grant. You are strongly urged to read the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which is set out on pages 44 to 56 of the Circular.

### **RECOMMENDATION**

Taking into account the recommendations of the Independent Financial Adviser, the Independent Board Committee considers that the terms of the Connected Grant as described in the “Letter from the Board” in the Circular are on normal commercial terms and are fair and reasonable and the Connected Grant is in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Extraordinary General Meeting to approve the Connected Grant.

Yours faithfully,

**China Railway Group Limited**

**Mr. CHUNG Shui Ming Timpson, Mr. ZHANG Cheng and Mr. XIU Long**  
*Members of the Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Grant for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

14 December 2021

*To: The independent board committee and the independent shareholders  
of China Railway Group Limited*

Dear Sir/Madam,

### CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Grant, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 14 December 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 22 November 2021 (the “**Board Resolution Date**”), the Board approved the relevant resolution in relation to the proposed adoption of the Scheme. A number of up to 200,000,000 Restricted Shares are proposed to be granted under the Scheme, representing approximately 0.98% of the total A share capital of the Company of 20,363,539,283 Shares as at the date thereof. In particular, 180,000,000 Restricted Shares will be granted under the first grant, representing 90.00% of the total number of Restricted Shares available to be granted under the Scheme and 0.88% of the total A share capital of the Company as at the date thereof; and a number of 20,000,000 Restricted Shares will be reserved for further grant, representing 10.00% of the total number of Restricted Shares available to be granted under the Scheme and 0.10% of the total A share capital of the Company as at the date of the thereof. The announcement in relation to the aforesaid matters was published on the Hong Kong Stock Exchange on 22 November 2021 and on the Shanghai Stock Exchange on 23 November 2021.

Among the total of 180,000,000 Restricted Shares under the first grant: (i) 3,946,500 Restricted Shares will be granted to 13 Connected Participants; and (ii) 176,053,500 Restricted Shares will be granted to 719 other Participants.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With reference to the Board Letter, the Connected Grant constitutes a non-exempt connected transaction of the Company, which is subject to reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. CHUNG Shui Ming Timpson, Mr. ZHANG Cheng and Mr. XIU Long (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Connected Grant are on normal commercial terms and are fair and reasonable; (ii) whether the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Connected Grant at the Extraordinary General Meeting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and the Company; or (ii) any services provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Scheme. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and the Participants (including the Connected Participants) or their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the proposed adoption of the Scheme. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Connected Grant, we have taken into consideration the following principal factors and reasons:

#### 1. Background of and reasons for the Connected Grant

##### *Information on the Company*

With reference to the Board Letter, 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, engineering equipment and component manufacturing and also expands to other businesses such as property development and mineral resources development.

Set out below is a summary of the key consolidated financial information of the Group for the five years ended 31 December 2020 and for the six months ended 30 June 2021 as extracted from the Company's annual report for the year ended 31 December 2020 and the Company's interim report for the six months ended 30 June 2021 (the "2021 Interim Report"), respectively:

	For the six months ended 30 June 2021 RMB million (unaudited)	For the year ended 31 December 2020 RMB million (audited)	For the year ended 31 December 2019 RMB million (audited)	For the year ended 31 December 2018 RMB million (audited)	For the year ended 31 December 2017 RMB million (audited)	For the year ended 31 December 2016 RMB million (audited)
Revenue	498,227	974,732	850,843	740,383	688,773	632,856
Profit for the year/period attributable to owners of the Company	13,095	25,188	23,678	17,198	16,067	12,509

As depicted in the above table, during the recent five full financial years, the Group's profit attributable to owners of the Company had increased continuously from approximately RMB12.51 billion for the year ended 31 December 2016 to approximately RMB25.19 billion for the year ended 31 December 2020, mainly due to the increase in revenue of the Group over the years.

With reference to the 2021 Interim Report, in the first half of 2021, the global epidemic continued to evolve, and the external economic environment became more complex and severe. The domestic economic recovery was still unstable and uneven. Internationally, the global economic recovery has come under tremendous pressure due to the repeated outbreak, rising commodity prices, rising inflationary pressure, growing expectations of tighter liquidity and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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rising risk aversion in the market. Domestically, benefit from the effective epidemic prevention and control measures, China's economy continued to recover and grow steadily; efforts were made to promote self-reliance and self-improvement in science and technology, reform and opening up were continuously intensified, people's livelihood was effectively guaranteed, new achievements were made in high-quality development, and social stability was maintained. However, the foundation of economic recovery was still unstable and uneven, and economic development faced new risks and challenges.

### *Information on the Connected Participants*

With reference to the Board Letter, the Participants of the Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the Trial Measures, the Notices, the Guidelines and the relevant requirements under other relevant laws, regulations, regulatory documents and the Articles of Associations as well as the actual circumstances of the Company. The Participants under the Scheme shall include the directors, senior management personnel, middle management personnel and core personnel of the Group who are in office during the implementation of the Scheme.

The Directors advised us that after finalising the identities of all Participants (i.e. (i) directors and senior management of the Group; (ii) middle management of the Group; and (iii) core personnel of the Group), the Company further identified whether such Participants are connected persons of the Company.

Details of the Connected Participants are set out under the sub-section headed "(V) List of connected persons at the first grant" in the section headed "II. BASIS FOR DETERMINING THE PARTICIPANTS AND THE SCOPE OF THE PARTICIPANTS" of the Board Letter.

### *Reasons for and benefits of the Connected Grant*

With reference to the Board Letter, in order to further promote the establishment and improvement of the long-term incentive mechanism of the Company, attract and retain talents, fully incentivize the directors, senior management personnel, middle management personnel and core personnel of the Group, effectively align the interests of the Shareholders, the Company with the individual interests of the operators to focus on and work collectively for the long-term development of the Company, the Scheme is formulated in accordance with the relevant requirements under the Securities Law, the Company Law, the Administrative Measures, the Trial Measures, the Notices, the Guidelines and the Articles of Association as well as in conjunction with the current management systems such as the remuneration system and performance appraisal system of the Company.

The Board is of the view that the adoption of the Scheme will assist the Company in achieving the aforesaid goals, and that the terms and conditions of the Scheme and the grant of Restricted Shares to the Connected Participants are on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on our independent research, we noted that there were various companies (which listed on mainboard of Shanghai Stock Exchange) proposed to grant restricted shares to their directors/senior/middle managements and/or core personnel during recent years. Accordingly, we consider that it is a common practice for companies listed on Shanghai Stock Exchange to adopt restricted share incentive scheme for their personnel and employees.

Having considered the above reasons and that (i) the Connected Grant can motivate the Connected Participants to make contributions to the Group; (ii) adopting restricted share incentive scheme for personnel and employees is a common practice for companies listed on Shanghai Stock Exchange; and (iii) there will not be any actual cash paid by the Group to the Connected Participants under the the Connected Grant, we concur with the Directors that the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

### **2. Principal terms of the Connected Grant**

Set out below are the principal terms of the Connected Grant. Details of the terms of the Connected Grant are set out in the Board Letter.

#### *Number of Restricted Shares under the Connected Grant*

The number of Restricted Shares to be granted to the Connected Participants ranged from approximately 0.0008% to 0.0018% of the total share capital of the Company as at the Latest Practicable Date. Details of number of Restricted Shares to be granted to the Connected Participants are set out under the sub-section headed “(V) List of connected persons at the first grant” in the section headed “II. BASIS FOR DETERMINING THE PARTICIPANTS AND THE SCOPE OF THE PARTICIPANTS” of the Board Letter.

With reference to the Board Letter, the value of the entitlements granted to Directors and senior management of the Company shall be determined at no more than 40% of the total remuneration level (including the value of interests granted) at the time of grant, and the value of the entitlements granted to other Participants such as the core members in management, technology and business shall be determined reasonably by the Board (the “Bases”). If relevant policies are adjusted within the Term of the Scheme, the Board may revise this clause in accordance with the adjustments stipulated by relevant authorities. Upon our request, we understood that the Bases was in compliance with the requirements as stated in the Notices.

We further understood from the Directors that bases for determination of maximum value of the entitlements to be granted to Participants (other than Directors and senior management of the Company, but including the Connected Participants) were made reference to the Bases with further adjustment (such as average salary for the same level participants instead of individual participants, etc.).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For our due diligence purpose, we obtained assessment records of the Connected Participants and noted that such assessment records were consistent with the aforesaid basis of determining the maximum entitlements to be granted to the Connected Participants. The actual entitlements were determined with reference to the proportion of individual maximum entitlements to the adjusted total maximum entitlements and the adjusted number of Restricted Shares to be granted under the first grant. We further randomly selected assessment records of 10 Participants (other than Connected Participants and senior management of the Company) and noted that the bases for determination of maximum entitlements to be granted to the Connected Participants were in line with that to such Participants. The actual number of the Restricted Shares for each Connected Participants did not exceed the maximum number of the Restricted Shares for such Connected Participants.

Having considered the above factors, including (i) the Bases was in compliance with the requirements as stated in the Notices; (ii) bases for determination of maximum value of the entitlements to be granted to Participants (other than Directors and senior management of the Company, but including the Connected Participants) were made reference to the Bases; (iii) based on our review results, the bases for determination of maximum entitlements to be granted to the Connected Participants were in line with that to such Participants, we are of the view that the bases for determination of numbers of Restricted Shares to be granted to the Connected Participants are fair and reasonable. Accordingly, we also consider the numbers of Restricted Shares to be granted to the Connected Participants are fair and reasonable.

### *The Grant Price*

The Grant Price of the Restricted Shares shall be RMB3.55 per Share. Upon fulfilment of grant conditions, each Participant is entitled to purchase the A Shares newly issued to the Participants by the Company at the price of RMB3.55 per Share.

The Grant Price of RMB3.55 per A Share represents:

- (i) a discount of approximately 37.72% to the closing price of RMB5.70 per A Share as quoted on the Shanghai Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 6.93% over the closing price of HK\$4.05 (equivalent to approximately RMB3.32 based on HK\$1: RMB0.82096) per H Share, as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (iii) a discount of approximately 31.86% to the closing price of RMB5.21 per A Share, as quoted on the Shanghai Stock Exchange on the Board Resolution Date; and
- (iv) a premium of approximately 16.39% over the closing price of HK\$3.72 (equivalent to approximately RMB3.05 based on HK\$1: RMB0.82096) per H Share, as quoted on the Hong Kong Stock Exchange on the Board Resolution Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Under the Scheme, the Grant Price shall not be less than the nominal value of the A Shares of the Company and the higher of the following: (i) 60% of the average trading price of the underlying A Shares of the Company on the last trading day immediately preceding the date of the announcement of the Scheme (the total transaction value for the last trading day/total volume of the Shares of the Company traded for the last trading day) (i.e. RMB3.13); and (ii) 60% of the average trading price of the underlying A Shares of the Company for 60 trading days immediately preceding the date of the announcement of the Scheme (i.e. RMB3.55).

As advised by the Directors, the Grant Price has to comply with the requirements set out under the Administrative Measures promulgated by the CSRC, which requires the issue price of new shares (i) not to be set at a price lower than its nominal value; and (ii) principally not to be set at a price lower than the higher of the (a) 50% of the average trading price on the trading day preceding the date of announcement of the A shares incentive scheme (draft); and (b) 50% of the average trading price for one of the last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the A shares incentive scheme (draft). If a listed company adopts other approaches to determine grant price of restricted A shares, detailed basis of determination of such price should be disclosed in the A shares incentive scheme. As demonstrated above, the Grant Price complies with the Administrative Measures.

As further advised by the Directors, the Grant Price also has to comply with the requirements set out under the Trial Measures and 《關於進一步做好中央企業控股上市公司股權激勵工作有關事項的通知》(Notice on Matters Concerning Further Improving Share Incentive Work of the State-Owned Listed Companies\*, the “**Further Notice**”), issued by Ministry of Finance of the PRC, requires, among other things, (i) the issue price of restricted shares principally not to be set at a price lower than the 60% of its market price, should the listed company’s stock price being lower than its net asset value; and (ii) the closing price on last trading day and 30 days’ average closing price immediately before the last trading day will also be considered.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To further assess the fairness and reasonableness of the Grant Price to be granted to the Connected Participants, we searched for restricted A shares incentive scheme proposals (by way of issuance of new A shares which constituted connected transaction (pursuant to the Hong Kong Listing Rules) of such company) first announced by companies dual listed on the main board of the Hong Kong Stock Exchange and the mainboard of Shanghai Stock Exchange from 1 November 2021 to 22 November 2021, being nearly one month immediate before and including the Board Resolution Date. To the best of our knowledge, we could not find any transaction which met the aforesaid criteria. Accordingly, we extended our review period from “1 November 2021 to 22 November 2021” to “23 November 2019 to 22 November 2021”, being two years immediate before and including the Board Resolution Date. To the best of our knowledge, we found 7 scheme proposals (the “**Comparables**”), which met the aforesaid extended criteria and they are exhaustive, fair and representative. The table below sets out the summary of the Comparables (the “**Comparables Table**”):

Date of announcement	Company name (Stock code)	Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined only refer to the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme; and (ii) the average trading price of the subject A shares for one of last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the incentive scheme (draft) (the “Criteria”)? (Percentage will be disclosed if yes)	Unlocking provision over a period of time	Lock-up period from the date on which the first grant/(if no reserved parts) the grant has been registered	Conditions for unlocking the restricted A shares which are based on, amongst others, the participants’ performance and/or financial performance of the listed companies
30 January 2020	Great Wall Motor Company Limited* (2333 & SH601633)	Yes 50%	Yes	12 months 24 months 36 months	Yes
23 March 2020	Tsingtao Brewery Company Limited (168 & SH600600)	Yes 50% (Note)	Yes	24 months 36 months 48 months	Yes
24 September 2020	Guangzhou Automobile Group Co., Ltd. (2238 & SH601238)	Yes 50%	Yes	24 months 36 months 48 months	Yes
17 November 2020	Zijin Mining Group Co., Ltd.* (2899 & SH601899)	Yes 60%	Yes	24 months 36 months 48 months	Yes
14 March 2021	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (2196 & SH600196)	Yes 50%	Yes	12 months 24 months 36 months	Yes
18 April 2021	Zhengzhou Coal Mining Machinery Group Company Limited (564 & SH601717)	Yes 50%	Yes	12 months 24 months 36 months	Yes
25 May 2021	Great Wall Motor Company Limited* (2333 & SH601633)	Yes 50%	Yes	12 months 24 months 36 months	Yes

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Note:* The grant price is the higher of (a) 50% of the average trading price of A shares on (i) the last trading day; (ii) 20 trading days, immediately preceding the date of the announcement of the incentive plan; (b) 50% of the average closing price of A shares on the last trading day immediately preceding the date of the announcement of the draft summary of the incentive plan; and (c) 50% of the average closing price of A shares on the last 30 trading days immediately preceding the date of the announcement of the draft summary of the incentive plan.

*Sources:* website of the Hong Kong Stock Exchange

As demonstrated in the above table, the majority of the Comparables' grant price were determined based on 50% of the benchmark price (being the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme; and (ii) the average trading price of the subject A shares for one of the last 20 trading days, 60 trading days, or 120 trading days preceding the date of announcement of the incentive scheme(draft)).

Given the above and that the Grant Price complies with the Administrative Measures, the Trial Measures and is in line with the market practice, we are of the view that the Grant Price is fair and reasonable.

### ***The Validity Period, Lock-up Period and Unlocking Arrangement of the Scheme (the "Unlocking Conditions")***

With reference to the Board Letter, the Term of the Scheme shall commence from the completion date of registration of the Restricted Shares under the first grant and end on the date of all the Restricted Shares granted and issued to the Participants having unlocked or repurchased and cancelled, the maximum period of which shall not exceed 72 months.

Lock-up Period of the Restricted Shares granted under the Scheme shall be 24 months, 36 months and 48 months from the relevant completion date of registration of the Restricted Shares under the corresponding grant. The Restricted Shares granted and issued to the Participants under the Scheme shall not be transferred, pledged or used for repayment of debt during the Lock-up Period. After the expiry of the Lock-up Period, the Company will proceed the unlocking arrangement for those Restricted Shares which satisfy the Unlocking Conditions. Restricted Shares which does not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company in accordance with the stipulated principles in the Scheme.

During the Lock-up Period, Shares acquired by the Participants by virtue of holding the Restricted Shares as a result of capitalisation issue, bonus issue and share sub-division shall be subject to lock-up provisions in accordance with the Scheme, and shall not be sold in the secondary market or otherwise transferred. The Unlocking Period of such Shares is the same as that of the Restricted Shares. If the Company repurchases the unlocked Restricted Shares, such additional Shares shall be repurchased at the same time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The unlocking schedule and arrangements for the Restricted Shares of the Scheme to be granted under the first grant and the Reserved Grant are set out below:

<b>Unlocking period</b>	<b>Unlocking schedule</b>	<b>Proportion of the Unlocked Restricted Shares</b>
First Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares;	1/3
Second Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares;	1/3
Third Unlocking Period	Commencing from the first trading day after expiry of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 60-month period from the date of completion of registration of certain corresponding Restricted Shares.	1/3

As demonstrated in the Comparables Table, (i) 3 out of 7 of the Comparables have the first portions of restricted A shares to be granted under the first grant with locking period of 24 months from the date of which the grant has been registered; and (ii) all of the Comparables have the first portions of restricted A shares to be granted under the first grant with locking period of not later than 24 months from the date of which the grant has been registered; and (iii) an additional 12 months period was applied to the next portions of restricted A shares to be granted by the Comparables (e.g. from 1st portion to 2nd portion, from 2nd portion to 3rd



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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portion). We consider that the lock-up period for the grant of Restricted Shares under the Scheme were not of more favourable to the Participants (including the Connected Participants) as compared to those granted by the Comparables.

Certain conditions must be fulfilled before the Company can grant the Restricted Shares under the Scheme and the Restricted Shares granted under the Scheme can be unlocked (e.g. performance appraisal at company level and, performance appraisal at individual level). Details of the Unlocking Conditions (including the performance indicators) are set out in the Board Letter.

We are of the view that the Unlocking Conditions will strengthen the incentive for the Connected Participants to use their efforts to achieve the performance targets, which will contribute to the growth and development of the Group.

In addition, according to our observation on the Comparables, we noted that it is common practice for restricted A shares incentive schemes to have conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies.

### *Adjustments*

The number of Restricted Shares and the Grant Price are subject to adjustment according to various situations (e.g. capitalisation of capital reserves, bonus issue, share subdivision of shares, rights issue and share consolidation) in the period from the date of the announcement to the completion of registration of the Restricted Shares held by the Participants. In addition, after completion of the registration of the Restricted Shares granted and issued to the Participants, if there is any capitalisation issue, bonus issue, share split, rights issue, additional issue of new shares or share consolidation, dividend distribution and other matters of the Company affecting the total share capital or the share price of the Company, the Company shall make adjustments to the purchase price and the repurchase quantity of the locked-up Restricted Shares accordingly. For details, please refer to sections headed "VII METHODS AND PROCEDURES FOR ADJUSTMENT OF THE SCHEME" and "XII. PRINCIPLES OF REPURCHASE AND CANCELLATION OF RESTRICTED SHARES" of the Board Letter. We noted that the calculation formulae of adjustments to (i) number of Restricted Shares and the Grant Price; and (ii) the purchase price and the repurchase quantity of the locked-up Restricted Shares are comparable to those of the Comparables. Having considered that the adjustment mechanisms (i) will be applied to all Participants (including Connected Participants); and (ii) are comparable to those of the Comparables, we do not doubt the fairness and reasonableness of the proposed adjustment mechanisms for number of Restricted Shares and the Grant Price.

Having considered the above and that, save as the number of Restricted Shares to be granted may be different among the Participants (including the Connected Participants), other terms of the Connected Grant (i.e. repurchase and cancellation of Restricted Shares, adjustments, etc.) are the same as those under the Scheme, we are of the view that the terms of the Connected Grant are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Dilution effect on the shareholding interests of the existing Shareholders of the Company

The Connected Grant involves 3,946,500 Restricted Shares under the first grant, representing approximately 0.0161% of the existing total issued share capital of the Company as at the Board Resolution Date. Accordingly, the dilution effect on the shareholding interests of the existing Shareholders of Company will be immaterial.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Connected Grant are on normal commercial terms and are fair and reasonable; (ii) the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the Extraordinary General Meeting to approve the Connected Grant, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

\* *for identification purposes only*

Stock Abbreviation: China Railway

Stock Code: 601390.SH

**CHINA RAILWAY GROUP LIMITED**  
**2021 Restricted Share Incentive Scheme**  
**(Draft)**

**CHINA RAILWAY GROUP LIMITED**  
**November 2021**

### Statements

China Railway Group Limited (the “Company”) and all directors, supervisors guarantee that there are no false records, misleading statements or material omission in the Scheme and its summary, and shall individually and jointly assume legal responsibilities for their truthfulness, accuracy and completeness.

All the Participants of the Company undertake that where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for exercise of rights, the Participants concerned shall return to the Company all interests gained under the Scheme from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statement or misleading representations or material omissions.

### Special Notes

- I. The Scheme is formulated in accordance with relevant laws, regulations and regulatory documents such as the Securities Law, the Company Law, the Administrative Measures on Share Incentives of Listed Companies (上市公司股權激勵管理辦法), the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175) (國有控股上市公司(境內)實施股權激勵試行辦法(國資發分配[2006]175號)), the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008]No. 171) (關於規範國有控股上市公司實施股權激勵制度有關問題的通知(國資發分配[2008]171號)), the Notice on Matters Concerning Further Improving Share Incentive Work of the State-Owned Listed Companies (Guo Zi Fa Kao Fen Gui [2019] No. 102) (關於進一步做好中央企業控股上市公司股權激勵工作有關事項的通知(國資發考分規[2019]102號)), and the Notice on the Distribution of the Guidelines for the Implementation of Share Incentive Schemes by the State-Owned Listed Companies (Guo Zi Kao Fen [2020] No. 178) (《關於印發<中央企業控股上市公司實施股權激勵工作指引>的通知》(國資考分[2020]178號)), as well as the requirements of the Articles of Association of the Company.
- II. The incentive instruments under the Scheme are Restricted Shares and the source of the shares shall be the ordinary A shares issued by the Company to the participants under the Scheme.
- III. A number of up to 200.00 million Restricted Shares are proposed to be granted under the Scheme, representing approximately 0.98% of the total A share capital of the Company of 20,363,539,283 Shares as at the date of the announcement of the draft Scheme. In particular, 180.00 million Restricted Shares will be granted under the first grant, representing 90.00% of the total number of Restricted Shares available to be granted under the Scheme and 0.88% of the total A share capital of the

Company as at the date of this announcement of the draft Scheme; and a number of 20.00 million Restricted Shares will be reserved for further grant, representing 10.00% of the total number of Restricted Shares available to be granted under the Scheme and 0.10% of the total A share capital of the Company as at the date of this announcement of the draft Scheme.

The total number of underlying shares to be granted under the Share Incentive Scheme within the Term shall not exceed 10% of the Company's total share capital, and the total number of Restricted Shares to be granted under the Share Incentive Scheme within the Term to any one of the Participants will not exceed 1% of the total share capital of the Company.

- IV. In the event of any capitalisation issue, bonus issue, share split, share consolidation, rights issue, additional issue of new shares or dividend distribution conducted by the Company in the period from the date of this announcement of the Scheme to the completion of registration of the Restricted Shares held by the Participants, the Grant Price or the number of Restricted Shares to be granted shall be adjusted accordingly by the Company.
- V. The total number of the Participants proposed at the first grant under the Scheme shall not exceed 732, including directors and senior management, middle management, and core personnel of the Company (hereafter referred to the Company and its branches and holding subsidiaries) as at the date of the announcement of the Scheme. None of the Participants under the Scheme shall be a person in charge of a central enterprise administrated by the central government and party committee of SASAC, an independent Director, a Supervisor, a Shareholder or actual controller individually or collectively holding more than 5% of the Shares and their respective spouse, parents or children.

Participants of the Reserved Grant shall be determined and reserved shares shall be granted within 12 months after the Share Incentive Scheme is considered and approved at the general meeting, and the identification criteria for Participants of the Reserved Grant are expected to be determined with reference to those of the initial grant in the current period. If the Company fails to do so within 12 months, reserved entitlements shall lapse.

- VI. The Term of the Scheme shall commence from the completion date of registration of the Restricted Shares under the first grant and end on the date of all the Restricted Shares granted to the Participants having unlocked or repurchased and cancelled, the maximum period of which shall not exceed 72 months.

- VII. Lock-up Period of the Restricted Shares granted under the Scheme shall be 24 months, 36 months and 48 months from the relevant completion date of registration of the Restricted Shares under the corresponding grant. The Restricted Shares granted to the Participants under the Scheme shall not be transferred, pledged or used for repayment of debt during the Lock-up Period.
- VIII. The Company shall not involve in the following circumstances where no share incentive scheme shall be implemented as provided in Clause 7 of the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》):
1. issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the financial and accounting report of the Company for the latest accounting year;
  2. issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for the latest accounting year;
  3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
  4. prohibition from implementation of a share incentive scheme by laws and regulations; or
  5. other circumstance as determined by the CSRC.
- IX. The funds for the Participants to subscribe for the Restricted Shares are be funded by themselves. The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants for acquiring the Restricted Shares under the Scheme.
- X. The Scheme shall be considered and approved for implementation at the general meeting and the A Share Class Meeting and H Share Class Meeting to be convened by the Company after the Scheme is considered and approved by SASAC of the State Council.

- XI. The Company shall convene a Board meeting in accordance with the relevant requirements and grant the Restricted Shares to the Participants and complete the registration and publication of announcement procedures within 60 days from the date on which the Scheme is approved by the Shareholders at the general meeting, the A share class meeting and the H share class meeting and the conditions for the grant are satisfied. In the event the Company fails to complete the procedures mentioned above within such 60-day period, it shall terminate the implementation of the Scheme. The Restricted Shares which have not been granted shall lapse.
- XII. The implementation of the Scheme shall not result in the shareholding structure of the Company to fail to meet listing requirements.

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**Chapter I Definition**

*Unless otherwise requires, the following expressions herein shall have the following meanings:*

“Company”, “China Railway”	China Railway Group Limited (中國中鐵股份有限公司)
“Scheme”	the 2021 Restricted Share Incentive Scheme of China Railway Group Limited, under which A Shares of the Company will be granted to directors, senior management personnel and core personnel of the Company
“Participant(s)”	directors, senior management personnel, middle management personnel and core personnel of the Company to be granted with the Restricted Shares under the Scheme
“Restricted Share(s)”	a certain number of Shares of the Company to be granted to the Participants by the Company according to the conditions and price stipulated under the Scheme, which are subject to the Lock-up Period and can only be unlocked after the Unlocking Conditions under the Scheme are satisfied
“Grant Price”	the price of each Restricted Share granted to the Participants by the Company
“Grant Date”	the date on which the Company grants Restricted Shares to the Participants after the approval for the implementation of the Scheme, which must be a trading day
“Lock-up Period”	the period during which the Restricted Shares granted to the Participants under the Scheme shall not be transferred, used as security, or for repayment of debts

“Unlocking Period”	the period during which the Restricted Shares held by the Participants can be unlocked and can be transferred after all the Unlocking Conditions prescribed under the Scheme are satisfied
“Unlocking Condition(s)”	the conditions prescribed under the Scheme which have to be satisfied to unlock the Restricted Shares granted to the Participants
“Unlocking Date”	the date when Restricted Shares held by the Participants can be unlocked after the Unlocking Conditions under the Scheme are satisfied
“Term”	the period commencing on the date of the completion of the registration of the Restricted Shares and ending on the date when all the Restricted Shares which have been granted to the Participants are unlocked or repurchased and cancelled
“CSRC”	China Securities Regulatory Commission
“SSE” or “Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Board”	the board of directors of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“Company Law”	the Company Law of the PRC
“Securities Law”	the Securities Law of the PRC
“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》)

“Trial Measures”	the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No.175) (《國有控股上市公司(境內)實施股權激勵試行辦法》(國資發分配[2006]175號))
“Notices”	the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No.171) (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號))
“Guidelines”	the Notice on the Distribution of the Guidelines for the Implementation of Share Incentive Schemes by the State-Owned Listed Companies (Guo Zi Kao Fen [2020] No. 178) (《關於印發<中央企業控股上市公司實施股權激勵工作指引>的通知》(國資考分[2020]178號))
“Articles of Association”	the Articles of Association of the Company
“Appraisal Management Measures”	the Appraisal Management Measures for Implementation of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited
“RMB”, or “RMB0’000”	RMB, or RMB0’000

- Notes:*
1. Financial data and financial indicators cited in this draft, unless otherwise specified, refer to the financial data in the consolidated statements and the financial indicators calculated based on such financial data;
  2. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

## Chapter II Purposes of the Share Incentive Scheme

In order to further promote the establishment and improvement of the long-term incentive mechanism of the Company, attract and retain talents, fully incentivize the directors, senior management personnel, middle management personnel and core personnel of the Group, effectively align the interests of the Shareholders, the Company with the individual interests of the operators to focus on and work collectively for the long-term development of the Company, the Scheme is formulated in accordance with the relevant requirements under the Securities Law, the Company Law, the Administrative Measures on Share Incentives of Listed Companies, (《上市公司股權激勵管理辦法》), the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175), (《國有控股上市公司(境內)實施股權激勵試行辦法》(國資發分配[2006]175號)) the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No.171), (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號)) the Notice on Matters Concerning Further Improving Share Incentive Work of the State-Owned Listed Companies (Guo Zi Fa Kao Fen Gui [2019] No. 102) (《關於進一步做好中央企業控股上市公司股權激勵工作有關事項的通知》(國資發考分規[2019]102號)), the Notice on the Distribution of the Guidelines for the Implementation of Share Incentive Schemes by the State-Owned Listed Companies (Guo Zi Kao Fen [2020] No. 178) 《關於印發<中央企業控股上市公司實施股權激勵工作指引>的通知》(國資考分[2020]178號)) and the Articles of Association as well as in conjunction with the current management systems such as the remuneration system and performance appraisal system of the Company.

The Scheme adheres to the following principles:

- (I) Being lawful, open and transparent, and abiding by laws, regulations and the requirements of the Articles of Association;
- (II) Safeguarding the interests of the Shareholders and the Company, improving value preservation and appreciation of state-owned assets, and contributing to the Company's sustainable development;
- (III) Combining incentives with constraints, making risks commensurate with returns and properly strengthening the incentives for the management of the Company;
- (IV) Being practicable and standardized, rolling out step by step and improving constantly.

**Chapter III Administrative Bodies of the Scheme**

- I. The general meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, modification and termination of the Scheme. The general meeting may, within its powers and authority, authorize the board of directors to handle certain matters relating to the Scheme.
- II. The Board shall act as the executive and administrative body for the Share Incentive Scheme and be responsible for the implementation of the Scheme. The Remuneration Committee under the Board shall be responsible for drafting and revising the Share Incentive Scheme, and submitting the Share Incentive Scheme to the Board for review and approval. Upon approval by the Board, the Scheme shall be further submitted to the general meeting, the A shares class meeting and the H shares class meeting of the Company for consideration and approval. The Board may handle other matters relating to the Share Incentive Scheme within its scope of authority as delegated by the general meeting.
- III. The Supervisory Committee and independent directors shall act as the supervisory authority for the Scheme, and shall issue opinions as to whether the Scheme is beneficial to the sustainable development of the Company or is significantly detrimental to the interests of the Company and the Shareholders as a whole. The Supervisory Committee shall supervise the implementation of the Scheme as to whether it is in compliance with the relevant laws, regulations, regulatory documents and operational rules of the SSE, and shall be responsible for verifying the list of Participants. The independent directors shall solicit voting rights by proxy from all shareholders in respect of the Scheme.
- IV. Where amendments have been made to the Share Incentive Scheme before the Share Incentive considered and passed at the general meeting, A shares class meeting and H shares class meeting of the Company, the independent directors and the Supervisory Committee shall issue independent opinions whether the amended Scheme is beneficial to the sustainable development of the Company significantly detrimental to the interests of the Company and the shareholders as a whole.
- V. Before any entitlements are granted to a Participant, the independent directors and the Supervisory Committee shall issue clear opinions on the conditions to be fulfilled for the Participant to receive such entitlements as set out in the Share Incentive Scheme. In the event of any discrepancy between the entitlements granted to a Participant and the arrangement under the Share Incentive Scheme, the independent directors and the Supervisory Committee (where there are changes to the Participants) shall simultaneously issue clear opinions thereon.
- VI. Before the exercise of the any entitlement by a Participant, the independent directors and the Supervisory Committee shall issue clear opinions as to whether the conditions stipulated under the Share Incentive Scheme for the Participant to exercise such entitlements have been fulfilled.

**Chapter IV Basis for Determining the Participants and the Scope of the Participants****I. BASIS FOR DETERMINING THE PARTICIPANTS****(I) Legal basis for determining the Participants**

The Participants of the Share Incentive Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the Trial Measures, the Notice, Guidelines as well as other relevant laws, regulations, regulatory documents and the relevant requirements of the Articles of Association and the actual situation of the Company.

**(II) Positions held by Participants in the Company**

The Participants of the Scheme are the Directors, senior management, mid-level management and core personnel of the Company (including its branches and subsidiaries, same as below) in office at the time of the implementation of the Scheme.

**II. PARTICIPANTS TO BE COVERED BY THE INCENTIVE SCHEME**

The total number of the Participants proposed at the first grant under the Scheme shall not exceed 732. The specific scope of the Participants includes:

1. Directors and Senior Management of the Company;
2. Middle management of the Company;
3. Core personnel of the Company.

None of the Participants under the Scheme shall be a person in charge of a central enterprise administrated by the central government and party committee of SASAC, an independent Director, a Supervisor, a Shareholder or actual controller individually or collectively holding more than 5% of the Shares and their respective spouse, parents or children. The Participants shall not participate in the share incentive scheme of two or more listed companies at the same time.

To be qualified as a Participant, a Director must have been elected at a general meeting or Senior Management member must have been appointed by the Board. All Participants should be appointed, employed or hired by the Company or any of the branch or subsidiary of the Company when they are granted incentive interests.

A person shall not be qualified as a Participant under the Scheme if such person:

1. has been determined by the Shanghai Stock Exchange as an ineligible person in the last 12 months;
2. has been determined by the CSRC or any of its delegated agencies as an ineligible person in the last 12 months;
3. has been imposed with administrative penalties or measures prohibiting access into the securities market by the CSRC or any of its delegated agencies due to material non-compliance of laws and regulations in the last 12 months;
4. is prohibited from being a director or senior management of a company under the Company Law;
5. is prohibited from participating in any share incentive scheme of listed companies as required by laws and regulations;
6. falls under any other circumstances as determined by the CSRC.

### III. VERIFICATION OF THE PARTICIPANTS

1. After the Scheme is considered and approved by the Board, the Company shall publish the name and position of the Participants internally for not less than 10 days.
2. The Company shall carry out self-investigations on the trading of Shares and derivatives of the Company by insiders during the six months' period prior to the announcement of the Scheme to examine whether there has been any insider trading. A person who possess inside information and involves in trading the Shares, shall not be a Participant, save as where such trading does not constitute insider trading pursuant to laws, administrative regulations and relevant judicial interpretations. A person who leaks inside information that leads to insider trading shall not be a Participant.
3. The Supervisory Committee of the Company shall review the list of the Participants and take sufficient consideration of the public opinions. The Company shall disclose the explanation of the Supervisory Committee regarding the review of the list of Participants and the status of announcement 5 days prior to the consideration of the Share Incentive Scheme at the general meeting, the A shares class meeting and the H shares class meeting of the Company. Any adjustments to the lists of the Participants made by the Board of the Company shall also be subject to verification by the Supervisory Committee of the Company. The basis for determining the Participants of the Reserved Grant shall be ascertained with reference to the basis of the first grant.

## IV. LIST OF CONNECTED PERSONS FOR THE FIRST GRANT

The Participants for the proposed First Grant under the Scheme include connected persons of the Company recognized under relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The specific list is as follows:

Name	Reason for being a connected person	Number of the Restricted Shares to be granted ('0,000 Shares)	Proportion in the total number of Restricted Shares	Proportion in the total share capital of the Company
YANG Linhao (楊林浩)	Director of a subsidiary	33.72	0.19%	0.0017%
YANG Yude (楊玉德)	Director of a subsidiary	28.66	0.16%	0.0014%
TAN Shijun (譚世俊)	Director of a subsidiary	33.72	0.19%	0.0017%
LI Jianguang (李建光)	Director of a subsidiary	33.72	0.19%	0.0017%
SHEN Yaoxing (沈堯興)	Director of a subsidiary	26.65	0.15%	0.0013%
LIU Bo (劉勃)	Director of a subsidiary	44.96	0.25%	0.0022%
HAN Yonggang (韓永剛)	Director of a subsidiary	44.96	0.25%	0.0022%
LI Kaiyan (李開言)	Director of a subsidiary	26.65	0.15%	0.0013%
YUAN Min (袁敏)	Director of a subsidiary	38.22	0.21%	0.0019%
YANG Zhiyan (楊智豔)	Director of a subsidiary	22.48	0.12%	0.0011%
WANG Jianying (王建營)	Director of a subsidiary	22.48	0.12%	0.0011%
WANG Xiaoqing (汪小慶)	Director of a subsidiary	19.32	0.11%	0.0009%
ZHANG Chunsheng (張春勝)	Director of a subsidiary	19.11	0.11%	0.0009%



**Chapter V Source, Number and Distribution of Underlying Shares Involved  
in the Scheme****I. NUMBER OF RESTRICTED SHARES TO BE GRANTED**

A number of up to 200.00 million Restricted Shares are proposed to be granted under the Scheme, representing approximately 0.98% of the total A share capital of the Company of 20,363,539,283.00 Shares as at the date of the announcement of the Draft Scheme. In particular, 180.00 million Restricted Shares will be granted under the first grant, representing 90.00% of the total number of Restricted Shares available to be granted under the Scheme and 0.88% of the total A share capital of the Company as at the date of the announcement of the Draft Scheme; and a number of 20.00 million Restricted Shares will be reserved for further grant, representing 10.00% of the total number of Restricted Shares available to be granted under the Scheme and 0.10% of the total A share capital of the Company as at the date of the announcement of the Draft Scheme.

The purpose of the entitlements under the reserved portion is to satisfy the needs of subsequent introduction of core personnel by the Company. The reserved entitlements shall not exceed 20% of the total equity available under the Share Incentive Scheme. The reserved entitlements shall be granted by the Board of the Company within 12 months after the consideration and approval of the Scheme at the Shareholders' meeting. The Reserved Entitlements shall lapse if the Participants for the Reserved Grant are not determined after 12 months.

The total number of underlying shares to be granted under the share incentive scheme during the validity period will not exceed 10% of the Company's total share capital, and the total number of shares of the Company to be granted under the Share Incentive Scheme to any one of the Participants during the Validity Period will not exceed 1% of the total share capital of the Company at the time the Scheme is submitted for consideration at the Shareholders' meeting.

**II. SOURCE OF THE UNDERLYING SHARES**

The source of underlying shares involved in the Scheme is from the issuance of A shares of the Company to the Participants.

III. THE DISTRIBUTION OF THE RESTRICTED SHARES TO BE GRANTED  
AMONG THE PARTICIPANTS IS SET OUT IN THE TABLE BELOW:

Name	Position	Number of Restricted Shares to be granted (0'000 shares)	Percentage of the total Restricted Shares to be granted	Percentage of the total share capital
KONG Dun (孔遁)	Vice president, chief engineer	40.00	0.20%	0.0020%
MA Jiangqian (馬江黔)	Vice president, chief economist	40.00	0.20%	0.0020%
LI Xincheng (李新生)	Vice president	40.00	0.20%	0.0020%
HE Wen (何文)	Secretary to the Board	40.00	0.20%	0.0020%
Middle management personnel and core personnel (no more than 728)		17,840.00	89.20%	0.8761%
Reserved shares		2,000.00	10.00%	0.0982%
Total (no more than 732 at the first grant)		20,000.00	100.00%	0.9821%

*Notes:*

1. The Participants under the Scheme shall not be a participant in the share incentive scheme of two or more listed companies.
2. The total number of the Company's Shares to be granted under the Share Incentive Scheme within the Term to any of the aforesaid Participants will not exceed 1% of the total share capital of the Company. The total number of underlying shares of the Company involved in the Share Incentive Scheme within the Term will not exceed 10% of the Company's total share capital when the Share Incentive Scheme is submitted to the general meeting.
3. The value of the entitlements granted to Directors and senior management shall be determined at no more than 40% of the total remuneration level (including the value of interests granted) at the time of grant, and the value of the interests granted to other Participants such as the core members in management, technology and business shall be determined reasonably by the Board of the listed company. If relevant policies are adjusted within the Term of the Scheme, the Board may revise this clause in accordance with the adjustments stipulated by relevant authorities.

**Chapter VI Term, Grant Date, Lock-Up Period, Unlocking Arrangement  
and Black-Out Period****I. TERM OF THE SCHEME**

The Term of the Scheme shall commence from the completion date of registration of the Restricted Shares under the first grant and end on the date of all the Restricted Shares granted to the Participants having unlocked or repurchased and cancelled, the maximum period of which shall not exceed 72 months.

**II. GRANT DATE OF THE SCHEME**

The Grant Date shall be determined by the Board after the Scheme is approved by SASAC and approved at the Shareholders' meeting, the A Share Class Meeting and H Share Class Meeting of the Company. The Company shall grant the Restricted Shares to Participants and complete the registration and publication of announcement procedures within 60 days from the date of approval at Shareholders' meeting, the A Share Class Meeting and the H Share Class Meeting and the conditions for the grant are satisfied. In the event the Company fails to complete the procedures mentioned above within such 60-day period, it shall terminate the implementation of the Scheme and the Restricted Shares which have not been granted shall lapse. Any period during which no grant of entitlements is allowed pursuant to the Administrative Measures shall not be counted towards the abovementioned 60-day period. The Grant Date of the Reserved Restricted Shares shall be separately determined by the Board of the Company within 12 months after the Scheme has been approved at the Shareholders' meeting. The Reserved Entitlements shall lapse if Participants are not clearly identified over such 12-month period.

The Grant Date must be a trading day, and no grant of Restricted Shares to the Participants by the Company shall take place during any of the following period:

1. within 30 days prior to the publication of any periodic results of the Company, in the event of delay in publication of the periodic results due to special circumstances, such period shall commence from 30 days prior to the original date of publication and ending on one day immediately preceding the date of publication;
2. within 10 days prior to the publication of estimated results or preliminary results of the Company;
3. the period commencing from the date of occurrence of any significant event which may have significant effect on the trading prices of the Shares and derivatives of the Company or the date on which relevant decision-making procedures commence and ending on the second trading day following the publication in accordance with laws;
4. such other period as stipulated by the CSRC and the Shanghai Stock Exchange.

The aforementioned period during which no Restricted Shares shall be granted by the Company shall not be included in the 60-day period. Where a Participant who is a Director or a member of the senior management of the Company reduces his/her shareholding in the Company within six months prior to the grant of the Restricted Shares, the grant of the Restricted Shares shall be postponed for six months from the date of the latest of such shareholding reduction in accordance with the short-term trading requirements under the Securities Law. The aforementioned postponement shall not be included in the abovementioned 60-day period.

### III. LOCK-UP PERIOD AND UNLOCKING ARRANGEMENT OF THE SCHEME

Lock-up Period of the Restricted Shares granted under the Scheme shall be 24 months, 36 months and 48 months from the relevant completion date of registration of the Restricted Shares under the corresponding grant. The Restricted Shares granted to the Participants under the Scheme shall not be transferred, pledged or used for repayment of debt during the Lock-up Period. After the expiry of the Lock-up Period, the Company will proceed the unlocking arrangement for those Restricted Shares which satisfied the Unlocking Conditions. Restricted Shares which does not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company in accordance with the stipulated principles in the Scheme.

During the Lock-up Period, Shares acquired by the Participants by virtue of holding the Restricted Shares as a result of capitalisation issue, bonus issue and share sub-division shall be subject to lock-up provisions in accordance with the Scheme, and shall not be sold in the secondary market or otherwise transferred. The Unlocking Period of such Shares are the same as that of the Restricted Shares. If the Company repurchases the unlocked Restricted Shares, such additional Shares shall be repurchased at the same time.

The unlocking schedule and arrangements for the Restricted Shares of the Scheme to be granted under the first grant and the Reserved Grant are set out below:

<b>Unlocking period</b>	<b>Unlocking schedule</b>	<b>Proportion of the Unlocked Restricted Shares</b>
First Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares;	1/3

<b>Unlocking period</b>	<b>Unlocking schedule</b>	<b>Proportion of the Unlocked Restricted Shares</b>
Second Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares;	1/3
Third Unlocking Period	Commencing from the first trading day after expiry of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 60-month period from the date of completion of registration of certain corresponding Restricted Shares.	1/3

#### IV. SELLING RESTRICTIONS OF THE SCHEME

The selling restrictions under the Scheme shall be implemented in accordance with the Company Law, the Securities Law and the relevant laws, regulations, regulatory documents and the Articles of Association, the details of which are as follows:

1. Where a Participant is a Director or a member of the senior management of the Company, the number of Shares that may be transferred by him/her each year during his/her term of office shall not exceed 25% of the total number of the Shares held by him/her; and no transfer of the Shares shall be made within six months from his/her departure from the Company.
2. Where a Participant is a Director or a member of the senior management of the Company, if he/she disposes any Shares held by him/her within six months after they were acquired or acquire any Shares within six months after they were disposed, the gains arising from the transactions shall belong to the Company, and the Board shall collect all such gains.
3. Participant who is a Director or senior management personnel shall prolong the Lockup Period of 20% of the aggregate Restricted Shares granted and issued to him/her to the expiry of his/her term of office and unlock the restrictions subject to his/her performance appraisal or the result of economic duty audit during such term.

Whether a Participant is a Director or senior management personnel shall be determined based on the position such Participant holds at the time when he/she was granted the Restricted Shares under the Scheme; performance appraisal or economic duty audit of a Participant refers to those conducted during the term of office during the year when the Participants were granted the Restricted Shares under the Scheme.

4. If, during the Term of the Scheme, there is any amendment to the requirements regarding transfer of Shares by a Director and senior management personnel of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the Shares of the Company transferred by the corresponding Participants during the relevant times.

**Chapter VII Grant Price and Basis of Determination of Restricted Shares****I. GRANT PRICE OF THE RESTRICTED SHARES UNDER THE FIRST GRANT**

The Grant Price of the Restricted Shares shall be RMB3.55 per Share. Upon fulfilment of grant conditions, each Participant is entitled to purchase the A Shares newly issued to the Participants by the Company at the price of RMB3.55 per Share.

**II. BASIS FOR DETERMINING THE GRANT PRICE OF THE RESTRICTED SHARES UNDER THE FIRST GRANT**

The Grant Price of the Restricted Shares under the first grant of the Scheme shall not be less than the nominal value of the Shares, and shall not be lower than 60% of the fair market value. The fair market value shall be the higher of the following prices:

1. the average trading price of the underlying Shares of the Company on the last trading day immediately preceding the date of the announcement of the Share Incentive Scheme (the total transaction value for the last trading day/total volume of the Shares of the Company traded for the last trading day);
2. any of the average trading price of the underlying Shares of the Company for the last 20 trading days, 60 trading days and 120 trading days immediately preceding the date of the announcement of the Share Incentive Scheme.

Based on the above pricing principles, the Grant Price of the Restricted Shares under the Scheme shall be RMB3.55 per Share.

**III. BASIS FOR DETERMINING THE GRANT PRICE OF THE RESTRICTED SHARES OF THE RESERVED PORTION**

The grant of the Restricted Shares of the reserved portion under the Share Incentive Scheme is subject to the consideration and passing of related resolutions by the Board and the disclosure of related information. The Grant Price of the Restricted Shares of the reserved portion shall not be less than the nominal value of the Shares, and shall not be lower than 60% of the fair market value. The fair market value shall be the higher of the following prices:

1. the average trading price of the Shares of the Company on the last trading day immediately preceding the date of the announcement of Board resolutions on the Reserved Grant;
2. any of the average trading price of the Shares of the Company for the last 20 trading days, 60 trading days and 120 trading days immediately preceding the date of the announcement of Board resolutions on the Reserved Grant.

**Chapter VIII Conditions of Granting and Unlocking Restricted Shares  
for the Participants****I. CONDITIONS OF GRANT OF RESTRICTED SHARES**

The Company shall grant Restricted Shares to the Participants upon satisfaction of all of the following conditions of grant, and no Restricted Shares shall be granted to the Participants if any of the following conditions of grant has not been satisfied.

**(I) None of the following events with respect to the Company has occurred:**

1. issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the financial and accounting report of the Company for the latest accounting year;
2. issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for the latest accounting year;
3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
4. prohibition from implementation of a share incentive scheme by laws and regulations;
5. other circumstance as determined by the CSRC.

**(II) None of the following events with respect to the Participant has occurred:**

1. he or she has been determined by the Shanghai Stock Exchange as an ineligible person in the past 12 months;
2. he or she has been determined by the CSRC or any of its delegated agencies as an ineligible person in the past 12 months;
3. he or she has been imposed with administrative penalties or measures prohibiting access into the securities market by the CSRC or any of its delegated agencies due to material non-compliance of laws and regulations in the past 12 months;
4. he or she is prohibited from being a director or senior management of a company under the Company Law;



5. he or she is prohibited from participating in any share incentive scheme of listed companies as required by laws and regulations;
6. he or she falls under any other circumstances as determined by the CSRC.

**(III) The Company is deemed to have achieved the performance target if all of the following conditions are satisfied:**

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

The aforementioned growth rate of the net profit and return on net assets shall not be lower than the industry average or 50 percentile of benchmarking enterprises.

The return on net assets used in calculating the above targets of the Scheme is the weighted average return on net assets after exclusion of non-recurring profit or loss; net profit refers to that attributable to shareholders of listed company after exclusion of non-recurring profit or loss.

**(IV) The individual performance appraisal of the Participants**

The individual performance appraisal result of the Participants in 2020 is competent or above.

**II. UNLOCKING CONDITIONS FOR THE RESTRICTED SHARES**

During the Unlocking Period, the Restricted Shares granted to the Participants may only be unlocked upon satisfaction of all the following conditions:

**(I) None of the following events with respect to the Company has occurred:**

1. issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the financial and accounting report of the Company for its most recent accounting year;
2. issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;

3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings within the 36 months after listing;
4. prohibition from implementation of a share incentive scheme by laws and regulations;
5. other circumstance as determined by the CSRC.

**(II) None of the following events with respect to the Participant has occurred:**

1. he or she has been determined by the Shanghai Stock Exchange as an ineligible person in the past 12 months;
2. he or she has been determined by the CSRC or any of its delegated agencies as an ineligible person in the past 12 months;
3. he or she has been imposed with administrative penalties or measures prohibiting access into the securities market by the CSRC or any of its delegated agencies due to material non-compliance of laws and regulations in the past 12 months;
4. he or she is prohibited from being a director or senior management of a company under the Company Law;
5. he or she is prohibited from participating in any share incentive scheme of listed companies as required by laws and regulations;
6. he or she falls under any other circumstances as determined by the CSRC.

**(III) Achievement of the performance appraisal conditions of the Company**

The Restricted Shares under the 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.

1. The performance conditions of the Company for unlocking the Restricted Shares to be granted under the first and the Reserved Grant under the Scheme are:

<b>Unlocking Period</b>	<b>Performance appraisal targets</b>
First Unlocking Period	<ol style="list-style-type: none"><li>(1) The weighted average returns on net assets after deducting non-recurring profit and loss for 2022 shall not be less than 10.50% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies;</li><li>(2) On the basis of 2020, the compound growth rate of net profit after deducting non-recurring profit and loss attributable to the shareholders of the listed Company for 2022 shall not be less than 12% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies;</li><li>(3) Achieve the economic value added (EVA) performance targets of SASAC for 2022.</li></ol>
Second Unlocking Period	<ol style="list-style-type: none"><li>(1) The weighted average returns on net assets after deducting non-recurring profit and loss for 2023 shall not be less than 11.00% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies;</li><li>(2) On the basis of 2020, the compound growth rate of net profit after deducting non-recurring profit and loss attributable to the shareholders of the listed Company for 2023 shall not be less than 12% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies;</li><li>(3) Achieve the economic value added (EVA) performance targets of SASAC for 2023.</li></ol>
Third Unlocking Period	<ol style="list-style-type: none"><li>(1) The weighted average returns on net assets after deducting non-recurring profit and loss for 2024 shall not be less than 11.50% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies;</li><li>(2) On the basis of 2020, the compound growth rate of net profit after deducting non-recurring profit and loss attributable to the shareholders of the listed Company for 2024 shall not be less than 12% and not lower than the average performance of industry peers or the 75th percentile of the benchmarking companies;</li><li>(3) Achieve the economic value added (EVA) performance targets of SASAC for 2024.</li></ol>

*Notes:*

- (1) Net profit after deducting non-recurring profit and loss attributable to the shareholders of the listed Company shall be subject to the audited financial report of the Company for the year;
- (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 of the listed Company / ((net assets attributable to the shareholders of the listed Company at the end of the period + net assets attributable to the shareholders of the listed Company at the beginning of the period) / 2). The past and future effects of perpetual bond of the Company on the indicators shall not be included while calculating the net assets attributable to the shareholders of the listed Company.
- (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 is authorized to restore the actual value of the relevant performance indicators.

In the event that the Company's performance appraisal targets of Restricted Shares in certain Unlocking Period could not be achieved, all Participants' corresponding Restricted Shares for such Unlocking Period shall not be unlocked and shall be repurchased and cancelled by the Company at the lower of the Grant Price and the then market price of the Shares at the time of repurchasing (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 resolution for consideration of the repurchase).

## 2. Selection of industry peers/benchmark companies of unlocking appraisal

The Company falls within the "construction – civil engineering construction" industry under the industry classification by the CSRC. The above average performance of the aforesaid "industry peers" refers to those of all A-share listed companies falling within the "construction – civil engineering construction" industry. 15 A-share listed companies whose principal businesses are similar are selected by the Company as the performance benchmark companies for unlocking the Restricted Shares of the Company. The details are as follows:

No.	Stock Code	Stock Name	No.	Stock Code	Stock Name
1	601668.SH	China State Construction	9	601611.SH	China Nuclear Engineering & Construction
2	601800.SH	China Communications Construction	10	600820.SH	Shanghai Tunnel Engineering
3	601186.SH	China Railway Construction	11	600039.SH	Sichuan Road & Bridge Construction

No.	Stock Code	Stock Name	No.	Stock Code	Stock Name
4	601669.SH	PowerChina	12	600502.SH	Anhui Construction Engineering
5	601618.SH	China Metallurgical	13	000498.SZ	Shandong Hi-Speed Road & Bridge
6	601868.SH	China Energy Engineering	14	600491.SH	Longyuan Construction
7	600170.SH	Shanghai Construction	15	002051.SZ	China CAMC
8	601117.SH	China National Chemical Engineering			

If the industry classification of the Company or the industry constituent stock of industry peers is adjusted by relevant institutions during the Term of the Scheme, the Company shall adopt the latest updated industry classification data for the appraisal in the respective year. If there are any significant changes in principle business of or extreme values or abnormal values with overly excessive performance variation in the samples of the industry peers or benchmark companies, the Board may remove or change the relevant samples according to the actual situations.

#### (IV) Achievement of the performance appraisal conditions at subsidiary level

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

Results of appraisal	A	B	C	D
Appraisal coefficient for the organization	1.0	1.0	0.8	0

The actual unlocking amounts held by all 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

**(V) Achievement of the performance appraisal conditions at individual level**

The appraisal could be conducted on an annual basis under the Appraisal Management Measures for the Implementation of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited enacted by the Company. 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.

<b>Results of appraisal</b>	<b>Excellent</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>
Standard coefficient	1.0	1.0	0.8	0

The Restricted Shares then 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 carried over until the next Unlocking Period. The Company shall then repurchase those Restricted Shares at the lower of the Grant Price and the market price of the Shares at the time of repurchasing (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 resolution for consideration of the repurchase, the same below).

**III. SCIENTIFICITY AND REASONABLENESS ON THE APPRAISAL INDICATORS**

The appraisal indicators for the Share Incentive Scheme of the Company are categorised into two levels, i.e. performance appraisal at the Company level and performance appraisal at the individual level.

According to the relevant requirements of SASAC of the State Council, performance indicators, in principle, shall contain the comprehensive indicator that shall reflect shareholders' return and the value of the Company and the indicator that shall reflect the sustainability of the Company and the quality of the Company's development. Based on the above requirements, the Share Incentive Scheme of the Company combined the practice of state-owned enterprises and the characteristics of the Company, and selected suitable indicators (including growth rate of the net profit, return on net assets and economic value added (EVA)) as the indicators when the Restricted Shares are unlocked for performance appraisal at the Company level. The above indicators shall be the core financial indicators of the Company, reflecting the Company's ability of development, shareholders' return and creating the value of the Company. Through a reasonable projection as well as taking into account the incentive effect of the Scheme, the Company established the aforementioned performance targets for the Scheme.

In addition to the performance appraisal at the Company level, the Company has established a strict performance appraisal system for the Participants, which evaluates comprehensively the performance of the Participants in an accurate and all-round manner. The Company will determine whether the Participants meet the Unlocking Conditions based on their performance appraisal results for the previous year.

Given the above, the appraisal system for the Scheme is all-round, comprehensive and operable, and the appraisal indicators are scientific and reasonable, which are binding on the Participants and can serve the appraisal goal of the Scheme.

**Chapter IX Methods and Procedures for Adjustment of the Share Incentive Scheme****I. METHOD OF ADJUSTMENT TO THE NUMBER OF RESTRICTED SHARES TO BE GRANTED**

In the event of any capitalization issue, bonus issue, share split, share consolidation, rights issue conducted by China Railway during the period from the date of the announcement of the Scheme to the completion of registration of the Restricted Shares held by the Participants, the number of Restricted Shares to be granted shall be adjusted accordingly by the Company. The adjustment method is as follows:

**1. Capitalization issue, bonus issue and share split**

$$Q=Q_0 \times (1+n)$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $n$  represents the ratio of increase of share resulting from the issue of shares by capitalization issue, bonus issue and share split (i.e. the number of Shares increased per Share upon capitalization issue, bonus issue or share split);  $Q$  represents the number of Restricted Shares after the adjustment.

**2. Share consolidation**

$$Q=Q_0 \times n$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $n$  represents the ratio of consolidation of Shares (i.e. 1 Share of China Railway in consolidated to  $n$  Shares);  $Q$  represents the number of Restricted Shares after the adjustment.

**3. Rights issue**

$$Q=Q_0 \times P_1 \times (1+n) / (P_1 + P_2 \times n)$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $P_1$  represents the closing price as at the record date for the share;  $P_2$  represents the price of the rights issue;  $n$  represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue);  $Q$  represents the number of Restricted Shares after the adjustment.

**4. Dividend distribution and additional issue of new Shares**

Under the circumstance of dividend distribution and additional issue of new Shares by the Company, no adjustment shall be made to the number of Restricted Shares.

**II. METHOD OF ADJUSTMENT TO THE GRANT PRICE OF RESTRICTED SHARES**

In the event that any dividend distribution, capitalization issue, bonus issue, share split, share consolidation or rights issue conducted by China Railway during the period from the date of the announcement to the completion of registration of the Restricted Shares held by the Participants, the Grant Price of Restricted Shares shall be adjusted accordingly by the Company. The adjustment method is as follows:

**1. Capitalization issue, bonus issue and share split**

$$P=P_0/(1+n)$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the ratio of increase of Shares resulting from the issue of Shares by capitalization issue, bonus issue and share split;  $P$  represents the Grant Price after the adjustment.

**2. Share consolidation**

$$P=P_0/n$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the proportion of a Share that may result from consolidation;  $P$  represents the Grant Price after the adjustment.

**3. Dividend distribution**

$$P=P_0-V$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $V$  represents the dividend per Share;  $P$  represents the Grant Price after the adjustment.

**4. Rights Issue**

$$P=P_0 \times (P_1 + P_2 \times n) / (P_1 \times (1+n))$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $P_1$  represents the closing price as at the record date for the Share;  $P_2$  represents the price of the rights issue;  $n$  represents the ratio of the rights issue;  $P$  represents the Grant Price after the adjustment.

**5. Additional issue of new Shares**

Under the circumstance of additional issue of new Shares by the Company, no adjustment shall be made to the Grant Price of Restricted Shares.



**III. PROCEDURES FOR ADJUSTMENT TO THE RESTRICTED SHARE INCENTIVE  
SCHEME**

The Board of the Company shall be authorised at Shareholders' meetings to adjust the Grant Price or the number of Restricted Shares for the above reasons. The Company will engage legal advisers to give professional advice to the Board of the Company on whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Scheme.

**Chapter X Accounting Treatment for the Restricted Shares**

In accordance with the requirements of the Accounting Standards for Business Enterprise No. 11 – Share based Payments (《企業會計準則第11號–股份支付》), at each balance sheet date within the Lock-up Period, the Company shall revise the number of the Restricted Shares which are expected to be unlocked according to the change in the latest available number of persons eligible to unlock the Restricted Shares, completion of the performance targets and other subsequent information, and recognise the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares on the Grant Date.

**I. ACCOUNTING TREATMENT****1. On the Grant Date**

The share capital and capital reserved shall be recognised according to the status of the grant of the Restricted Shares to the Participants by the Company.

**2. On each balance sheet date during the Lock-up Period**

Pursuant to the requirements of the accounting standards, the services provided by the staff will be recognised as costs and the owners' equity or liabilities will also be recognised on each balance sheet date during the Lock-up Period.

**3. On the unlocking date**

On the unlocking date, if the Unlocking Conditions are fulfilled, the Restricted Shares shall be unlocked; if all or part of the Shares are repurchased or cancelled by the Company since the same have not been unlocked, such Shares will be dealt with pursuant to the accounting standards and relevant requirements.

**II. DETERMINATION METHOD OF THE FAIR VALUE OF THE RESTRICTED SHARES AND ESTIMATED IMPACT ON THE OPERATING PERFORMANCE OF EACH OF THE PERIOD**

The Company granted 180,000,000 Restricted Shares to the Participants under the first grant. The Company measures the fair value of the Restricted Shares based on the difference between the closing price on the Grant Date and the Grant Price and projects the total amortisation expense of the Restricted Shares to be RMB298,800,000. Such total amortisation expense shall be recognised in phases based on the unlocking proportions during the implementation of Share Incentive Scheme in operating profit or loss.

Assuming that the Restricted Shares will be granted on 1 December 2021, the effect of the first grant of the Restricted Shares under the Scheme on the accounting costs incurred in each period is as follow:

<b>The number of shares granted</b> <i>(0'000 Shares)</i>	<b>Total cost</b> <i>(RMB0'000)</i>	<b>2021</b> <i>(RMB0'000)</i>	<b>2022</b> <i>(RMB0'000)</i>	<b>2023</b> <i>(RMB0'000)</i>	<b>2024</b> <i>(RMB0'000)</i>	<b>2025</b> <i>(RMB0'000)</i>
18,000.00	29,880.00	899.17	10,790.00	10,375.00	5,533.33	2,282.50

*Note:* The above figures do not constitute the final accounting cost. Other than the Grant Date, Grant Price and number of Shares granted, accounting cost also relates to the actual number of effective and lapsed entitlements. The final result of the above impact on the operating performance of the Company shall be subject to the annual audited report issued by the accounting firm.

The total costs incurred from the Share Incentive Scheme will be charged to the recurring gain or loss. As estimated by the Company based on the current condition, without considering the stimulus effects of the Scheme on the performance of the Company, the amortization of the costs of the Scheme has an impact on the net profit of each year during the Term but the impact is not significant. Taking into consideration the positive impact of the Scheme on the development of the Company, it will stimulate the enthusiasm of the management team, improve the operating efficiency, and reduce agency costs. It is expected that the performance improvement of the Company brought by the Scheme shall far exceed the increase in costs incurred by the Scheme.

**Chapter XI Procedures of Implementation of the Restricted Share Incentive Scheme****I. PROCEDURES FOR THE SCHEME TO BECOME EFFECTIVE**

1. The remuneration committee of the Board shall be responsible for preparing the draft of the Scheme, and submitting it to the Board for consideration.
2. The Board shall pass a resolution on the Scheme in accordance with law. When the Board shall consider and approve the Scheme, any Director who is a proposed Participant or related to the Participants shall abstain from voting.
3. The independent Directors and the Supervisory Committee shall opine on matters as to whether the Scheme may benefit the Group's sustainable development, and whether there is any notifiable damage to the interests of the Company and the Shareholders as a whole.
4. The Company shall engage the law firm to issue legal opinion on the Share Incentive Scheme.
5. Before convening the Shareholders' meeting, the Company shall publish the name and position of the Participants internally via Company website or other channels for not less than 10 days. The Supervisory Committee shall review the list of the Participants under the Share Incentive Scheme and take sufficient consideration of the public opinions. The Company shall disclose the explanation of the Supervisory Committee regarding the review of the list of Participants under the Share Incentive Scheme and the status of announcement five days prior to the consideration of the Share Incentive Scheme at the Shareholders' meeting.
6. The Company should carry out self-investigation on the trading of Shares of the Company by insiders during the six months' period prior to the announcement of the draft of the Share Incentive Scheme to examine whether there was any insider trading.
7. The Scheme shall be considered and approved by SASAC of the State Council upon the review and approval of China Railway Engineering Group Company Limited.
8. The Company shall issue notice on the convening of Shareholders' meeting(s) and publish the legal opinion.
9. When Shareholders' meeting(s) is/are convened to consider the Share Incentive Scheme, the independent Directors shall solicit proxy voting rights from all Shareholders regarding the resolutions related to the Scheme.

10. The Scheme shall be proposed and voted at a Shareholders' meeting and the A share and H share class meetings, and be approved by more than 2/3 of the voting rights held by the attending Shareholders. Except for the Directors, Supervisors and senior management of the Company, as well as the Shareholders individually or collectively holding more than 5% of the Shares, the voting by other Shareholders shall be separately counted and disclosed.

Shareholders who are, or related to, the Participants shall abstain from voting when considering and approving the Share Incentive Scheme at the Shareholders' meeting(s) of the Company.

## II. PROCEDURES FOR GRANT UNDER THE SCHEME

1. Within 60 days after the Scheme is considered and approved at the Shareholders' meeting and the A share and H share class meetings, and the conditions for the grant are satisfied, the Company shall convene a Board meeting to consider whether the Participants have satisfied the conditions prescribed in the Scheme for the grant of the Restricted Shares and determine the Grant Date, and the independent Directors shall issue opinions. Moreover, the Supervisory Committee shall verify the Grant Date of the Restricted Shares and the list of Participants and issue its opinions. The Grant of reserved interests is subject to the confirmation, consideration and approval by the Board. The Board of the Company will handle specific issues concerning the grant of Restricted Shares in accordance with the authorization by the Shareholders' meetings.
2. The Company shall engage legal advisers to issue legal opinions as to whether the Participants have satisfied the conditions of the grant.
3. The Company shall sign an agreement on the granting of Restricted Shares with the Participants in order to determine their respective rights and obligations.
4. The Participants shall pay the consideration for subscribing the Restricted Shares into the account designated by the Company and have it verified and confirmed by a certified public accountant, otherwise such Participant shall be deemed as having waived his or her right to subscribe for the Restricted Shares.
5. The Company shall keep a register for management of the Restricted Shares with reference to the agreements signed by the Participants, and such register shall record the names of the Participants, number of shares granted, the Grant Date and the serial number of the relevant agreement on granting of the Restricted Shares.

6. The Company shall apply to the Shanghai Stock Exchange for the grant of the Restricted Shares to Participants, and apply to the China Securities Depository and Clearing Corporation Limited for the registration and settlement matters after the confirmation by the Shanghai Stock Exchange.
7. After the registration of grant of the Restricted Shares is completed, the Company shall, go through the formalities in relation to the registration with the Administration for Industry and Commerce (AIC) if the registration involves change in the registered capital of the Company.

### III. PROCEDURES FOR UNLOCKING UNDER THE SCHEME

1. Prior to the unlocking date, the Company shall confirm whether the Participants have satisfied the Unlocking Conditions. The Board shall consider whether the Unlocking Conditions under the Scheme have been satisfied and the independent Directors and Supervisory Committee shall issue their relevant opinions. The law firm shall issue legal opinions as to whether the Unlocking Conditions have been satisfied.
2. As to the Participant who has satisfied the Unlocking Conditions, the Company shall tender applications to the Shanghai Stock Exchange to unlock the Restricted Shares. After confirmation by the Shanghai Stock Exchange, the Company shall apply to the China Securities Depository and Clearing Corporation Limited for the relevant registration and settlement matters.
3. Restricted Shares held by Participants who have not satisfied the Unlocking Conditions shall be repurchased and cancelled by the Company. The Company shall disclose the implementation thereof timely by way of announcement.
4. Participants may transfer their unlocked Restricted Shares whereas the transfer of the Restricted Shares held by Directors and senior management personnel of the Company shall comply with the requirements of the relevant laws, regulations and regulatory documents.

### IV. PROCEDURES FOR AMENDMENTS TO AND TERMINATION OF THE SCHEME

#### (I) Procedures for amendments to the Scheme

1. Any proposed amendment to the Scheme prior to approval of the Scheme by the Shareholders at Shareholders' meeting(s) of the Company shall be subject to consideration and approval of the Board.

2. Any proposed amendment to the Scheme after approval of the Scheme by the Shareholders at a Shareholders' meeting, A share and H share class meetings of the Company shall be subject to consideration and approval at a Shareholders' meeting, A share and H share class meetings of the Company, provided that such amendment shall not:
  - (1) result in the unlocking of restrictions in advance;
  - (2) reduce the Grant Price.

The independent Directors and the Supervisory Committee shall give independent opinions on whether the amended scheme is beneficial for the sustainable development of the listed company or will be obviously detrimental to the interests of the listed company and all Shareholders. The law firm shall issue legal opinions on whether the amended scheme complies with the requirements of the Administrative Measures and relevant laws and regulations or will be obviously detrimental to the interests of the Company and all Shareholders.

#### **(II) Procedures for Termination of the Scheme**

1. If one of the circumstances prescribed in Article 7 of the Administrative Measures happened to the Company, the Scheme shall be terminated and the Company shall not proceed to grant new interests to the Participants, and the interests the Participants granted but not exercised under the Scheme shall be terminated.
2. If the case that the Participants shall not become the Participants as prescribed in Article 8 of the Administrative Measures arises, the Company shall not proceed to grant interests to the Participants, the interests granted to him/her but not exercised shall lapse.
3. Proposed termination of the Scheme by the Company prior to approval of the Scheme by the Shareholders at Shareholders' meeting shall be subject to consideration and approval of the Board.
4. Proposed termination of the Scheme by the Company after approval of the Scheme by Shareholders at Shareholders' meeting, A share and H share class meetings of the Company shall be subject to consideration and approval at Shareholders' meeting, A share and H share class meetings of the Company.
5. The law advisers engaged by the Company should issue legal opinions as to whether the termination of the Scheme is in compliance with the Administrative Measures and relevant laws, regulations and regulatory documents, and whether it would be obviously detrimental to the interests of the Company or all Shareholders.

6. In case of termination of the Scheme, the Company shall repurchase all Restricted Shares that are still under locked-up and deal with such repurchased shares in accordance with the Company Law.
7. The Company shall lodge an application to the Shanghai Stock Exchange prior to the repurchase of the Restricted Shares. Upon confirmation by the Shanghai Stock Exchange, the China Securities Depository and Clearing Corporation Limited will handle the relevant registration and settlement.
8. The Company terminates the implementation of the Scheme, and will not review or disclose the draft of the Share Incentive Scheme within three months from the date of announcement of the resolution.



**Chapter XII Respective Rights and Obligations of the Company and Participants****I RIGHTS AND OBLIGATIONS OF THE COMPANY**

1. The Company shall have the right to construe and execute the Scheme and shall appraise the performance of the Participants based on the requirements under the Scheme. If a Participant fails to fulfill the Unlocking Conditions required under the Scheme, the Company will repurchase and cancel the Restricted Shares, which have not been unlocked by the Participants, in accordance with the principles under the Scheme.
2. The Company shall have the right to withhold and pay, on behalf of the Participants, the individual income tax due in accordance with the relevant tax regulations.
3. The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants for acquiring the Restricted Shares under the Scheme.
4. The Company shall discharge its obligations in a timely manner in relation to reporting and information disclosure under the Share Incentive Scheme in accordance with the relevant requirements.
5. The Company shall actively support the Participants who have fulfilled the Unlocking Conditions to unlock the Restricted Shares in accordance with requirements under the Scheme, the CSRC, the Shanghai Stock Exchange and the China Securities Depository and Clearing Corporation Limited. However, the Company disclaims any liability for any losses incurred by the Participants who fail to unlock the Restricted Shares at their own will due to reasons on part of the CSRC, the Shanghai Stock Exchange and the China Securities Depository and Clearing Corporation Limited.
6. The grants of the Restricted Shares by the Company to the Participants does not constitute a commitment of employment for a fixed term by the Company. The employment between the Company and the Participants shall still be governed by the employment contract between the parties.

**II RIGHTS AND OBLIGATIONS OF THE PARTICIPANTS**

1. A Participant shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
2. A Participant shall be entitled to relevant rights and interests in accordance with the requirements under the Scheme. The Restricted Shares granted to the Participants shall not be entitled to the disposal right to be transferred or used as guarantee or for repayment of debt before unlocking the Restricted Shares.

3. The source of funds shall be self-financed by the Participants.
4. Upon completion of registration by the China Securities Depository and Clearing Corporation Limited, the Restricted Shares granted to the Participants shall have the rights of the Shares, including but not limited to the rights to dividend and rights to rights issue conferred by such Shares. However, if, within the Lock-up Period, the Participants are entitled to Shares arising from bonus issue, conversion of capital reserve into share capital, rights issue and placement to original Shareholders upon issuance of new Shares in connection with the Restricted Shares which have been granted to the Participants, such Shares shall not be sold in the secondary market or otherwise transferred. The expiry date of the Lock-up Period of such shares is the same as that of the Restricted Shares.
5. When the Company pays cash dividends, the Participant is entitled to the cash dividend in respect of the Restricted Shares he/she was granted to after withholding and paying the individual income tax. If the restrictions on those Restricted Shares fail to be unlocked, the Company shall deduct the shares in respect of the cash dividend attributable to the Participant in repurchasing and cancelling the Restricted Shares in accordance with the requirements of the Scheme and make corresponding accounting treatment.
6. Any gains of the Participants generated from the Scheme are subject to individual income tax and other taxes in full and timely manner according to the relevant tax laws and regulations. The Participants agree with the Company to withhold and pay, on behalf of themselves, the afore-mentioned individual income tax.
7. The Participants undertake: where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for exercise of rights, the Participants concerned shall return to the Company all interests gained under the Scheme from the date when it is confirmed that the relevant information disclosure documents of the company contain false statement or misleading representations or material omissions.
8. Upon consideration and approval of the Scheme at the Shareholders' meeting, the A share class meeting and the H share class meeting, the Company will sign an agreement on the grant of Restricted Shares with each Participant setting out the respective rights and obligations as well as other relevant matters.
9. Other relevant rights and obligations under the laws, regulations and the Scheme.

**Chapter XIII Handling of Changes in Relation to the Company and Participants****I. UNUSUAL CHANGES TO THE COMPANY**

**(I) The Scheme shall be terminated upon occurrence of any of the following events, the Restricted Shares granted, but not yet unlocked, the Participants shall no longer be unlocked, and the Company shall repurchase and cancel the Restricted Shares at the lower of the Grant Price and the market price of the Company's shares during repurchasing:**

- 1 issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
- 2 issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
- 3 failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings within the last 36 months after listing;
- 4 prohibition from implementation of a share incentive scheme by laws and regulations;
- 5 other circumstances under which the Scheme shall be terminated as determined by the CSRC.

**(II) The Scheme shall remain unchanged and the Company shall proceed to implement the Scheme as stipulated in the event that any of the following events occurs to the Company:**

1. change in control of the Company;
2. merger and separation of the Company.

**(III) Where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking the restrictions, all Restricted Shares which are not yet unlocked shall be repurchased and cancelled by the Company. In respect of the Restricted Shares granted to the Participants which have been unlocked, all the Participants shall return to the Company all entitlements granted. If the Participants, who are not liable for the abovementioned events, suffer loss as a result of returning the entitlements, they may claim for damages from the Company or responsible parties in accordance with the arrangements under the Scheme. The Board shall recover all the profits gained by the Participants in accordance with the preceding provisions and relevant arrangements under the Scheme.**

**II. CHANGES TO THE INDIVIDUAL CIRCUMSTANCES OF THE PARTICIPANTS**

1. Within six months from the date of occurrence of any of the following circumstances, the Restricted Shares of the Participants which have satisfied the Unlocking Conditions within the year can be unlocked; Restricted Shares not satisfied with the Unlocking Conditions shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China when repurchasing and cancelling:
  - (1) the Participant is transferred from the Company and ceases to take office in the Company due to organizational arrangements;
  - (2) the Participant is deceased (his/her legal successor shall unlock the restrictions as required, instead);
  - (3) the Participant loses the capacity for civil conducts;
  - (4) the Participant is dismissed by the Company due to reasons other than incompetence to the position, disqualification in performance appraisal, negligence, violation of laws, non-compliance, etc.
2. When a Participant becomes an independent Director, Supervisor or a person who is prohibited from holding the Company's Restricted Shares, all Restricted Shares held by such Participant that are still locked up shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China when repurchasing and cancelling.
3. All Restricted Shares held by a Participant that are still locked up shall be repurchased and cancelled by the Company at a repurchase price equal to the lower of the Grant Price and the market price of shares if any of the following circumstance occurs:
  - (1) such Participant proposes to terminate his/her employment contract with the Company;
  - (2) such Participant opts not to renew his/her employment contract with the Company when the contract expires;

- (3) such Participant becomes disqualified for the Scheme due to his/her incompetence to the position, disqualification in performance appraisal, negligence, violation of laws, non-compliance of laws, etc.;
  - (4) such Participant is dismissed due to a breach of his/her fiduciary duties as required under the Company Law and the Articles of Association, violation of laws and regulations, breach of professional ethics, leakage of the Company's confidential information, dereliction of duty or malpractice or any other acts that damage the interests or reputation of the Company (the Board reserves the right to recover all or part of the gains from the sale of the unlocked Restricted Shares based on the severity of the circumstances).
4. where a Participant retires upon reaching the retirement age stipulated by law, all Restricted Shares held by such Participant that meet Unlocking Conditions in the year of such retirement can be unlocked within six months from the date of such retirement, and those not satisfied with the Unlocking Conditions shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China when repurchasing and cancelling.
  5. other circumstances that are not specified shall be identified by the Board and the consequences shall be determined thereby.

### III. RESOLUTION OF DISPUTES BETWEEN THE COMPANY AND THE PARTICIPANTS

Any dispute between the Company and the Participants shall be resolved in accordance with provisions of the Scheme and the agreement on the granting of Restricted Shares. Disputes not clearly covered by the provisions shall be negotiated and resolved in accordance with PRC laws and on fair and reasonable principles. Where the disputes cannot be settled through negotiations, they shall be resolved through litigation by submitting to the People's Court with jurisdiction over the Company's place of domicile.

**Chapter XIV Principles of Repurchase and Cancellation of Restricted Shares****I. METHOD FOR ADJUSTMENT TO THE REPURCHASE PRICE**

In general, if the Company shall repurchase the Restricted Shares under the requirements of the Scheme, the repurchase price represents the Grant Price except for those whose repurchase price needs to be adjusted in accordance with the Scheme.

After completion of the registration of the Restricted Shares granted to the Participants, if there is any capitalisation issue, bonus issue, share split, rights issue, additional issue of new shares or share consolidation, dividend distribution and other matters of the Company affecting the total share capital or the share price of the Company, the Company shall make adjustments to the purchase price of the locked-up Restricted Shares accordingly.

**1. Capitalisation issue, bonus issue and share split**

$$P = P_0 \div (1+n)$$

Where: P represents the repurchase price per Restricted Share after adjustment;  $P_0$  represents the Grant Price per Restricted Share; n represents the rate of increase per Share resulting from capitalisation issue, bonus issue, share split per share capital (i.e. the increase in the number of Shares per Share upon capitalisation issue, bonus issue or share split).

**2. Rights issue**

$$P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1+n)]$$

Where:  $P_1$  represents the closing price on the date of share registration;  $P_2$  represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the number of Shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue).

**3. Share consolidation**

$$P = P_0 \div n$$

Where: P represents the repurchase price per Restricted Share after adjustment;  $P_0$  represents the Grant Price per Restricted Share; n represents consolidation ratio per Share (i.e. the ratio based on which one share of the Company shall be consolidated into n Shares).

**4. Dividend distribution**

$$P = P_0 - V$$

Where:  $P_0$  represents the repurchase price per Restricted Share prior to adjustment; V represents the amount of dividends per share; P represents the repurchase price per Restricted Share after adjustment. P must remain greater than 1 after adjustment.

**5. Additional issue of new Shares**

Under the circumstance of additional issue of new Shares by the Company, no adjustment shall be made to the repurchase price of the Restricted Shares.

**II. METHOD FOR ADJUSTMENT OF REPURCHASE QUANTITY**

Upon completion of registration of the Restricted Shares granted to the Participants, in case of capitalisation issue, bonus issue, share split, rights issue, share consolidation and other matters, the Company shall make adjustments to the repurchase quantity of the locked-up Restricted Shares accordingly. The adjustment method is as follows:

**1. Capitalisation issue, bonus issue and share split**

$$Q=Q_0 \times (1+n)$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $n$  represents the ratio of increase per Share resulting from capitalisation issue, bonus issue and share split (i.e. the increase in number of Shares per Share upon capitalisation issue, bonus issue and share split);  $Q$  represents the number of Restricted Shares after the adjustment.

**2. Rights issue**

$$Q=Q_0 \times P_1 \times (1+n) \div (P_1 + P_2 \times n)$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $P_1$  represents the closing price on the record date;  $P_2$  represents the price of rights issue;  $n$  represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue);  $Q$  represents the number of Restricted Shares after the adjustment.

**3. Share consolidation**

$$Q=Q_0 \times n$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $n$  represents the ratio of consolidation of Shares (i.e. 1 Company Share is consolidated to  $n$  Shares);  $Q$  represents the number of Restricted Shares after the adjustment.

**4. Additional issue of new Shares**

Under the circumstance of additional issue of new Shares by the Company, no adjustment shall be made to the number of Restricted Shares

**III. PROCEDURES OF CANCELLATION**

The Company shall promptly convene a Board meeting to consider the adjustment to the repurchase volume or repurchase price according to the above provisions. According to the Administrative Measures, where the Board considered the plan on the repurchase of Restricted Shares pursuant to the requirements of Article 27 of the Administrative Measures, the plan on the repurchase of Shares shall be submitted to the Shareholders' meeting as well as the A share class meeting and the H share class meeting for consideration and approval and an announcement shall be made in a timely manner. When the Company carries out repurchases in accordance with the provisions of the Scheme, it shall apply to the Shanghai Stock Exchange for cancellation of such Restricted Shares. Upon confirmation by the Shanghai Stock Exchange, the China Securities Depository and Clearing Corporation Limited will handle the related matters of registration and settlement.



**Chapter XV Other Significant Events**

- I. In case of any conflict between the relevant provisions of the Scheme and the relevant laws, regulations, administrative rules and normative documents of the PRC, the relevant provisions of the Scheme shall be implemented or adjusted in accordance with the relevant laws, regulations, administrative rules and normative documents of the PRC. For any provisions not specified in the Scheme, such provisions shall be implemented or adjusted in accordance with relevant laws, regulations, administrative rules and normative documents of the PRC.
- II. In the event that a Participant violates the Plan, the Articles of Association, related national laws, regulations, administrative rules or regulatory documents and sells the shares granted under the Plan, the returns shall be owned by the Company, which shall be executed by the Board.
- III. The Scheme shall come into effect after being reviewed and approved by China Railway Engineering Group Company Limited, being considered and approved by SASAC and being considered and approved at the general meeting of Shareholders, the A Share Class Meeting and the H Share Class Meeting of the Company.
- IV. The Board of the Company reserves the rights to interpret the Scheme.

China Railway Group Limited  
23 November 2021

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:

<b>Unlocking Period</b>	<b>Performance Appraisal Target</b>
First Unlocking Period	<ol style="list-style-type: none"> <li>(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;</li> <li>(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;</li> <li>(3) The economic value added performance targets of SASAC will be achieved in 2022.</li> </ol>

<b>Unlocking Period</b>	<b>Performance Appraisal Target</b>
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:

<b>Appraisal Result</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
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.

<b>Appraisal Result</b>	<b>Excellent</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>
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.

**Chapter I General Provisions**

**Article 1** To ensure the smooth implementation of the Restricted Share Incentive Scheme (“Restricted Share Incentive Scheme” or the “Incentive Scheme” or the “Scheme”) of China Railway Group Limited (“China Railway” or the “Company”), and to specify the administrative bodies of the Incentive Scheme and its responsibilities, implementation procedures, handling of special circumstances, etc., the Administrative Measures on the 2021 Restricted Share Incentive Scheme of China Railway Group Limited (the “Measures”) is formulated in accordance with relevant laws, administrative regulations, departmental rules and normative documents issued by the State, the Articles of Association of the Company and relevant provisions of the Restricted Share Incentive Scheme, and in combination with the actual conditions of the Company. The Measures shall come into effect after being considered and approved by the Shareholders’ meeting and the A share and H share class meetings.

**Article 2** The Restricted Share Incentive Scheme is a medium-and long-term incentive scheme, under which A Shares of the Company will be granted and issued to certain directors, senior management personnel, middle managerial personnel and the core personnel who have a direct impact on the Company’s business performance and future development as recognized by the board of directors (the “Board”) of the Company. The Restricted Share Incentive Scheme proposed by the remuneration committee of the Company shall come into effect after being considered by the Board, going through the relevant procedures of the State-owned Assets Supervision and Administration Commission of the State Council (the “SASAC”), and considered and approved by the Shareholders’ meeting and the A share and H share class meetings.

**Article 3** The Board shall conduct strict management based on the Restricted Share Incentive Scheme (the revised and effective version shall prevail, if any) considered and approved by the Shareholders’ meeting and the A share and H share class meetings, and in accordance with the principles of lawfulness, standardization, openness and transparency.

**Article 4** The administration of the Restricted Share Incentive Scheme includes the formulation and revision of the Restricted Share Incentive Scheme, the qualification examination of the Participant, the grant and unlocking of restricted shares, and information disclosure, etc.

**Article 5** Unless otherwise specified, the meanings of the terms involved in the Measures shall be the same as those in the Restricted Share Incentive Scheme.

## Chapter II Administrative Bodies and their Responsibilities

**Article 6** The Shareholders' meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, modification and termination of the Incentive Scheme. The Shareholders' meeting may, within its powers and authority, authorise the Board to handle certain matters relating to the Incentive Scheme.

**Article 7** The Board shall act as the executive and administrative body for the Incentive Scheme. The remuneration committee under the Board shall be responsible for drafting and revising the Restricted Share Incentive Scheme, and submitting the Incentive Scheme to the Board for review and approval. Upon approval by the Board, the Incentive Scheme shall be further submitted to the Shareholders' meeting, and the A share and H share class meetings of the Company for consideration and approval. The Board may handle matters relating to the Scheme within its scope of authority as delegated by the Shareholders' meeting.

**Article 8** The Supervisory Committee and independent Directors shall act as the supervisory authority for the Scheme, and shall issue opinions as to whether the Scheme is beneficial to the sustainable development of the Company or is significantly detrimental to the interests of the Company and the Shareholders as a whole. The Supervisory Committee shall supervise the implementation of the Scheme as to whether it is in compliance with the relevant laws, regulations, regulatory documents and operational rules of the Shanghai Stock Exchange (the "SSE"), and shall be responsible for verifying the list of Participants. The independent Directors shall solicit voting rights by proxy from all shareholders in respect of the Scheme.

## Chapter III Procedures for the Scheme to Take Effect

**Article 9** The remuneration committee of the Board shall be responsible for drafting the Restricted Share Incentive Scheme, and submitting the Restricted Share Incentive Scheme to the Board for consideration.

**Article 10** When the Board considers the Scheme, any Director who is also a Participant or is a related party to a Participant shall abstain from voting. The Board shall submit the Incentive Scheme to the Shareholders' meeting, and the A share and H share class meetings for consideration after considering and approving the Incentive Scheme and performing the publicity and announcement procedures; at the same time, the Board shall apply for authorization from the Shareholders' meeting to be responsible for the grant, unlocking and repurchase of restricted shares.

**Article 11** The independent Directors and the Supervisory Committee shall issue opinions in respect of whether the Scheme is beneficial to the sustainable development of the Company or whether it will be detrimental to the interests of the Company and all Shareholders.



**Article 12** The independent Directors and the Supervisory Committee, if deem it necessary, may suggest that the Company engage an independent financial advisor to express professional opinions on the feasibility of the Scheme, whether the Scheme is beneficial to the sustainable development of the Company, whether it harms the interests of the Company and the impact on the interests of Shareholders.

**Article 13** The Company shall engage legal advisers to issue legal opinions on the Scheme.

**Article 14** Upon completion of relevant procedures of the Scheme, the Company shall convene the Shareholders' meeting, and the A share and H share class meetings to consider and approve the Scheme and its implementation. Before convening the Shareholders' meeting, the Company shall announce the name and position of the Participants internally via Company website for not less than 10 days. The Supervisory Committee shall review the list of the Participants and take sufficient consideration of the public opinions. The Company shall disclose the explanation of the Supervisory Committee regarding the review of the list of Participants under the Scheme and the status of announcement 5 days prior to the consideration of the Scheme at the Shareholders' meeting.

**Article 15** When a Shareholders' meeting of the Company is convened to vote on the Scheme, the independent Directors shall solicit proxy voting rights from all Shareholders regarding the Scheme. The Scheme as prescribed in Article 9 of the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》) (the "Administrative Measures") shall be proposed and voted at a Shareholders' meeting, and the A share and H share class meetings, and be approved by more than 2/3 of the voting rights held by the attending Shareholders. Except for the Directors, Supervisors and Senior Management of the Company, as well as the Shareholders individually or collectively holding more than 5% of the Company's shares, the voting by other Shareholders shall be separately counted and disclosed.

The Shareholders as or related to the Participants shall abstain from voting when discussing the Scheme on the Shareholders' meeting of the Company.

**Article 16** After the Scheme is considered and approved at the Shareholders' meeting and the A share and H share class meetings, and the conditions for the grant are satisfied, the Company shall grant restricted shares to the Participants within the specified time. With the authorization of the Shareholders' meeting, the Board shall be responsible for granting, unlocking and repurchase of the restricted shares.

**Article 17** After the Scheme is considered and approved at the Shareholders' meeting and the A share and H share class meetings, the Company shall sign a Restricted Share Grant Agreement with the Participants to agree on their respective rights and obligations.

**Article 18** Before any entitlements are granted to a Participant, the Board shall review on the conditions to be fulfilled for the Participant to receive such entitlements as set out in the Incentive Scheme and then issue an announcement.

The independent Directors and the Supervisory Committee shall simultaneously issue clear opinions thereon. The legal adviser shall issue legal opinions as to whether the Participants have satisfied the conditions of the grant.

The Supervisory Committee shall verify the list of Participants and issue its opinions.

**Article 19** In the event of any discrepancy between the entitlements granted to a Participant and the arrangement under the Incentive Scheme, the independent Directors, the Supervisory Committee (where there are changes the Participants) and the legal adviser shall simultaneously issue clear opinions thereon.

**Article 20** After the Scheme is considered and approved at the Shareholders' meeting and the A share and H share class meetings, the Company shall complete the grant, registration and announcement in accordance with the Administrative Measures.

**Article 21** Where a Participant who is a member of the Senior Management of the Company reduces his/her shareholding in the Company within 6 months prior to the grant of the Restricted Shares, the grant of the Restricted Shares shall be postponed for six months from the date of the latest of such shareholding reduction in accordance with the short-swing trading provisions under the Securities Law.

**Article 22** The Company shall file an application to the Stock Exchange prior to the grant of entitlements. Upon confirmation by the Stock Exchange, the Securities Depository and Clearing agency will deal with the matters of registration and settlement.

#### **Chapter IV Unlocking of the Restricted Shares**

**Article 23** The restricted shares granted by the Restricted Share Incentive Scheme shall enter into 36 months' unlocking period after the expiration of 24 months from the date of completion of registration. The remuneration committee under the Board shall verify the fulfillment of conditions for unlocking. If the unlocking conditions as stipulated in the Restricted Share Incentive Scheme are met, the remuneration committee shall determine the unlocking coefficient for each Participant according to their performance evaluation results, draw up an unlocking scheme and submit it to the Board for approval.

**Article 24** The Board shall consider whether the conditions for unlocking the Restricted Shares under the Incentive Scheme have been satisfied and the independent Directors and Supervisory Committee shall issue their relevant opinions. The Company's legal adviser shall issue legal opinions as to whether the conditions for unlocking the Restricted Shares have been satisfied.

**Article 25** After the approval of the Board, as to the Participant who has satisfied the conditions for unlocking the Restricted Shares, the Company shall handle the unlocking matters in a unified manner. Restricted Shares held by Participants who have not satisfied the conditions for unlocking the Restricted Shares shall be repurchased by the Company and the repurchased shares shall be disposed in accordance with the Company Law and other laws and regulations.

**Article 26** The Company shall file an application to the Stock Exchange prior to unlocking the Restricted Shares held by Participants. Upon confirmation by the Stock Exchange, the Securities Depository and Clearing agency will deal with the matters of registration and settlement.

#### **Chapter V Amendments to the Scheme**

**Article 27** Any proposed amendment to the Scheme prior to approval of the Scheme by Shareholders at the Shareholders' meeting of the Company shall be subject to consideration and approval of the Board.

**Article 28** Unless otherwise specified by the Scheme or authorized by the Shareholders' meeting, any proposed amendment to the Scheme after approval of the Scheme by the Shareholders at a Shareholders' meeting, the A share class meeting and the H share class meeting of the Company shall be subject to consideration and approval at a Shareholders' meeting, the A share class meeting and the H share class meeting of the Company, provided that such amendment shall not:

- (I) result in unlocking of restriction in advance; or
- (II) reduce the Grant Price.

**Article 29** The independent Directors and the Supervisory Committee shall give clear opinions on whether the amended Scheme is beneficial for the sustainable development of the Company or will be detrimental to the interest of the Company and all Shareholders.

**Article 30** The legal adviser shall give professional opinions on whether the amended Scheme complies with the requirements of relevant laws and regulations and the Scheme or will be detrimental to the interest of the Company and all Shareholders.

#### **Chapter VI Termination of the Scheme**

**Article 31** Proposed termination of the Scheme by the Company prior to approval of the Scheme by Shareholders at the Shareholders' meeting of the Company shall be subject to consideration and approval of the Board.

**Article 32** Proposed termination of the Scheme by the Company after approval of the Scheme by Shareholders at the Shareholders' meeting, the A share class meeting and the H share class meeting of the Company shall be subject to consideration and approval at the Shareholders' meeting, the A share class meeting and the H share class meeting of the Company.

**Article 33** The legal adviser engaged by the Company shall issue legal opinions as to whether the termination of the Scheme is in compliance with the Administrative Measures, and relevant laws and regulations, and whether it would noticeably prejudice the interests of the Company and its Shareholders as a whole.

**Article 34** In case of termination of the Scheme, the Company shall repurchase all Restricted Shares that are still locked up and deal with such repurchased shares in accordance with the Company Law.

**Article 35** The Company shall file an application to the Stock Exchange prior to the repurchase of the Restricted Shares. Upon confirmation by the Stock Exchange, the Securities Depository and Clearing agency will deal with the matters of registration and settlement.

#### **Chapter VII Handling of Special Circumstances**

**Article 36** Unusual changes to the Company

- (I) The Scheme shall be terminated immediately in the event that any of the following events occurs to the Company. The Restricted Shares of the Participants which are granted under the Scheme but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company at the lower of the Grant Price and the market price of the Shares at the time of repurchasing (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 resolution for consideration of the repurchase):
1. The Scheme shall be terminated in case of any issue of an auditors' report with adverse opinion or a disclaimer opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
  2. The Scheme shall be terminated in case of any issue of an auditors' report with adverse opinion or a disclaimer opinion by a certified public accountant with respect to the internal controls over the financial reporting of the Company for its most recent accounting year;

3. The Scheme shall be terminated in case of any failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the past 36 months after listing;
  4. Other circumstances where the implementation of the Scheme is prohibited by laws and regulations;
  5. Other circumstances under which the Scheme shall be terminated as determined by the CSRC.
- (II) The Scheme shall remain unchanged and the Company shall proceed to implement the Scheme as stipulated in the event that any of the following events occurs to the Company:
1. Change of control of the Company;
  2. Merger or separation of the Company.
- (III) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking the restrictions, the Restricted Shares not unlocked shall be repurchased and cancelled by the Company on a uniform basis. In respect of the Restricted Shares granted to the Participants which have been unlocked, the Participants concerned shall return to the Company all interests granted. Participants, who are not responsible for the above matters, suffering losses due to the return of entitlements may claim compensation from the Company or the responsible party according to the relevant arrangements under the Scheme. The Board shall recover all the profits gained by the Participants in accordance with the provisions of the preceding paragraph and the relevant arrangements under the Scheme.

**Article 37** Handling of changes in personal particulars of the Participants

- (I) Within six months from the date of occurrence of any of the following circumstances, the Restricted Shares of the Participants which have satisfied the unlock conditions within the year can be unlocked; Restricted Shares not satisfied with the unlock conditions shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China at the time of repurchasing:
1. A Participant is transferred from the Company and ceases to take office in the Company due to organizational arrangements;

2. A Participant is deceased (his/her legal successor shall unlock the restrictions as required instead);
  3. A Participant loses the capacity for civil conducts;
  4. A Participant is dismissed by the Company due to reasons other than incompetence to the position, disqualification in performance appraisal, negligence, violation of laws, non-compliance, etc.
- (II) When a Participant becomes an independent Director, Supervisor or a person who is prohibited from holding the Company's Restricted Shares, all Restricted Shares held by such Participant that are still locked up shall be repurchased and cancelled by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China at the time of repurchasing.
- (III) All Restricted Shares held by a Participant that are still locked up shall be repurchased and cancelled by the Company at a repurchase price equal to the lower of the Grant Price and the market price of the Company's shares if any of the following circumstance occurs:
1. such Participant proposes to terminate his/her employment contract with the Company;
  2. such Participant opts not to renew his/her employment contract with the Company when the contract expires;
  3. such Participant becomes disqualified for the Scheme due to his/her incompetence to the position, disqualification in performance appraisal, negligence, violation of laws, noncompliance, etc.;
  4. such Participant is dismissed due to a breach of his/her fiduciary duties as required under the Company Law and the Articles of Association, violation of laws and regulations, breach of professional ethics, leakage of the Company's confidential information, dereliction of duty or malpractice or any other acts that are detrimental to the interests or reputation of the Company (the Board reserves the right to recover all or part of the gains from the sale of Restricted Shares which have been unlocked based on the severity of the case).

- (IV) Where a Participant retires upon reaching retirement age stipulated by law, all Restricted Shares held by such Participant that meet unlocking conditions in the year of such retirement can be unlocked within six months from the date of such retirement, and those not satisfied with the unlocking conditions shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China when repurchasing and cancelling.
- (V) Other circumstances that are not covered shall be determined by the Board and dealt with in such manner as the Board determines.

### **Chapter VIII Supplemental Provisions**

**Article 38** The Measures shall be formulated, interpreted and amended by the Board.

**Article 39** The Measures shall come into effect as of the date of approval by the Shareholders' meeting and the A share and H share class meetings.

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**APPENDIX IV      PROPOSAL ON SUBMITTING FOR SHAREHOLDERS' APPROVAL FOR  
AUTHORIZING THE BOARD TO HANDLE THE RELEVANT MATTERS  
IN RESPECT OF THE RESTRICTED SHARE INCENTIVE SCHEME**

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For the purpose of implementing the Company's 2021 Restricted Share Incentive Scheme (hereinafter referred to as the "Share Incentive Scheme"), the Board of the Company submits for the Shareholders' approval to authorize the Board to handle the following matters related to the Share Incentive Scheme:

1. To authorize the Board to determine the grant date of the restricted shares;
2. To authorize the Board to adjust the number of the restricted shares to be granted based on the Share Incentive Scheme in the event of any capitalisation issue, bonus issue, share split, share consolidation, rights issue, and additional issue of new shares;
3. To authorize the Board to adjust the price of the restricted shares to be granted based on the Share Incentive Scheme in the event of any capitalisation issue, bonus issue, share split, share consolidation, dividend distribution, rights issue, and additional issue of new shares;
4. To authorize the Board to review whether the conditions for the granting of restricted shares by the Company to the participants are met, and to handle all matters concerning the grant of the restricted shares and the related registration and settlement;
5. To authorize the Board to review whether the conditions for unlocking the restricted shares granted to Participants by the Company for such unlocking period are met, and to handle all matters concerning the unlocking of the restricted shares;
6. To authorize the Board, in the event the repurchasing of shares is required pursuant to the terms of the Share Incentive Scheme, to repurchase the restricted shares held by the participants that have not been unlocked under the Share Incentive Scheme and to handle all matters concerning the repurchasing of such restricted shares, including but not limited to the registration and settlement of such restricted shares, amendment to the articles of association of the Company, change and registration of the registered capital of the Company;
7. To authorize the Board to adjust the number and price of the restricted shares to be granted based on the Share Incentive Scheme in the event of any capitalisation issue, bonus issue, share split, share consolidation, dividend distribution, and rights issue;
8. To authorize the Board, based on the Share Incentive Scheme, to deal with the restricted shares granted to the Participants that have been or have not been unlocked in the event of special circumstances including but not limited to resignation, retirement, and death;



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**APPENDIX IV      PROPOSAL ON SUBMITTING FOR SHAREHOLDERS' APPROVAL FOR  
AUTHORIZING THE BOARD TO HANDLE THE RELEVANT MATTERS  
IN RESPECT OF THE RESTRICTED SHARE INCENTIVE SCHEME**

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9. To authorize the Board to reject or replace the samples of benchmarking companies undergoing performance appraisal based on the Share Incentive Scheme and changes in benchmarking companies;
10. To authorize the Board to manage the whole process of the implementation of the Share Incentive Scheme in accordance with the Management Measures for the 2021 Restricted Share Incentive Scheme of China Railway Group Limited. However, if laws, administrative regulations, departmental rules, normative documents and relevant regulatory authorities require that such management measures be approved at shareholders' meeting of the Company or/and by relevant regulatory authorities, such management measures shall be approved accordingly;
11. Where laws, administrative regulations, departmental rules and normative documents including the Company Law 《公司法》, the Securities Law 《證券法》, the Administrative Measures for the Share Incentives of Listed Companies 《上市公司股權激勵管理辦法》, and the Guidelines for Implementation of Share Incentive by Listed Companies Controlled by Central Enterprises 《中央企業控股上市公司實施股權激勵工作指引》 are revised, to authorize the Board to adjust relevant content of the Share Incentive Scheme based on the amendments;
12. Other matters necessary to authorize the Board to implement the Share Incentive Scheme, except for the power that shall not be granted to the Board and shall be approved at shareholders' meeting(s) of the Company pursuant to relevant laws, administrative regulations, departmental rules, normative documents and the articles of association of the Company.

The Board submits to the shareholders' meeting of the Company to approve that the period of authorization to the Board is consistent with the term of the Share Incentive Scheme.

Save as any matters required to be adopted by the Board pursuant to relevant laws, administrative regulations, departmental rules, normative documents, and the articles of association of the Company, other matters may be directly handled by the Chairman of the Board or the appropriate person authorized by the Chairman to act on his behalf.

**1 RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2 DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at the Latest Practicable Date, none of the Directors, chief executive of the Company and Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

**3 MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2020, the date to which the last published audited consolidated accounts of the Group were made up.

**4 LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against any member of the Group.

**5 DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors and Supervisors had entered into, or proposed to enter into, any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**6 COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the Company's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Company's business.

**7 DIRECTORS' AND SUPERVISORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors and Supervisors had any direct or indirect interest in any assets which had been, since 31 December 2020, the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors nor Supervisors was materially interested, either directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

**8 QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

<b>Name</b>	<b>Qualification</b>
Gram Capital Limited	Type 6 (advising on corporate finance) regulated activity as defined under the SFO

The expert named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report, opinion (as the case may be) and the references to its name (including its qualifications) in the form and context in which they respectively appear.

As at the Latest Practicable Date, the expert named above did not have any direct or indirect interest in any assets of the Group which have, since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, the expert named above did not beneficially interested in the share capital of any member of the Group and none of them has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**9 MISCELLANEOUS**

- (i) Mr. He Wen and Mr. Tam Chun Chung act as joint company secretary of the Company. Mr. Tam is a member of the Hong Kong Institution of Certified Public Accountants and a fellow of the Chartered Association of Certified Accountants.
- (ii) The registered office of the Company is 918, Block 1, No. 128, South 4th Ring Road West, Fengtai District, Beijing, the PRC. The principal place of business of the Company in Hong Kong is Unit 1201–1203, 12/F, APEC Plaza, 49 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.
- (iii) Computershare Hong Kong Investor Services Limited, the H-share registrar of the Company in Hong Kong, is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) With respect to Appendix I to Appendix IV, if there are any discrepancies between the English text and the Chinese text, the Chinese text prevails.

**10 DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.crec.cn](http://www.crec.cn)) from the date of this circular up to and including the date of the Extraordinary General Meeting:

- (i) the 2021 Restricted A Share Incentive Scheme of the Company, the text of which is set out on pages I-1 to I-47 of this circular;
- (ii) the Appraisal Management Measures, the text of which is set out on pages II-1 to II-5 of this circular;
- (iii) the Management Measures, the text of which is set out on pages III-1 to III-9 of this circular;
- (iv) the proposed mandate to the Board to handle the relevant matters in respect of the Scheme, the text of which is set out on pages IV-1 to IV-2 of this circular;
- (v) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 43 of this circular;
- (vi) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 44 to 56 of this circular;
- (vii) the written consent from the expert referred to under the paragraph “Qualification and Consent of Expert” in this appendix; and
- (viii) this circular.

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# NOTICE OF THE 2021 SECOND EXTRAORDINARY GENERAL MEETING

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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)**

## NOTICE OF THE 2021 SECOND EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2021 second extraordinary general meeting (the “**Extraordinary General Meeting**”) of the shareholders of China Railway Group Limited (the “**Company**”) will be held at Conference Room, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing, PRC, at 9:30 a.m., on Thursday, 30 December 2021 for the purpose of considering and, if thought fit, passing, the following resolutions:

### **SPECIAL RESOLUTIONS**

1. To consider and approve the resolution regarding the 2021 Restricted Share Incentive Scheme of China Railway Group Limited and its summary.
2. To consider and approve the resolution regarding the Appraisal Management Measures for Implementation of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited.
3. To consider and approve the resolution regarding the Management Measures of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited.
4. To consider and approve the resolution regarding the mandate to the board of directors of the Company to handle the relevant matters in respect of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited.

### **ORDINARY RESOLUTION**

5. To consider and approve the resolution regarding the grant of restricted shares to connected persons of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited under the 2021 Restricted Share Incentive Scheme of China Railway Group Limited.

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

Beijing, the PRC

14 December 2021

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# NOTICE OF THE 2021 SECOND EXTRAORDINARY GENERAL MEETING

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*Notes:*

## **1. Closure of register of members and eligibility for attending the Extraordinary General Meeting**

Shareholders who submit their share transfer application forms to the Company's share registrar before close of business on Friday, 24 December 2021 and become registered as shareholders on the register of members of the Company are entitled to attend the Extraordinary General Meeting.

Holders of the Company's H shares are advised that the register of members will be closed from Monday, 27 December 2021 to Thursday, 30 December 2021 (both days inclusive). Holders of H shares whose names appear on the register of members of the Company maintained in Hong Kong at the close of business on Friday, 24 December 2021 are entitled to attend the Extraordinary General Meeting.

Holders of H shares who wish to attend the Extraordinary General Meeting but have not registered the transfer documents are required to deposit the transfer document together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m., Friday, 24 December 2021.

## **2. Registration procedures for attending the Extraordinary General Meeting**

Shareholders attending the Extraordinary General Meeting in person or by proxy shall present their identity certification. If the attending shareholder is the authorised legal representative of a company's shareholder, the board of directors or other decision-making authority, then such attending shareholder shall present a copy of the relevant resolution of the board of directors or other decision-making authority appointing it as its authorised legal or official representative in order to attend the Extraordinary General Meeting on behalf of such company.

## **3. Notice of attendance**

Shareholders who intend to attend the Extraordinary General Meeting in person or by proxy shall return the reply slip in person, by post or by facsimile to the Company's Board of Directors' Office or Computershare Hong Kong Investor Services Limited on or before Wednesday, 29 December 2021.

The Company's Board of Directors' Office is located at Room 511, Building A, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing 100039, PRC (Contact person: Mr. LI, Tel: (8610) 5187 8061, Fax: (8610) 5187 8417).

The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Tel: (852) 2862 8555, Fax: (852) 2865 0990).

## **4. Proxy**

Shareholders entitled to attend and vote at the Extraordinary General Meeting may appoint one or more proxies to attend and vote in their stead. A proxy need not be a shareholder of the Company.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised in writing. If the shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorised attorney(s). If the proxy form is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorisation documents must be notarised.

To be valid, the proxy form (and if such proxy form is executed by a person under a power of attorney or other authorisation documents, then together with such power of attorney or authorisation documents, or a copy thereof certified by a notary) must be delivered to Computershare Hong Kong Investor Services Limited (for holders of H shares) not less than 24 hours before the designated time for the holding of the Extraordinary General Meeting.

Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the Extraordinary General Meeting if he so wishes, but in such event the proxy form shall be deemed to be revoked.

## **5. Other business**

Shareholders and their proxies attending the Extraordinary General Meeting shall be responsible for their own travelling and accommodation expenses.

## **6. As at the date of this notice, 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.**

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## NOTICE OF THE 2021 FIRST H SHARE CLASS MEETING

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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)**

### NOTICE OF THE 2021 FIRST H SHARE CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the 2021 first class meeting of H Shareholders (the “**H Share Class Meeting**”) of China Railway Group Limited (the “**Company**”) will be held at Conference Room, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing, PRC, on Thursday, 30 December 2021 immediately following the conclusion of the class meeting of the holders of A shares of the Company or any adjournment thereof, for the purpose of considering and, if thought fit, passing, the following resolutions:

#### **SPECIAL RESOLUTIONS**

1. To consider and approve the resolution regarding the 2021 Restricted Share Incentive Scheme of China Railway Group Limited and its summary.
2. To consider and approve the resolution regarding the Appraisal Management Measures for Implementation of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited.
3. To consider and approve the resolution regarding the Management Measures of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited.
4. To consider and approve the resolution regarding the mandate to the board of directors of the Company to handle the relevant matters in respect of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited.

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

Beijing, the PRC

14 December 2021

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# NOTICE OF THE 2021 FIRST H SHARE CLASS MEETING

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*Notes:*

**1. Closure of register of members and eligibility for attending the H Share Class Meeting**

H Shareholders who submit their share transfer application forms to the Company's share registrar before close of business on Friday, 24 December 2021 and become registered as shareholders on the register of members of the Company are entitled to attend the H Share Class Meeting.

Holders of the Company's H shares are advised that the register of members will be closed from Monday, 27 December 2021 to Thursday, 30 December 2021 (both days inclusive). Holders of H shares whose names appear on the register of members of the Company maintained in Hong Kong at the close of business on Friday, 24 December 2021 are entitled to attend the H Share Class Meeting.

Holders of H shares who wish to attend the H Share Class Meeting but have not registered the transfer documents are required to deposit the transfer document together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m., Friday, 24 December 2021.

**2. Registration procedures for attending the H Share Class Meeting**

Shareholders attending the H Share Class Meeting in person or by proxy shall present their identity certification. If the attending shareholder is the authorised legal representative of a company's shareholder, the board of directors or other decision-making authority, then such attending shareholder shall present a copy of the relevant resolution of the board of directors or other decision-making authority appointing it as its authorised legal or official representative in order to attend the H Share Class Meeting on behalf of such company.

**3. Notice of attendance**

Shareholders who intend to attend the H Share Class Meeting in person or by proxy shall return the reply slip in person, by post or by facsimile to the Company's Board of Directors' Office or Computershare Hong Kong Investor Services Limited on or before Wednesday, 29 December 2021.

The Company's Board of Directors' Office is located at Room 511, Building A, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing 100039, PRC (Contact person: Mr. Li, Tel: (8610) 5187 8061, Fax: (8610) 5187 8417).

The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Tel: (852) 2862 8555, Fax: (852) 2865 0990).

**4. Proxy**

Shareholders entitled to attend and vote at the H Share Class Meeting may appoint one or more proxies to attend and vote in their stead. A proxy need not be a shareholder of the Company.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised in writing. If the shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorised attorney(s). If the proxy form is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorisation documents must be notarised.

To be valid, the proxy form (and if such proxy form is executed by a person under a power of attorney or other authorisation documents, then together with such power of attorney or authorisation documents, or a copy thereof certified by a notary) must be delivered to Computershare Hong Kong Investor Services Limited (for holders of H shares) not less than 24 hours before the designated time for the holding of the H Share Class Meeting.

Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the H Share Class Meeting if he so wishes, but in such event the proxy form shall be deemed to be revoked.

**5. Other business**

Shareholders and their proxies attending the H Share Class Meeting shall be responsible for their own travelling and accommodation expenses.

**6. As at the date of this notice, 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.**