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中國中車股份有限公司
CRRC CORPORATION LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 1766)

ANNOUNCEMENT ON CONNECTED TRANSACTION
TRANSFER OF EQUITY INTEREST IN ZIYANG ELECTRICAL

The Board announces that, on 23 December 2016, CRRC Ziyang and CRRC Industrial Investment entered into the Agreement, pursuant to which CRRC Ziyang has agreed to sell and CRRC Industrial Investment has agreed to purchase the Relevant Equity Interest. The consideration for the Transaction is RMB448,007,800, which will be paid by CRRC Industrial Investment in cash.

As at the date of this announcement, CRRC Group is a controlling shareholder holding, directly and indirectly, 55.92% equity interest of the Company and is therefore a connected person of the Company under the Hong Kong Listing Rules. CRRC Industrial Investment is a wholly-owned subsidiary of CRRC Group while CRRC Ziyang is a subsidiary of the Company. Therefore, the entering into of the Agreement between CRRC Ziyang and CRRC Industrial Investment constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable size test percentage ratios in relation to the Transaction exceed 0.1% but is less than 5%, the Transaction is subject to reporting and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

1. INTRODUCTION

The Board announces that, on 23 December 2016, CRRC Ziyang and CRRC Industrial Investment entered into the Agreement, pursuant to which CRRC Ziyang has agreed to sell and CRRC Industrial Investment has agreed to purchase the Relevant Equity Interest. Upon the completion of the Transaction, 51% equity interest of Ziyang Electrical will be held by CRRC Industrial Investment, while the remaining 49% equity interest of Ziyang Electrical will be held by CRRC Ziyang, and Ziyang Electrical will cease to be a subsidiary of the Company.

2. AGREEMENT

2.1 Signing Date

23 December 2016

2.2 Parties

- (1) CRRC Ziyang, as vendor; and
- (2) CRRC Industrial Investment, as purchaser.

2.3 Subject Matter

The subject matter of the Transaction is the 51% equity interest of Ziyang Electrical.

2.4 Consideration

The consideration agreed in respect of the Transaction is RMB448,007,800. It has been determined based on the net asset value of Ziyang Electrical as at 31 October 2016, being the valuation date, as appraised by Zhongshuizhiyuan using the income approach. The net assets of Ziyang Electrical is valued at approximately RMB878,446,700 by Zhongshuizhiyuan, pursuant to which, the net asset value of the Relevant Equity Interest is approximately RMB448,007,800.

The consideration shall be paid by CRRC Industrial Investment to CRRC Ziyang in cash on a one-off basis within 10 days after signing of the Agreement.

Unless otherwise provided, both parties have agreed to bear their own expenses and tax arising from the Transaction in accordance with the relevant laws of the PRC.

2.5 Establishment of the Agreement and its Effective Date

The Agreement will be established upon signing by the legal representatives or authorized representatives and upon affixing of the common seals of both parties and will come into effect on the date of fulfillment of all conditions below:

- (1) approval or consent being obtained from CRRC Group;
- (2) passing of the resolution to approve the Agreement by the board of directors or general manager's meeting of CRRC Ziyang; and
- (3) passing of the resolution to approve the Agreement by the board of directors or general manager's meeting of CRRC Industrial Investment.

The effective date of the Agreement shall be the closing date of the transfer of the Relevant Equity Interest.

3. PROFIT FORECAST REGARDING THE VALUATION METHOD

Since the Valuation Report adopts the valuation result derived by the income approach (discounting future estimated cash flows) as the valuation conclusion, such valuation constitutes a profit forecast under Rule 14.61 of the Hong Kong Listing Rules.

Pursuant to Rule 14.62 of the Hong Kong Listing Rules, the principal assumptions for preparing such valuation (including commercial assumptions upon which the profit forecast is based) are set out below:

1. There will be no changes to the external economic environment as at the valuation date and no material change in the existing national macroeconomic policy;
2. The market intended to be entered by the assets is an open market;
3. Ziyang Electrical will continue to operate in future, and the appraised assets will be utilized continuously in future production operations;
4. The 15% enterprise income tax rate under the preferential taxation policy of Great Western Development enjoyed by Ziyang Electrical as a new high-tech enterprise is not permanent;
5. The management and core management members of Ziyang Electrical are stable; and
6. The basic information and financial information upon which the valuation is based are true, accurate and complete.

Deloitte Touche Tohmatsu, the auditors of the Company, has reviewed the arithmetical accuracy of calculations (without involving the adoption of accounting policy) of discounted future estimated cash flows in the valuation. The Board has confirmed that the profit forecast of Ziyang Electrical in the Valuation Report has been made by the Board after due and careful enquiry. The letters issued by Deloitte Touche Tohmatsu and the Board are set out in Appendix 1 and Appendix 2, respectively, to this announcement.

The qualifications of each of the experts who has provided conclusions or opinions contained in this announcement are as follows:

Name	Qualification	Date of conclusions or opinions
Deloitte Touche Tohmatsu	Certified Public Accountants	23 December 2016
Zhongshuizhiyuan	Registered Asset Valuer	12 December 2016

As at the date of this announcement, to the best knowledge of the Directors, none of the experts own any beneficial interest in the share capital of any member of the Group, nor have any rights to subscribe or nominate others to subscribe for any shares, convertible securities, warrants, options or derivative securities (whether or not enforceable by law) attached with voting rights of any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter and/or references to its name.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

As reflected in the financial statements of CRRC Ziyang, the book value of the 51% equity interest proposed to be transferred is RMB20,817,078 and the fair value (being appraised value) is RMB448,007,817. Based on this calculation, the gain from the transfer of the Relevant Equity Interest to CRRC Ziyang is RMB427,190,739, which will be reflected under investment income in the income statement of CRRC Ziyang. The proceeds of the Transaction will be used to supplement working capital, expand business and be used as capital expenditure.

Through this Transaction, Ziyang Electrical is expected to achieve a transformation in its operating mechanism and innovation in its development pattern by leveraging on the capital platform of CRRC Industrial Investment, therefore driving further development of its business. In addition, it will also help CRRC Ziyang to improve its asset structure and cash flow, therefore speeding up the process of its transformation upgrade.

5. INFORMATION ON ZIYANG ELECTRICAL

Ziyang Electrical is a company incorporated in the PRC with limited liabilities and is wholly owned by CRRC Ziyang as at the date of this announcement. The business scope of Ziyang Electrical include: research and development,

manufacture and sale of opto-electronic connectors and cable integration, electrical equipment, spare parts of locomotives, components and spare parts of automobiles; import and export business of materials and products used in the manufacturing process of an enterprise; as well as road freight transportation.

In accordance with Accounting Standards for Business Enterprises of the PRC, the net profits (before and after taxation and extraordinary items) of Ziyang Electrical for the financial years ended 31 December 2014 and 31 December 2015 are set out as follows:

	Year ended 31 December 2014 <i>(RMB)</i>	Year ended 31 December 2015 <i>(RMB)</i>
Net profit before taxation and extraordinary items	10,774,552	15,197,633
Net profit after taxation and extraordinary items	10,744,736	13,780,817

The book value of the net assets of Ziyang Electrical as at 31 October 2016, being the valuation date, is approximately RMB93,914,473. According to the Valuation Report, the appraised net assets value of Ziyang Electrical is approximately RMB878,446,700.

6. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

CRRC Group is a controlling shareholder holding, directly and indirectly, 55.92% equity interest of the Company and is therefore a connected person of the Company under the Hong Kong Listing Rules. CRRC Industrial Investment is a wholly-owned subsidiary of CRRC Group while CRRC Ziyang is a subsidiary of the Company. Therefore, the entering into of the Agreement by CRRC Ziyang and CRRC Industrial Investment constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable size test percentage ratios in relation to the Transaction exceed 0.1% but is less than 5%, the Transaction is subject to reporting and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Two Directors, namely Liu Hualong and Xi Guohua (both of whom hold positions in CRRC Group), have abstained from voting on the Board resolution approving the Agreement and the Transaction. Save as stated above, none of the Directors have any material interest in the Transaction, and hence no other Director has abstained from voting on the relevant Board resolution.

All Directors (including all independent non-executive Directors) consider that the terms of the Transaction have been entered into on normal commercial terms, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

7. GENERAL INFORMATION ON THE COMPANY, CRRC GROUP, CRRC ZIYANG AND CRRC INDUSTRIAL INVESTMENT

The Company

The Company is a joint stock limited company incorporated in the PRC. The Group is the largest rolling stock provider in the world, with the most diverse offerings and leading technologies. The main scope of business of the Company includes research and development, design, manufacturing, refurbishment, sales, leasing and technical support of locomotives, MUs, rapid transit vehicles, engineering machinery, various electromechanical equipment, electronic equipment and components, as well as electric devices and environmental protection equipment; information consultation; business investment and management; asset management and import and export businesses.

CRRC Group

CRRC Group is a large-scale wholly state-owned enterprise approved for establishment by the State Council and the controlling shareholder of the Company. The principal businesses of CRRC Group (through the Company) include research and development, manufacturing, sales, repairs and leasing of rolling stock and key components, and the extended businesses relying on the proprietary technology of rolling stock.

CRRC Ziyang

CRRC Ziyang is a state-controlled limited liability company established by the Company and the State-owned Asset Supervision and Administration Commission of Ziyang Municipal Government, in which the Company holds 99.61% equity interest. The main scope of business of CRRC Ziyang includes research and development, design, manufacture, sale, leasing, maintenance, repair, testing and inspection of rolling stock, generating units and components; general contracting services for domestic and international projects; import and export businesses; environmental protection engineering services; labor dispatching; energy supply.

CRRC Industrial Investment

CRRC Industrial Investment is a corporate wholly-owned limited liability company established by CRRC Group. The principal businesses of CRRC Industrial Investment include project investments in areas such as machinery and

electronics, energy, transportation, energy saving, environmental protection, new materials and e-commerce; investment management; asset management; investment consultation; technology development, technology transfer and technology promotion; import and export of goods, import and export of technologies as well as being an import and export agent.

8. DEFINITION

In this announcement, unless the context otherwise requires, the terms used herein shall have the following meanings:

“Agreement”	the equity transfer agreement entered into between CRRC Ziyang and CRRC Industrial Investment on 23 December 2016, pursuant to which CRRC Ziyang agreed to sell and CRRC Industrial Investment agreed to purchase the Relevant Equity Interest;
“Board”	the board of directors of the Company;
“Company”	CRRC Corporation Limited (中國中車股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares and the A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Controlling shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“CRRC Group”	CRRC Group (中國中車集團公司), a large-scale wholly state-owned enterprise and the controlling shareholder of the Company;
“CRRC Industrial Investment”	CRRC Industrial Investment Co., Ltd.* (中車產業投資有限公司), a corporate wholly-owned limited liability company established by CRRC Group;
“CRRC Ziyang”	CRRC Ziyang Co., Ltd.* (中車資陽機車有限公司), a subsidiary which is held as to 99.61% in equity interest by the Company;
“Director(s)”	the director(s) (including the independent non-executive director(s)) of the Company;

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China;
“Relevant Equity Interest”	the 51% equity interest in Ziyang Electrical held by CRRC Ziyang
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Transaction”	the transaction in relation to the transfer of the Relevant Equity Interest by CRRC Ziyang to CRRC Industrial Investment in accordance with the terms and conditions of the Agreement;
“Valuation Report”	the Valuation Report dated 12 December 2016 issued by Zhongshuizhiyuan on the valuation of the net assets of Ziyang Electrical;
“Zhongshuizhiyuan”	Zhongshuizhiyuan Assets Appraisal Co., Ltd. (中水致遠資產評估有限公司), an independent valuer;
“Ziyang Electrical”	Ziyang CRRC Electrical Technology Co., Ltd.* (資陽中車電氣科技有限公司), a company which is held as to 100% in equity interest by CRRC Ziyang as at the date of this announcement; and
“%”	per cent.

By order of the Board
CRRC Corporation Limited
Liu Hualong
Chairman

Beijing, the PRC
23 December 2016

As at the date of this announcement, the executive directors of the Company are Mr. Liu Hualong and Mr. Xi Guohua; the non-executive director is Mr. Liu Zhiyong; and the independent non-executive directors are Mr. Li Guo’an, Mr. Zhang Zhong, Mr. Wu Zhuo, Mr. Sun Patrick and Mr. Chan Ka Keung, Peter.

** For identification purposes only*

Appendix 1 Letter from Deloitte Touche Tohmatsu

Below is the full text of the letter dated 23 December 2016 issued by Deloitte Touche Tohmatsu, the auditors of the Company, for inclusion in this announcement.

INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE EQUITY INTEREST IN ZIYANG CRRC ELECTRICAL TECHNOLOGY CO., LTD.

TO THE DIRECTORS OF CRRC CORPORATION LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Zhongshui Zhiyuan Asset Appraisal Co., Ltd. (中水致遠資產評估有限公司) dated 12 December 2016, of the equity interest in Ziyang CRRC Electrical Technology Co., Ltd. (資陽中車電氣科技有限公司) ("Ziyang CRRC Electrical") as at 31 October 2016 (the "Valuation") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and will be included in an announcement dated 23 December 2016 to be issued by CRRC Corporation Limited (the "Company") in connection with the disposal of 51% equity interest in Ziyang CRRC Electrical (the "Announcement").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Ziyang CRRC Electrical.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 December 2016

Appendix 2 Letter from the Board

Below is the full text of the letter dated 23 December 2016 prepared by the Board for inclusion in this announcement.

To: Listing Division
The Stock Exchange of Hong Kong Limited
11/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

23 December 2016

Dear Sir,

Company: CRRC Corporation Limited (the “**Company**”)
Re: Profit Forecast — Confirmation Letter required by Rules 14.62(3) and 14A.68(7) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)

Reference is hereby made to the announcement dated 23 December 2016 issued by the Company in which the adoption of the income approach in the Valuation Report (the “**Valuation Report**”) dated 12 December 2016 on the net assets of Ziyang CRRC Electrical Technology Co., Ltd. (資陽中車電氣科技有限公司) prepared by Zhongshuizhiyuan Assets Appraisal Co., Ltd. (中水致遠資產評估有限公司)(the “**Valuer**”) was mentioned.

The Board has reviewed and discussed with the Valuer the basis and assumptions of the valuation. The Board has also taken into consideration the report dated 23 December 2016 issued by Deloitte Touche Tohmatsu, the auditor of the Company, on the arithmetical accuracy of the calculations of the profit forecast in the Valuation Report.

According to the requirements under Rules 14.62(3) and 14A.68(7) of the Listing Rules, the Board confirms that the profit forecast used in the aforesaid Valuation Report has been made after its due and careful enquiry.

For and on behalf of the Board
CRRC Corporation Limited
Liu Hualong
Chairman