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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**  
**DISCLOSEABLE TRANSACTION AND CONTINUING**  
**CONNECTED TRANSACTION**

**ENTERING INTO THE NEW PRODUCT AND SERVICE MUTUAL  
PROVISION FRAMEWORK AGREEMENT**

The Board announced that on 26 April 2018, the Company and CRRC GROUP entered into the New Product and Service Mutual Provision Framework Agreement for an effective term from 1 January 2019 to 31 December 2021.

The Company estimates that under the New Product and Service Mutual Provision Framework Agreement: (i) the annual caps for the amounts to be paid by CRRC GROUP and/or its associates for provision of products and services by the Group for each of the three years ending 31 December 2021 will amount to RMB5,000 million, RMB7,000 million and RMB7,000 million, respectively; and (ii) the annual caps for the amounts to be paid by the Group for provision of products and services by CRRC GROUP and/or its associates for each of the three years ending 31 December 2021 will amount to RMB4,000 million, RMB4,500 million and RMB5,000 million, respectively.

## **ENTERING INTO THE NEW PROPERTY LEASING FRAMEWORK AGREEMENT**

The Board announced that on 26 April 2018, the Company and CRRC GROUP entered into the New Property Leasing Framework Agreement for an effective term from 1 January 2019 to 31 December 2021.

The Company estimates that under the New Property Leasing Framework Agreement: (i) the annual caps for the amounts to be paid by the Group for leasing of properties from CRRC GROUP and/or its associates for each of the three years ending 31 December 2021 will amount to RMB500 million, RMB500 million and RMB600 million, respectively; and (ii) the annual caps for the amounts to be paid by CRRC GROUP and/or its associates for leasing of properties from the Group for each of the three years ending 31 December 2021 will amount to RMB400 million, RMB400 million and RMB500 million, respectively.

## **ENTERING INTO THE NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT**

The Board announced that on 26 April 2018, the Finance Company and CRRC GROUP entered into the New Financial Services Framework Agreement for an effective term from 1 January 2019 to 31 December 2021.

The Company estimates that under the New Financial Services Framework Agreement: (i) the maximum daily deposit balance (including accrued interests) in respect of the provision of deposit services by the Finance Company to CRRC GROUP and/or its associates for each of the three years ending 31 December 2021 will amount to RMB20,000 million, RMB21,000 million and RMB22,000 million, respectively; (ii) the maximum daily balance of credit (including accrued interests) in respect of the provision of credit services by the Finance Company to CRRC GROUP and/or its associates for each of the three years ending 31 December 2021 will amount to RMB8,500 million, RMB12,000 million and RMB15,000 million, respectively; and (iii) the annual caps for the amounts to be received by the Finance Company for provision of miscellaneous financial services to CRRC GROUP and/or its associates for each of the three years ending 31 December 2021 will amount to RMB200 million, RMB300 million and RMB400 million, respectively.

## **IMPLICATIONS OF THE HONG KONG LISTING RULES**

As at the date of this announcement, CRRC GROUP is the controlling shareholder of the Company holding, directly and indirectly, approximately 55.63% of the shares of the Company, and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Continuing Connected Transaction Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable size test percentage ratio exceeds 0.1% but is less than 5% in respect of the relevant continuing connected transactions under the New Product and Service Provision Framework Agreement, such transactions are therefore subject to annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement of the Hong Kong Listing Rules.

As the highest applicable size test percentage ratio exceeds 0.1% but is less than 5% in respect of the relevant continuing connected transactions under the New Property Leasing Framework Agreement, such transactions are therefore subject to annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement of the Hong Kong Listing Rules.

The placing of deposits by CRRC GROUP with the Finance Company constitutes a financial assistance provided by the connected person to the Company. As the placing of deposits by CRRC GROUP with the Finance Company and the deposit services provided by the Finance Company to CRRC GROUP are on normal commercial terms which are no less favorable than those offered by Major Commercial Banks for the provision of comparable services in the PRC and are for the benefit of the Group, and no security over the assets of the Group is or will be granted in respect of the placing of deposits and the provision of such deposit services, the placing of deposits by CRRC GROUP with the Finance Company and the deposit services to be provided by the Finance Company to CRRC GROUP under the New Financial Services Framework Agreement are exempt from all Shareholders' approval, annual reporting and announcement requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The provision of loans and other credit services by the Finance Company to CRRC GROUP constitutes a financial assistance provided by the Company to its connected person, and therefore constitutes a connected transaction. As the highest applicable percentage ratio in respect of the provision of credit services under the New Financial Services Framework Agreement exceeds 5% on an annual basis, the credit services to be provided by the Finance Company to CRRC GROUP are therefore subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the provision of credit services under the New Financial Services Framework Agreement exceeds 5% but is less than 25%, the credit services to be provided by the Finance Company to CRRC GROUP also constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. A circular containing, among others, details of the New Financial Services Framework Agreement and the transaction of the provision of credit services by the Finance Company to CRRC GROUP contemplated thereunder will be despatched to the Shareholders in due course.

As the highest applicable percentage ratio in respect of the provision of miscellaneous financial services under the New Financial Services Framework Agreement exceeds 0.1% but is less than 5%, the miscellaneous financial services to be provided by the Finance Company to CRRC GROUP are therefore subject to the annual reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## **A. INTRODUCTION**

Reference is made to the continuing connected transaction announcement of the Company dated 29 March 2016 in relation to, among others, the existing continuing connected transaction agreements between the Group and CRRC GROUP: (1) Existing Product and Service Mutual Provision Framework Agreement; (2) Existing Property Leasing Framework Agreement; and (3) Existing Financial Services Framework Agreement.

As the caps for each of the aforementioned existing continuing connected transactions will expire on 31 December 2018, the Company proposes to enter into new framework agreements to govern such existing continuing connected transactions for the three years ending 31 December 2021 and set the respective caps thereof.

## **B. ENTERING INTO THE NEW PRODUCT AND SERVICE MUTUAL PROVISION FRAMEWORK AGREEMENT**

### **1. Background**

In the course of its daily production and operation, the Group conducts continuing connected transactions with CRRC GROUP and its subsidiaries in relation to the purchase and sales of goods, provision and acceptance of services. In order to better regulate such continuing connected transactions, pursuant to relevant regulatory requirements of the places of listing of the Company, the Company and CRRC GROUP entered into the New Product and Service Mutual Provision Framework Agreement on 26 April 2018.

### **2. Principal terms of the New Product and Service Mutual Provision Framework Agreement**

The principal terms of the New Product and Service Mutual Provision Framework Agreement are summarized as follows:

**Date:** 26 April 2018

**Parties:** CRRC GROUP and the Company

**Transaction details:** CRRC GROUP and/or its associates will sell raw materials, accessories, components, equipments, packing materials and other products, and provide repairing, training, processing, greening, security, sanitation and business consulting services to the Group.

The Group will sell raw materials, accessories, components, equipments, vehicles and energy resource and other products, and provide repairing, installation, training, processing, greening, security, sanitation, project contracting, project operation and business consulting services to CRRC GROUP and/or its associates.

**Term:** From 1 January 2019 to 31 December 2021, subject to extension or renewal with consent of both parties provided that it is in compliance with the relevant regulations and the listing rules of the places of listing of the Company.

**Pricing policy:**

The prices of the products and services under the New Product and Service Mutual Provision Framework Agreement shall be determined according to the following principles and in the following order:

- Government-prescribed Price if available;
- where there is no Government-prescribed Price but there is Government-guided Price, then according to the Government-guided Price;
- where there is neither Government-prescribed Price nor Government-guided Price, then according to the market price (including tendering price);
- where none of the aforesaid three prices are available or the aforesaid pricing principles cannot be applied in actual transactions, then according to an agreed price. Such agreed price shall be determined based on the reasonable cost plus a reasonable profit. The reasonable cost is the actual costs and expenses incurred in providing the products and services as agreed by both parties after negotiation. Unless otherwise determined by the parties through negotiation, reasonable profit shall be based on reasonable cost multiplied by the average profit margin in the industry.

The market price of each product and service shall be determined according to the following order:

- the price charged by Independent Third Parties providing the same kind of products and services under normal commercial terms in the locality where such products and service are provided or proximities thereof; or
- the price charged by Independent Third Parties providing the same kind of products and services under normal commercial terms in China.

As at the date of this announcement, so far as the Company is aware, there is no Government-prescribed Price or Government-guided Price applicable to the products and services under the New Product and Service Mutual Provision Framework Agreement.

The implementation of the aforesaid pricing principles under the aforesaid New Product and Service Mutual Provision Framework Agreement are as follows:

In determining the prices for the purchase of products and services from CRRC GROUP and/or its associates, the Group will determine the reference prices through, among other things, recent market transaction prices, by making enquiries on market prices of similar products and services with industry players and conducting researches on industry websites, and then compare the references with the prices quoted by CRRC GROUP and/or its associates to ensure that prices for the products and services will not be higher than the price offered by independent suppliers to the Company.

The Group has a pricing policy for the sale of products and the provision of services which is applicable to all customers. In determining or revising the pricing for products and services to CRRC GROUP and/or its associates, reference will be made to, among other things, prices of recent transactions of the Group in the market, enquiries with industry players and researches on industry websites. The prices for products and services to be charged by the Group to CRRC GROUP and/or its associates will be determined in accordance with the aforesaid pricing policy.

**Payment terms:**

The parties have agreed that the transactions under the New Product and Service Mutual Provision Framework Agreement shall be paid and settled by cash or in any other manner otherwise agreed by the parties, and in accordance with the time and payment method agreed upon in the specific product and service provision contract that has been entered into.

**3. Historical amounts of the continuing connected transactions for 2016, 2017 and the three months ended 31 March 2018**

The historical amounts in respect of the mutual provision of products and services between the Group and CRRC GROUP and/or its associates for the two financial years ended 31 December 2017 and the three months ended 31 March 2018 are as follows:

	<b>Twelve months ended 31 December 2016</b>	<b>Twelve months ended 31 December 2017</b>	<b>Three months ended 31 March 2018</b>
		<i>(RMB million)</i>	
<b>Revenue</b>			
Sales of products and provision of services to CRRC GROUP and/or its associates	241.59	447.30	97.33
<b>Expenditure</b>			
Purchase of products and services from CRRC GROUP and/or its associates	270.72	692.65	83.58



4. **Proposed annual caps of the continuing connected transactions for 2019, 2020 and 2021**

The estimated annual caps of the continuing connected transactions under the New Product and Service Mutual Provision Framework Agreement for each of the three years ending 31 December 2021 shall be as follows:

	<b>Twelve months ending 31 December 2019</b>	<b>Twelve months ending 31 December 2020</b>	<b>Twelve months ending 31 December 2021</b>
		<i>(RMB million)</i>	
<b>Revenue</b>			
Sales of products and provision of services to CRRC GROUP and/or its associates	5,000	7,000	7,000
<b>Expenditure</b>			
Purchase of products and services from CRRC GROUP and/or its associates	4,000	4,500	5,000

The aforesaid proposed annual caps of the continuing connected transactions are determined in terms of the estimated transaction amounts, with reference to the historical transaction amounts and expected business growth of the Group and CRRC GROUP. The Company has also taken into consideration of, among others, the following factors:

- (1) the terms of the Existing Product and Service Mutual Provision Framework Agreement;
- (2) the future business needs of the Group and CRRC GROUP; and
- (3) the expected future market price of the relevant products and services based on the market conditions in the PRC.

The Company proposes to increase the annual caps in respect of the continuing connected transactions for the mutual provision of products and services due to the fact that (1) the diversified structure of CRRC GROUP has preliminarily established its development platforms including industry investments, finance

and similar finance, real estate, asset management as well as education and training, and made significant breakthrough in emerging industries including new energy automobiles, environmental governance, etc., the Group will have connected transactions with CRRC GROUP in relation to these fields; (2) as CRRC GROUP's business continues to grow, the sale and purchase businesses between the Company and CRRC GROUP are expected to grow, and the scale of certain businesses, including centralized procurement of raw materials, processing and repurchase of parts and components, general contracting for PPP projects, project operation and sales of vehicle products, is expected to expand; (3) propelled and driven by the "Belt and Road" initiative, the Company is expected to expand into new business segments and the demand for machine manufacturing is expected to grow significantly; and (4) there is expected to be a greater demand for the business relevant to or complementary to CRRC GROUP's business in view of its integration of related industries in the next few years.

**5. Reasons for entering into the New Product and Service Mutual Provision Framework Agreement and the expected benefits to the Company**

The Company considers that it is in the interest of the Group to enter into the aforesaid transactions with CRRC GROUP to ensure the stable provision and supply of the products and services of the Company. CRRC GROUP is familiar with the business needs of the Company and the transactions between the parties, and will therefore facilitate the internal development of the Group and minimize the associated administrative and transportation costs.

The Directors (including the independent non-executive Directors) believe that the New Product and Service Mutual Provision Framework Agreement has been entered into on normal commercial terms and in the ordinary course of business of the Group, and the relevant terms of the transactions and annual caps are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

**C. ENTERING INTO THE NEW PROPERTY LEASING FRAMEWORK AGREEMENT**

**1. Background**

In the course of its daily production and operation, the Group conducts continuing connected transactions with CRRC GROUP and its subsidiaries in relation to the leasing of properties. In order to better regulate such continuing connected transactions, pursuant to relevant regulatory requirements of the places of listing of the Company, the Company and CRRC GROUP entered into the New Property Leasing Framework Agreement on 26 April 2018.

## 2. **Principal terms of the New Property Leasing Framework Agreement**

The principal terms of the New Property Leasing Framework Agreement are summarized as follows:

<b>Date:</b>	26 April 2018
<b>Parties:</b>	CRRC GROUP and the Company
<b>Transaction details:</b>	<p>CRRC GROUP and/or its associates lease their lawfully owned properties to the Group</p> <p>The Group leases its lawfully owned properties to CRRC GROUP and/or its associates</p>
<b>Pricing policy:</b>	<p>During the term of the rental period, the parties shall provide reasonable estimates of the total rental amount for the following year on the basis of the property supply plan to be agreed between the parties at the same time. The estimated rent shall be determined by both parties through negotiation by reference to the prevailing market rates in the places where the leased properties are located. As for leasing of properties by the Group from CRRC GROUP, the terms shall be no less favorable than those provided by Independent Third Parties to the Group in relation to comparable properties in the vicinity. As for leasing of properties by the Group to CRRC GROUP, the terms shall be no more favorable than those provided by the Group to Independent Third Parties.</p>
<b>Payment terms:</b>	<p>The parties have agreed that the transactions under the New Property Leasing Framework Agreement shall be paid and settled by cash or any other means otherwise agreed by the parties on an annual basis. The payment and settlement terms shall be no less favorable than those provided by Independent Third Parties.</p>

3. **Historical amounts of the continuing connected transactions for 2016, 2017 and the three months ended 31 March 2018**

The historical amounts in respect of the leasing of properties between the Group and CRRC GROUP and/or its associates for the two financial years ended 31 December 2017 and the three months ended 31 March 2018 are as follows:

	<b>Twelve months ended 31 December 2016</b>	<b>Twelve months ended 31 December 2017</b>	<b>Three months ended 31 March 2018</b>
	<i>(RMB million)</i>		
<b>Revenue</b>			
Leasing of properties to CRRC GROUP and/or its associates	1.76	6.45	0
<b>Expenditure</b>			
Leasing of properties from CRRC GROUP and/or its associates	65.91	80.93	6.64

4. **Proposed annual caps of the continuing connected transactions for 2019, 2020 and 2021**

The estimated annual caps of the continuing connected transactions under the New Property Leasing Framework Agreement for each of the three years ending 31 December 2021 shall be as follows:

	<b>Twelve months ending 31 December 2019</b>	<b>Twelve months ending 31 December 2020</b>	<b>Twelve months ending 31 December 2021</b>
	<i>(RMB million)</i>		
<b>Revenue</b>			
Leasing of properties to CRRC GROUP and/or its associates	400	400	500
<b>Expenditure</b>			
Leasing of properties from CRRC GROUP and/or its associates	500	500	600

The aforesaid proposed annual caps of the continuing connected transactions are determined in terms of the estimated transaction amount with reference to the historical transaction volumes and expected growth of the Group's business and the business of CRRC GROUP.

The Company proposes to increase the annual caps in respect of the continuing connected transactions for the mutual leasing of properties due to the fact that (1) the Company continues to grow its principal businesses and expand into new business segments, thus the demand for leasing properties is expected to increase significantly; and (2) CRRC GROUP is gradually establishing a diversified structure, its businesses are expected to expand gradually in the future, and the demand for the mutual leasing of properties between CRRC GROUP and the Group is expected to grow significantly.

**5. Reasons for entering into the New Property Leasing Framework Agreement and the expected benefits to the Company**

As the properties leased between the Group and CRRC GROUP are complementary in terms of geographical location, the Company considers that it is in the interest of the Group to enter into the aforesaid transactions with CRRC GROUP to ensure the stable provision and usage of the property leasing business of the Company. In addition, CRRC GROUP is familiar with the business needs of the Company and the transactions between the parties, and will therefore minimise the administrative costs of the Group.

The Directors (including the independent non-executive Directors) believe that the New Property Leasing Framework Agreement has been entered into on normal commercial terms and in the ordinary course of business of the Group, and the relevant terms of the transactions and annual caps are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

**D. ENTERING INTO THE NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**1. Background**

In the course of its daily production and operation, the Finance Company provides CRRC GROUP and its subsidiaries with deposit services, lending services and miscellaneous financial services as approved by CBRC from time to time. In order to better regulate such continuing connected transactions, pursuant to relevant regulatory requirements of the places of listing of the Company, the Finance Company and CRRC GROUP entered into the New Financial Services Framework Agreement on 26 April 2018.

## 2. Principal terms of the New Financial Services Framework Agreement

The principal terms of the New Financial Services Framework Agreement are summarized as follows:

**Date:** 26 April 2018

**Parties:** The Finance Company and CRRC GROUP

**Transaction details:** The Finance Company shall provide the following financial services to CRRC GROUP pursuant to the New Financial Services Framework Agreement (under the New Financial Services Framework Agreement, reference to CRRC GROUP shall include CRRC GROUP, its subsidiaries and its associates, but excluding the Group):

- (1) Deposit services: CRRC GROUP shall open deposit account in the Finance Company and deposit funds in such account based on the principle of free access to the funds. The deposit can be in the form of current deposit, fixed term deposit, call deposit, agreement deposit or others.
- (2) Credit services: subject to relevant laws and regulations in the PRC and the risk control requirements of the Finance Company, depending on the actual operational and development needs of CRRC GROUP, the Finance Company shall provide credit services approved by the competent regulatory authorities to CRRC GROUP, including loans, discounted bills, financial leasing, buyer's credit, accounts receivable factoring, various types of guarantees and bill acceptances, etc.
- (3) Miscellaneous financial services: the Finance Company shall also provide miscellaneous financial services within its business scope to CRRC GROUP. Such miscellaneous financial services include, but not limited to, consultancy, agency, settlement, transfer, foreign exchange settlement and sales, investment, financial leasing, letter of credit, online banking, entrusted loans, guarantees, bill acceptances and underwriting.

**Term:** Effective from 1 January 2019 to 31 December 2021, subject to extension or renewal with consent of both parties provided that it is in compliance with the relevant laws and regulations and the listing rules of the places of listing of the Company.

**Pricing policy:** (1) Deposit services:

(i) The interest rate for CRRC GROUP's deposit with the Finance Company shall be made with reference to the benchmark interest rate for the same period promulgated by the People's Bank of China for the same type of deposit, and shall be no higher than the interest rate for the same period determined by Major Commercial Banks for the same type of deposit from CRRC GROUP or other parties of equal standing.

If the Finance Company also provides deposit services to Independent Third Parties, the interest rate offered by the Finance Company for CRRC GROUP's deposit shall be no higher than the interest rate for the same period for the same type of deposit offered by the Finance Company to such Independent Third Parties of equal standing with CRRC GROUP.

(ii) The Finance Company shall ensure the capital safety in respect of CRRC GROUP's deposits, and timely and fully meet capital demands upon its withdrawal request. Where the Finance Company fails to make full and timely payment to CRRC GROUP at its request for withdrawal of deposits, CRRC GROUP has the right to terminate the New Financial Services Framework Agreement and may also offset the amount of deposits payable by the Finance Company against its loans provided by the Finance Company in accordance with the provisions of applicable laws.

(2) Credit services:

- (i) The interest rate or fee rate for credit services provided by the Finance Company to CRRC GROUP shall be determined with reference to the benchmark interest rate or fee rate for the same period promulgated by the People's Bank of China for the same type of business, and shall be no lower than the interest rate or fee rate for the same period determined by Major Commercial Banks for the same type of credit business to CRRC GROUP or other parties of equal standing.

If the Finance Company also provides credit services to Independent Third Parties, the interest rate or fee rate quoted by the Finance Company to CRRC GROUP shall be no lower than the interest rate or fee rate for the same period for the same type of business quoted by the Finance Company to such Independent Third Parties of equal standing with CRRC GROUP.

- (ii) Where CRRC GROUP fails to repay the debts incurred from the abovementioned credit services provided by the Finance Company in full and in time, the Finance Company has the right to terminate the New Financial Services Framework Agreement and may also offset the amount of debts payable by CRRC GROUP against CRRC GROUP's deposits with the Finance Company in accordance with the provisions of applicable laws.



(3) Miscellaneous financial services:

- (i) The agency fees, service charges or other service fees charged by the Finance Company for the provision of the miscellaneous financial services to CRRC GROUP shall comply with the relevant prescribed rates for such services as determined by the People's Bank of China or the CBRC. In addition, such fees shall be determined with reference to those charged by Major Commercial Banks for the provision of comparable financial services.

If the Finance Company also provides miscellaneous financial services to Independent Third Parties, the fees charged by the Finance Company to CRRC GROUP shall be no lower than those charged by the Finance Company for the same type of services to Independent Third Parties of equal standing with CRRC GROUP.

- (ii) Subject to compliance with the New Financial Services Framework Agreement, CRRC GROUP and the Finance Company shall enter into specific contracts/agreements to set out detailed transaction terms with regard to the relevant specific financial services. Such specific contracts/agreements shall comply with the principles and terms set out under the New Financial Services Framework Agreement and applicable laws.

**3. Historical amounts of the continuing connected transactions for 2016, 2017 and the three months ended 31 March 2018**

The historical amounts in respect of the provision of credit services and miscellaneous financial services by the Finance Company to CRRC GROUP for the two financial years ended 31 December 2017 and the three months ended 31 March 2018 are as follows:

	<b>Twelve months ended 31 December 2016</b>	<b>Twelve months ended 31 December 2017</b>	<b>Three months ended 31 March 2018</b>
		<i>(RMB million)</i>	
Maximum daily balance of credit (including accrued interests) granted by the Finance Company to CRRC GROUP and/or its associates	50.61	3,674.65	5,923.24
Miscellaneous financial services provided by the Finance Company to CRRC GROUP and/or its associates	0.38	0.34	0

**4. Proposed annual caps of the continuing connected transactions for 2019, 2020 and 2021**

The estimated maximum daily balance of credit and the annual caps for the miscellaneous financial services of the continuing connected transactions under the New Financial Services Framework Agreement for each of the three years ending 31 December 2021 shall be as follows:

	<b>Twelve months ending 31 December 2019</b>	<b>Twelve months ending 31 December 2020</b>	<b>Twelve months ending 31 December 2021</b>
	<i>(RMB million)</i>		
Maximum daily balance of credit (including accrued interests) granted by the Finance Company to CRRC GROUP and/or its associates	8,500	12,000	15,000
Miscellaneous financial services provided by the Finance Company to CRRC GROUP and/or its associates	200	300	400

**5. Basis of the proposed annual caps of the non-exempt continuing connected transactions under the New Financial Services Framework Agreement**

**(1) Credit services**

- (i) The credit services provided by the Finance Company to CRRC GROUP experienced a substantial increase in terms of transaction amount for the previous years, with RMB50.61 million, RMB3,674.65 million and RMB5,923.24 million being the maximum daily balance of credit (including accrued interests) for each of the two financial years ended 31 December 2017 and the three months ended 31 March 2018, respectively, and such increase is expected to continue for the three years ending 31 December 2021. With reference to such historical transaction amounts and taking into consideration CRRC GROUP's development plan for the strategic emerging industries as elaborated below, it is expected that the proposed maximum daily balance of credit (including accrued interest) granted by the Finance Company to CRRC GROUP for the three years ending 31 December 2021 will amount to RMB8,500 million, RMB12,000 million and RMB15,000 million, respectively.

- (ii) To seize the strategic opportunities of development, besides focusing on rail transportation equipment business through the Group, CRRC GROUP, through its other subsidiaries, also strives to develop strategic emerging industries such as new energy vehicle industry, ecological and environmental protection industry and new materials industry, which will bring the Finance Company new business opportunities for its provision of credit services including loans, financial leasing, merger and acquisition loans, etc. The following new business development of CRRC GROUP and the corresponding transaction amounts expected have been taken into consideration when the annual caps are set:
- (a) Hunan CRRC Times Electric Vehicle Co., Ltd.\* (湖南中車時代電動汽車股份有限公司), a subsidiary of CRRC GROUP, is a leading manufacturer of new energy vehicle in the PRC, with the rare capability of being provider of components, system and whole car within the new energy vehicle industry. CRRC GROUP will strive to build better and stronger new energy vehicle business in the next three years. The development of new energy vehicle business of CRRC GROUP provides excellent opportunities for the Finance Company to expand its business in loans and financial leasing. It is expected that the loans and financial leasing for the new energy vehicle business of CRRC GROUP for the three years ending 31 December 2021 will amount to RMB1,000 million, RMB1,500 million and RMB2,000 million, respectively.
- (b) Guiyang Times Wharton Technology Co., Ltd.\* (貴陽時代沃頓科技有限公司), CRRC Environment Technology Co., Ltd.\* (中車環境科技有限公司) and other associates or subsidiaries of CRRC GROUP, engaged in, among others, the ecological and environmental protection and water treatment businesses, are expected to continue to expand such existing businesses through PPP projects. PPP projects, by nature, require relatively large inputs of capital. The PPP model to be adopted by CRRC GROUP for the ecological and environmental protection and water treatment industries provides business opportunities for the Finance Company to develop PPP project financing. It is expected that the loans and financial leases for ecological and environmental protection and water treatment businesses of CRRC GROUP for the three years ending 31 December 2021 will amount to RMB500 million, RMB500 million, and RMB500 million, respectively.
- (c) CRRC Industrial Investment Co., Ltd.\* (中車產業投資有限公司), a subsidiary of CRRC GROUP, is an important investment platform of CRRC GROUP for non-rail transportation related businesses and is in

need of capital to carry out mergers and acquisitions. In particular, in the super capacitor industry, Ningbo CRRC New Energy Technology Co., Ltd.\* (寧波中車新能源科技有限公司) possess cutting-edge technology and is expected to grow fast in terms of its business. Considering the future funding needs of CRRC GROUP brought by the aforesaid business growth and development, the Finance Company will have great opportunities to develop merger and acquisition loans and other new forms of credit services. It is expected that the loans and merger and acquisition loans for CRRC Industrial Investment Co., Ltd.\* and the super capacitor business for the three years ending 31 December 2021 will amount to RMB500 million, RMB500 million, and RMB500 million, respectively.

- (iii) According to the relevant PRC laws, the Finance Company, as a non-banking financial institution, can only provide credit services to the Company, CRRC GROUP and their respective subsidiaries. For the three years ended 31 December 2017, the Finance Company had total assets of RMB30,200 million, RMB38,600 million and RMB54,700 million respectively, with interbank fixed term deposit and current deposit of RMB9,000 million, RMB20,000 million and RMB30,000 million for the corresponding year. The Finance Company has sufficient funds to accommodate the development needs of CRRC GROUP while increasing its business volume, revenue and profit, and bringing economic benefits to the Group.
- (iv) The Company is of the view that, when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. However, same as the actual implementation of the continuing connected transactions historically, the Finance Company and CRRC GROUP will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that Finance Company and CRRC GROUP shall transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive Directors and auditors will give opinion on the continuing connected transactions to receive supervision of the independent Shareholders.

(2) *Miscellaneous financial services*

With the expansion of scale of its various principal businesses, CRRC GROUP is expected to record a steady growth in revenue in the next three years, which will result in a fast increase in capital settlement amount. In addition, due to the fact that CRRC GROUP is gradually establishing a diversified structure, resulting from the expansion in its scale of the existing businesses and the new businesses to be carried out, CRRC GROUP's demand for investment and financing as well as the relevant financial services is expected to rise rapidly in the next few years. Accordingly, the Finance Company and CRRC GROUP unanimously agreed to set the annual caps for miscellaneous financial services at the proposed amounts under the New Financial Services Framework Agreement, which amount to RMB200 million, RMB300 million and RMB400 million for the three years ending 31 December 2021, respectively.

- (i) Currently, the Finance Company mainly provides consultancy services to CRRC GROUP in its debt issuances, and expects to expand to underwriting services for debt issuances after obtaining the qualification of underwriting business in the future, which is 2019 as currently contemplated. According to the development plan of CRRC GROUP and the mid-term and long-term demand for funds of its member companies, CRRC GROUP will have an increasing momentum to satisfy its demand for funds through direct financing, such as debt issuances, which will result in an increase in its demand for financial consultancy services from the Finance Company accordingly. It's expected that the financial consultancy services (including debt underwriting services) provided by the Finance Company to CRRC GROUP for the three years ending 31 December 2021 will amount to RMB37 million, RMB41 million and RMB45 million, respectively;
- (ii) The Finance Company expects to provide entrusted investment services to CRRC GROUP after obtaining the qualification of entrusted investment business in the future, which is 2019 as currently contemplated. CRRC GROUP aims to expand its investment business as it generates relatively high return and serves to strengthen its main business and expand its operation scale. It's expected that the entrusted investment services provided by the Finance Company to CRRC GROUP for the three years ending 31 December 2021 will amount to RMB25 million, RMB40 million and RMB60 million, respectively;
- (iii) For foreign exchange settlement and sales services, as CRRC GROUP has been actively carrying out the national strategy of "Going Out" and expanding its international business, while taking advantage of the

internationalization trend of Renminbi, it's expected that the foreign exchange settlement and sales of CRRC GROUP will become concentrated and develop rapidly that the foreign exchange settlement and sales services provided by the Finance Company to CRRC GROUP for the three years ending 31 December 2021 will amount to RMB8 million, RMB12 million and RMB18 million, respectively;

- (iv) In consideration of the development of CRRC GROUP in strategic emerging industries, such as high-end equipment manufacturing industry, renewable energy vehicles industry and ecological and environmental protection and water treatment industries, as well as the demand for the relevant financial services in such development, the Finance Company will provide financial services in buyer's credit, consumption credit, financial leasing services and letter of guarantees services to CRRC GROUP and in respect of its products. It's expected that the service charges from the financial services in relation to the credit business of the Finance Company to CRRC GROUP for the three years ending 31 December 2021 will amount to RMB75 million, RMB125 million and RMB175 million, respectively;
- (v) For financial and financing consultancy services, according to the current strategic layout of CRRC GROUP and the expectation of the market prospect, the Finance Company will provide a wide range of financial and financing consultancy services for CRRC GROUP, which in aggregate is expected to amount to RMB50 million, RMB70 million and RMB90 million for the three years ending 31 December 2021, respectively.

#### **6. Reasons for entering into the New Financial Services Framework Agreement and the expected benefits to the Company**

The Finance Company is a non-bank financial institution of the Group under the supervision of the relevant regulatory authorities and has a well-functioning internal control and risk management system. The Finance Company is also familiar with the operations of CRRC GROUP, which is advantageous for the Finance Company in providing CRRC GROUP with custom-made and efficient financial services. The entering into of the New Financial Services Framework Agreement is also beneficial for the Finance Company to expand its financing channels, enhance its efficiency of fund usage and reduce its financing cost. Furthermore, the interest rates for credit services under the New Financial Services Framework Agreement are set pursuant to the normal commercial terms and in the interests of the Company and the Shareholders. CRRC GROUP is a large state-owned enterprise under the direct management of the State-owned Assets Supervision and Administration Commission and holds a sound

reputation in the financial market. Taking into account the creditworthiness of CRRC GROUP, and on the condition of strict risk control of the Finance Company, the Company considers that providing credit services to CRRC GROUP through the Finance Company is a low-risk fund investment option and will generate a considerable return for the Group.

The Directors (including the independent non-executive Directors) believe that the New Financial Services Framework Agreement has been entered into on normal commercial terms and in the ordinary course of business of the Group carried out through the Finance Company, and the relevant terms of the transactions and annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

#### **E. IMPLICATIONS OF THE HONG KONG LISTING RULES**

As at the date of this announcement, CRRC GROUP is the controlling shareholder of the Company holding, directly and indirectly, approximately 55.63% of the shares of the Company, and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Continuing Connected Transaction Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable size test percentage ratio exceeds 0.1% but is less than 5% in respect of the relevant continuing connected transactions under the New Product and Service Provision Framework Agreement, such transactions are therefore subject to annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement of the Hong Kong Listing Rules.

As the highest applicable size test percentage ratio exceeds 0.1% but is less than 5% in respect of the relevant continuing connected transactions under the New Property Leasing Framework Agreement, such transactions are therefore subject to annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement of the Hong Kong Listing Rules.

The placing of deposits by CRRC GROUP with the Finance Company constitutes a financial assistance provided by the connected person to the Company. As the placing of deposits by CRRC GROUP with the Finance Company and the deposit services provided by the Finance Company to CRRC GROUP are on normal commercial terms which are no less favorable than those offered by Major Commercial Banks for the provision of comparable services in the PRC and are



for the benefit of the Group, and no security over the assets of the Group is or will be granted in respect of the placing of deposits and the provision of such deposit services, the placing of deposits by CRRC GROUP with the Finance Company and the deposit services to be provided by the Finance Company to CRRC GROUP under the New Financial Services Framework Agreement are exempt from all Shareholders' approval, annual reporting and announcement requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The provision of loans and other credit services by the Finance Company to CRRC GROUP constitutes a financial assistance provided by the Company to its connected person, and therefore constitutes a connected transaction. As the highest applicable size test percentage ratio in respect of the provision of credit services under the New Financial Services Framework Agreement exceeds 5% on an annual basis, the credit services to be provided by the Finance Company to CRRC GROUP are therefore subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the provision of credit services under the New Financial Services Framework Agreement exceeds 5% but is less than 25%, the credit services to be provided by the Finance Company to CRRC GROUP also constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. A circular containing, among others, details of the New Financial Services Framework Agreement and the transaction of the provision of credit services by the Finance Company to CRRC GROUP contemplated thereunder will be despatched to the Shareholders in due course.

As the highest applicable percentage ratio in respect of the provision of miscellaneous financial services under the New Financial Services Framework Agreement exceeds 0.1% but is less than 5%, the miscellaneous financial services to be provided by the Finance Company to CRRC GROUP are therefore subject to the annual reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Three Directors, namely Liu Hualong, Sun Yongcai and Xu Zongxiang (who hold positions in CRRC GROUP), have abstained from voting on the Board resolution in respect of the transactions. Save as stated above, none of the Directors have a material interest in the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements and hence no other Directors have abstained from voting on the relevant Board resolution.

All Directors (including all independent non-executive Directors) consider that the Continuing Connected Transaction Agreements have been entered into after negotiations on an arm's length basis and on normal commercial terms, and the relevant terms and annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **F. GENERAL INFORMATION OF THE COMPANY, CRRC GROUP AND THE FINANCE COMPANY**

### ***The Company***

The Company is a joint stock limited company incorporated in the PRC with limited liability. 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 include: research and development, design, manufacturing, refurbishment, sales, leasing and technical services 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; industrial investment and management; asset management and import and export businesses.

### ***CRRC GROUP***

CRRC GROUP is a large-scale wholly state-owned enterprise established with the approval of 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, refurbishment and leasing of rolling stock and key components, and the extended business relying on the proprietary technology of rolling stock.

### ***The Finance Company***

The Finance Company, a subsidiary of the Company, is principally engaged in the provision of deposit services, settlement services, credit services, financial advice services and miscellaneous financial services to CRRC GROUP and its affiliated members at all levels (as described below), subject to the permitted scope of businesses and under the regulation of CBRC and the People's Bank of China.

According to the relevant PRC laws such as the regulatory requirements of the CBRC, the Finance Company, as a non-banking financial institution, is positioned to mainly provide financial services to the Group, CRRC GROUP and the affiliated members of CRRC GROUP (including subsidiaries of CRRC GROUP, companies individually or jointly held as to more than 20% by CRRC GROUP and its

subsidiaries, and companies individually or jointly held as to less than 20% by CRRC GROUP and its subsidiaries but with the largest shareholder being CRRC GROUP or its subsidiaries). Currently, the Finance Company does not provide financial services to any third party other than the Group, CRRC GROUP and their affiliated members as mentioned above.

## **G. DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

“associate(s)”	has the meaning ascribed thereto under the Hong Kong
“Board”	the board of directors of the Company
“CBRC”	China Banking Regulatory Commission
“Company”	CRRC Corporation Limited (中國中車股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares and 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
“Continuing Connected Transaction Agreements”	the New Product and Service Mutual Provision Framework Agreement, the New Property Leasing Framework Agreement and the New Financial Services Framework Agreement
“CRRC GROUP”	CRRC GROUP Co., Ltd. (中國中車集團有限公司), a large-scale wholly state-owned enterprise and controlling Shareholder of the Company
“Director(s)”	the directors of the Company, including the independent non-executive directors
“Existing Financial Services Framework Agreement”	the Financial Services Framework Agreement of CRRC Group Co., Ltd. entered into between CRRC GROUP and the Finance Company on 29 March 2016
“Existing Property Leasing Framework Agreement”	the Property Leasing Framework Agreement between CRRC Group Co., Ltd. and CRRC Corporation Limited entered into between the Company and the CRRC GROUP on 29 March 2016

“Existing Product and Service Mutual Provision Framework Agreement”	the Product and Service Mutual Provision Framework Agreement between CRRC Group Co., Ltd. and CRRC Corporation Limited entered into between the Company and the CRRC GROUP on 29 March 2016
“Finance Company”	CRRC Finance Co., Ltd. (中車財務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Group”	the Company and its subsidiaries
“Government-guided Price”	the price for the various products and services under the New Product and Service Mutual Provision Framework Agreement which may be determined by the sellers and purchasers of products and services within the price range as provided under the laws, regulations, decisions or orders promulgated by the central government, provincial government or other regulatory authorities in the PRC
“Government-prescribed Price”	the price for the various products and services under the New Product and Service Mutual Provision Framework Agreement as provided under the laws, regulations, decisions or orders promulgated by the central government, provincial government or other regulatory authorities in the PRC
“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
“Independent Third Party”	an individual or company which is not a connected person of the Company

“Major Commercial Banks”	the major commercial banks in the PRC, including Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications and other major large-scale joint stock commercial banks established in the PRC (such as China CITIC Bank, China Merchants Bank and China Industrial Bank)
“New Financial Services Framework Agreement”	The Financial Services Framework Agreement between CRRC GROUP Co., Ltd. and CRRC Finance Co., Ltd. entered into between the Finance Company and CRRC GROUP on 26 April 2018
“New Property Leasing Framework Agreement”	The Property Leasing Framework Agreement between CRRC GROUP Co., Ltd. and CRRC Corporation Limited entered into between the Company and the CRRC GROUP on 26 April 2018
“New Product and Service Mutual Provision Framework Agreement”	the Product and Service Mutual Provision Framework Agreement between CRRC GROUP Co., Ltd. and CRRC Corporation Limited entered into between the Company and the CRRC GROUP on 26 April 2018
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“%”	per cent.

By order of the Board  
**CRRC Corporation Limited**  
**Liu Hualong**  
*Chairman*

Beijing, the PRC  
26 April 2018

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