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**中国铁建**

**CRCC High-Tech Equipment Corporation Limited**

**中國鐵建高新裝備股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1786)**

## **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 28 December 2018 in relation to, among other things, the Previous Financial Services Framework Agreement.

As the Company proposes to increase the proposed maximum daily balance of the deposits under the Previous Financial Services Framework Agreement and renew such agreement, the Company entered into the Financial Services Framework Agreement with CRCC Finance on 26 April 2019 to replace the Previous Financial Services Framework Agreement.

At the AGM, an ordinary resolution, among other things, will be put forward for the Independent Shareholders to consider and, if appropriate, to approve the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits.

A circular of the Company containing, among other things, (i) details of the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits; (ii) the opinion and recommendation from the Independent Board Committee; and (iii) the opinion and recommendation from the Independent Financial Adviser, will be issued by the Company and despatched to the Shareholders no later than 31 May 2019.

### **1. BACKGROUND**

Reference is made to the announcement of the Company dated 28 December 2018 in relation to, among other things, the Previous Financial Services Framework Agreement.

On 28 December 2018, the Company entered into the Previous Financial Services Framework Agreement with CRCC Finance, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from 1 January 2019 and ending on 31 December 2019.

As the Company proposes to increase the proposed maximum daily balance of the deposits under the Previous Financial Services Framework Agreement and renew such agreement, the Company entered into the Financial Services Framework Agreement with CRCC Finance on 26 April 2019 to replace the Previous Financial Services Framework Agreement. The term of the Financial Services Framework Agreement will commence upon the conclusion of the AGM and end on 31 December 2021. Other than the above change, all existing terms and conditions of the Previous Financial Services Framework Agreement have remained unchanged.

**2. FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Details of the Financial Services Framework Agreement are as follows:

- Date:*** 26 April 2019
- Parties:*** Our Company (as the service recipient); and  
CRCC Finance (as the service provider)
- Nature of transactions:*** CRCC Finance agreed to provide deposit services to the Group.
- Term:*** The term of the Financial Services Framework Agreement will commence upon the conclusion of the AGM and end on 31 December 2021, subject to early termination by either party giving at least three months’ prior written notice to the other party.

Parties can extend or renew such terms by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.
- Conditions precedent:*** The Financial Services Framework Agreement is conditional upon the resolution regarding the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits being approved by the Independent Shareholders at the AGM.
- Pricing policy:*** Pursuant to the Financial Services Framework Agreement, CRCC Finance shall accept deposits from our Group at interest rates not lower, and thus no less favorable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature.
- Other major terms:*** Our Group and CRCC Finance will enter into specific agreements to set out specific terms with respect to the financial services contemplated under the Financial Services Framework Agreement in accordance with the aforementioned principle terms thereunder.

### 3. HISTORICAL FIGURES

The historical maximum daily balance of the deposits (including accrued interest) placed by our Group with CRCC Finance for each of the three years ended 31 December 2018 was approximately RMB468.9 million, RMB973.88 million and RMB926.30 million, respectively.

The historical maximum daily balance of the deposits (including accrued interest) placed by our Group with CRCC Finance for the two years ended 31 December 2018 increased significantly as compared with that for the year ended 31 December 2016. Such increase was mainly due to that the Company has placed the USD payments received for sales of energy efficiency and safety improvement projects for railways in Western China funded by loans of China Railway Corporation obtained from Asian Development Bank with CRCC Finance.

### 4. PROPOSED MAXIMUM DAILY BALANCE OF THE DEPOSITS

The proposed maximum daily balance of the deposits (including accrued interest) to be placed by our Group with CRCC Finance for the period from the date of AGM to 31 December 2019 and the two years ending 31 December 2021 are as follows:

	<b>From the date of AGM to 31 December 2019 (RMB million)</b>	<b>12 months ending 31 December 2020 (RMB million)</b>	<b>12 months ending 31 December 2021 (RMB million)</b>
Maximum daily balance of the deposits to be placed by our Group with CRCC Finance	600 ( <i>note</i> )	600	600

*Note:* Pursuant to the Previous Financial Services Framework Agreement, the maximum daily balance of the deposits (including accrued interest) from 1 January 2019 to 31 December 2019 is RMB100 million. The Company confirmed that such maximum daily balance was not exceeded during the period from 1 January 2019 to the date of this announcement.

### 5. BASIS OF PROPOSED MAXIMUM DAILY BALANCE OF THE DEPOSITS

In arriving at the above proposed maximum daily balance of the deposits, our Company has considered the following factors:

- (i) for the three years ended 31 December 2018, the historical maximum daily balance of the deposits the Group placed with CRCC Finance was approximately RMB468.9 million, RMB973.88 million and RMB926.30 million, respectively. The limit for deposit amount for the period from the date of AGM to 31 December 2019 and the two years ending 31 December 2021 has been determined taking into account normal deposit sizes for the two years ended 31 December 2018; and
- (ii) the interest rate of deposits from CRCC Finance is more competitive than that from general commercial banks.

## **6. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Our Group is expected to benefit from CRCC Finance's familiarity of our industry and our Group's operations. Through years of cooperation, CRCC Finance has become familiar with our Group's capital structure, business operations, funding needs, cash flow pattern, cash management and our overall financial management system, which may enable CRCC Finance to render more expedient, efficient and flexible deposit services to our Group than other commercial banks and independent financial institutions in the PRC. The terms of the Financial Services Framework Agreement were negotiated on an arm's length basis and in the ordinary and usual course of business of our Group.

With respect to deposits placed by our Group with CRCC Finance, our Group will be able to receive interest at rates not lower, and thus no less favorable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature.

For the avoidance of doubt, our Group is not prohibited or restricted in any way to use deposit services provided by other commercial banks or independent financial institutions in the open market, and we retain discretion to make our selection according to business needs as well as the fees and quality of such deposit services. Our Group may (but is not obliged to) utilize the deposit services provided by CRCC Finance so as to deploy and manage our financial resources flexibly and efficiently.

The Board (excluding the independent non-executive Directors, whose opinion will be formed after taking into account the advice to be provided by the Independent Financial Adviser) is of the view that: (i) the transactions under the Financial Services Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed maximum daily balance of the deposits to be placed under the Financial Services Framework Agreement for the period from the date of AGM to 31 December 2019 and the two years ending 31 December 2021 are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As Mr. Sha Mingyuan, being a non-executive Director of the Company, concurrently holds positions in CRCC, he has abstained from voting on the Board resolution with respect to the transactions. Save as disclosed above, none of the Directors has material interest in the transactions under the Financial Services Framework Agreement and therefore, none of the other Director has abstained from voting on such Board resolution.

## **7. INTERNAL CONTROL MEASURES TO ENSURE SAFETY OF THE FUNDS OF OUR GROUP DEPOSITED WITH CRCC FINANCE**

Our Company has adopted the following monitoring and internal control measures to ensure that the terms of the Financial Services Framework Agreement are fair and reasonable and such transactions are on normal commercial terms:

- (i) before our Company or any of our subsidiaries enters into any deposit services with CRCC Finance, our Group will obtain quotes from three other independent financial institutions for similar deposit services for the same duration, namely Bank of China Kunming North Station Branch, China CITIC Bank Kunming Baita Road Branch and Industrial and Commercial Bank of China Kunming Huguo Branch. Such quotes, together with the offer from CRCC Finance, will be reviewed by the finance department and the audit and risk control department of the Company, and the offer from CRCC Finance has to be approved by the heads of these departments in order to pass our internal approval process before it can be accepted;
- (ii) CRCC Finance shall set up and maintain, or procure the setting up and maintenance of, a secured and stable on-line system through which the relevant subsidiary of our Company, which deposits money with them, can view the balance of such deposits at any time on any day;
- (iii) CRCC Finance shall, in taking the deposits from our Group, not affect the normal use of the deposits by our Group; CRCC Finance shall ensure that their deployment of the funds will not inhibit or restrict the ability of our Group from utilizing our deposits, and if the funding needs of our Group do not exceed the total deposits placed by our Group with CRCC Finance, CRCC Finance shall ensure that there will be sufficient funds for our Group's timely withdrawal to meet the funding needs of our Group;
- (iv) CRCC Finance shall facilitate any annual inspection by our Group of the management of the deposits placed by our Group with CRCC Finance, including inspection of records of fund flows, interest rates and payments provided to our deposits, the balance of our deposits placed, and other information and records that may be required by our auditors for the purpose of reporting on the relevant continuing connected transactions;
- (v) CRCC Finance will provide its annual financial report and other documents and information to our Company at our request; and
- (vi) the auditor of our Company will also conduct an annual review on the pricing policies and annual caps of such agreement, and provide confirmation in our annual report.

## **8. IMPLICATIONS UNDER THE LISTING RULES**

CRCC is a controlling Shareholder, which directly and indirectly holds approximately 65% of the total issued share capital of the Company as at the date of this announcement. CRCC Finance is a subsidiary of CRCC, which is owned as to 94% by CRCC as at the date of this announcement, and thus is a connected person of the Company under the Listing Rules. Therefore, the transactions under the Financial Services Framework Agreement constitute continuing connected transactions of the Company.

Since the highest applicable percentage ratio for the transactions contemplated under the Financial Services Framework Agreement is more than 5% but less than 25%, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **9. GENERAL INFORMATION**

The Group is principally engaged in: (i) development, manufacturing and sales of large railway track maintenance machines; (ii) manufacturing, purchase and sales of parts and components of large railway track maintenance machines; (iii) overhaul services; and (iv) railway line maintenance services.

CRCC Finance is a non-banking financial institution incorporated in the PRC on 28 March 2012 and is subject to the Administrative Measures on Finance Companies within Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by PBOC and CBIRC. The establishment of such non-banking financial institutions is subject to approval by CBIRC and its operation is subject to the ongoing supervision of CBIRC. Non-banking financial institutions shall comply with applicable regulations relating to interest rates issued by PBOC and CBIRC.

In the PRC, finance companies within group enterprises are only permitted under applicable PRC laws and regulations to provide financial services to enterprises within the same parent group. Therefore, CRCC Finance only provides financial services to members of the CRCC Group, including our Group.

## 10. AGM

At the AGM, an ordinary resolution, among other things, will be put forward for the Independent Shareholders to consider and, if appropriate, to approve the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits. The Independent Financial Adviser, Messis Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Listing Rules.

CRCC and its four wholly-owned subsidiaries, namely China Railway Construction Investment Group, CRCC International Group, China Civil Engineering Construction and CRCC China-Africa Company, which directly and indirectly hold approximately 65% of the issued share capital of the Company as at the date of this announcement, will be required to abstain from voting on the resolution at the AGM with respect to the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits. Save as disclosed above, to the best of the Directors' knowledge, information and belief, no other Shareholder has any material interest in the transactions under the Financial Services Framework Agreement and therefore will be required to abstain from voting to approve the relevant resolution at the AGM.

A circular of the Company containing, among other things:

- (i) details of the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits;
- (ii) a letter from the Independent Board Committee containing its opinion and recommendation on the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits; and
- (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its opinion and recommendation on the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits,

will be issued by the Company and despatched to the Shareholders no later than 31 May 2019 in accordance with Rule 19A.39A of the Listing Rules, because additional time is required to prepare and finalise the information to be included in the circular.

## 11. DEFINITIONS

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

“AGM”	the forthcoming annual general meeting to be held by the Company on 28 June 2019 to consider and, if appropriate, to approve, among other things, the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“China Civil Engineering Construction”	China Civil Engineering Construction Ltd. (中國土木工程集團有限公司), a limited liability company incorporated in the PRC, a wholly-owned subsidiary of CRCC, our Shareholder and a connected person of our Company
“China Railway Construction Investment Group”	China Railway Construction Investment Group Co., Ltd. (中國鐵建投資集團有限公司), a limited liability company incorporated in the PRC, a wholly-owned subsidiary of CRCC, our Shareholder and a connected person of our Company
“Company”	CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), a joint stock limited company, whose H Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“CRCC”	China Railway Construction Corporation Limited (中國鐵建股份有限公司), a joint stock limited company incorporated in the PRC and our controlling Shareholder. Its H shares are listed on the Main Board of the Stock Exchange (stock code: 01186) and its A shares are listed on the Shanghai Stock Exchange (stock code: 601186)
“CRCC China-Africa Company”	CRCC China-Africa Construction Limited (中鐵建中非建設有限公司), a limited liability company incorporated in the PRC, a wholly-owned subsidiary of CRCC, our Shareholder and a connected person of our Company

“CRCC Finance”	CRCC Finance Company Limited (中國鐵建財務有限公司), a limited liability company incorporated in the PRC, a subsidiary of CRCC and a connected person of our Company
“CRCC Group”	CRCC and its subsidiaries (excluding our Group)
“CRCC International Group”	CRCC International Group Co., Ltd, (中國鐵建國際集團有限公司), a limited liability company incorporated in the PRC, a wholly-owned subsidiary of CRCC, our Shareholder and a connected person of our Company
“Director(s)”	the director(s) of the Company
“Financial Services Framework Agreement”	a financial services framework agreement entered into between the Company and CRCC Finance on 26 April 2019 to replace the Previous Financial Services Framework Agreement, pursuant to which CRCC Finance agrees to provide deposit services to the Group for the term commencing from 1 January 2019 and ending on 31 December 2021
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of Directors consisting of Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing, who are independent non-executive Directors, which will be formed to advise the Independent Shareholders in respect of the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits
“Independent Financial Adviser”	Messis Capital Limited, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits
“Independent Shareholders”	the Shareholders other than CRCC and its four wholly-owned subsidiaries, namely China Railway Construction Investment Group, CRCC International Group, China Civil Engineering Construction and CRCC China-Africa Company who will abstain from voting on the resolution at the AGM with respect to the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“Previous Financial Services Framework Agreement”	a financial services framework agreement entered into between the Company and CRCC Finance on 28 December 2018, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from 1 January 2019 and ending on 31 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

By Order of the Board  
**CRCC High-Tech Equipment Corporation Limited**  
**Liu Feixiang**  
*Chairman*

Kunming, the PRC, 26 April 2019

*As at the date of this announcement, the Board comprises Mr. Liu Feixiang, Mr. Zhao Hui, Mr. Tong Pujiang and Mr. Chen Yongxiang, as executive Directors; Mr. Sha Mingyuan and Mr. Wu Zhixu, as non-executive Directors; and Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing, as independent non-executive Directors.*