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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

**ENTERING INTO THE LAND ARRANGEMENT AND
COMPENSATION AGREEMENT**

On 5 December 2019, CRRC Sifang entered into the Land Arrangement and Compensation Agreement with Science and Technology Park Qingdao Company. Pursuant to the Land Arrangement and Compensation Agreement, Science and Technology Park Qingdao Company agreed to pay the compensation amount of RMB2,400,004,717 to CRRC Sifang.

As at the date of this announcement, CRRC GROUP is a controlling Shareholder holding, directly and indirectly, 50.73% of the shares of the Company, thus a connected person of the Company under the Hong Kong Listing Rules. CRRC Sifang is a wholly-owned subsidiary of the Company, and Science and Technology Park Qingdao Company is an indirect wholly-owned subsidiary of CRRC GROUP, therefore the entering into of the Land Arrangement and Compensation Agreement by CRRC Sifang with Science and Technology Park Qingdao Company constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.81 of the Hong Kong Listing Rules, the Transaction should be aggregated with the Previous Transactions. Following the aggregation, as the highest of the applicable percentage ratios in respect of the Land Arrangement and Compensation Agreement calculated pursuant to the Hong Kong Listing Rules exceeds 0.1% but is less than 5%, the Transaction is subject to annual reporting and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

1. INTRODUCTION

On 5 December 2019, CRRC Sifang entered into the Land Arrangement and Compensation Agreement with Science and Technology Park Qingdao Company. Pursuant to the Land Arrangement and Compensation Agreement, Science and Technology Park Qingdao Company agreed to pay the compensation amount of RMB2,400,004,717 to CRRC Sifang.

2. THE LAND ARRANGEMENT AND COMPENSATION AGREEMENT

2.1 Date

5 December 2019

2.2 Parties

- (1) CRRC Sifang;
- (2) Science and Technology Park Qingdao Company.

2.3 Information on the Target Land

The Target Land is located at No. 16 Hangzhou Road, Shibei District, Qingdao City, which is for industrial use, and the type of land use is as contribution at a fixed value (equity participation). The Target Land has an area of approximately 426,354.18 square metres (approximately 639.5 mu, subject to the surveying and mapping of the Qingdao City Land Reserve and Arrangement Centre), and the reference number of the real estate ownership certificate is Lu (2019) Qingdao City Real Estate No. 0077605 (魯(2019)青島市不動產權第0077605號), with 88 buildings on the land as set out in the certificate and a gross floor area of 219,728.61 square metres.

2.4 Consideration

The total compensation amount of the Transaction was agreed to be RMB2,400,004,717. The compensation amount was determined based on the appraised value evaluated by Qingdao Hengyuande comprehensively using the income approach and cost approach on 8 November 2019. It has been assessed that the appraised value of the Target Assets was RMB2,400,004,717 as at 8 November 2019.

Science and Technology Park Qingdao Company shall pay the compensation amount to CRRC Sifang according to the method and terms as follows:

- (1) The land shall be delivered in three phases and the compensation amount shall be paid by Science and Technology Park Qingdao Company in three instalments: in 2019, the first phase of land with an area of approximately 300,000 square metres shall be delivered, and the first instalment of compensation amount of approximately RMB1,688,748,600 shall be paid, in which RMB1,500,000,000 shall be paid in cash and the remaining amount shall be paid by means of note (Yunxin (雲信) of one year term); in 2020, the second phase of land with an area of approximately 50,000 square metres shall be delivered, and the second instalment of compensation amount of approximately RMB281,458,100 shall be paid in cash; in 2021, the third phase of land with an area of approximately 76,400 square metres shall be delivered, and the third instalment of compensation amount of approximately RMB429,798,000 shall be paid in cash;
- (2) Science and Technology Park Qingdao Company shall pay 100% of the compensation amount for the first phase of land to CRRC Sifang within 10 business days after the execution of the Land Arrangement and Compensation Agreement; Science and Technology Park Qingdao Company shall pay 100% of the compensation amount for the second phase of land to CRRC Sifang within 10 business days after the completion of the delivery of the second phase of land to Science and Technology Park Qingdao Company by CRRC Sifang; and Science and Technology Park Qingdao Company shall pay 100% of the compensation amount for the third phase of land to CRRC Sifang within 10 business days after the completion of the delivery of the third phase of land to Science and Technology Park Qingdao Company by CRRC Sifang.

2.5 Resumption of the Land Use Right

Pursuant to the provisions of relevant policies of the state and Qingdao City, the land use right of the Target Land shall be resumed by Qingdao City Land Reserve and Arrangement Centre, and upon the execution of the Land Arrangement and Compensation Agreement, Qingdao City Land Reserve and Arrangement Centre shall enter into the Agreement on Resumption of Land Use Right of State-Owned Construction Land in Qingdao City (《青島市收回國有建設用地使用權協議書》) with both Science and Technology Park Qingdao Company and CRRC Sifang.

2.6 Effectiveness of the Agreement

The Land Arrangement and Compensation Agreement shall come into effect after being signed and sealed by the legal representatives of both CRRC Sifang and Science and Technology Park Qingdao Company.

3. FINANCIAL INFORMATION ON THE TARGET ASSETS

In accordance with China Accounting Standards for Business Enterprises, the net profits attributable to the Target Assets for the financial years ended 31 December 2017 and 31 December 2018 are set out as follows:

Unit: RMB'0,000

	Financial Year Ended 31 December 2017	Financial Year Ended 31 December 2018
Net profits before taxation and extraordinary items	-1,123.91	-393.21
Net profits after taxation and extraordinary items	-489.52	241.80

According to the unaudited financial statements of CRRC Sifang on 31 July 2019, the original book value and the net book value of the Target Assets as of 31 July 2019 were RMB523 million and RMB317 million, respectively. According to the Property Appraisal Report numbered as Qing Heng Fang Gu Zi (2019) No. 174 ((2019)青衡房估字第174號) issued by Qingdao Hengyuande, taking 8 November 2019 as the valuation date, Qingdao Hengyuande has evaluated the Target Assets using the income approach and cost approach. After analyzing and comparing the appraised values of the two approaches, it is considered that there is no material difference between the two appraised values. Considering the valuation purpose, the valuation adopted the average of the appraised values of income approach and cost approach (i.e. the final property appraised value amounted to RMB2,072,483,100), and other compensation amounts such as relocation subsidy, loss subsidy for suspension of business and production, greenery compensation fee, etc., amounted to RMB327,521,617 with reference to the compensation policy with respect to the expropriation of buildings on state-owned land. Finally, the total appraised value of the valuation subject was determined as RMB2,400,004,717 at the valuation date.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

Pursuant to relevant policies of the state and Qingdao City, the People's Government of Qingdao City intends to resume the land use right of the Target Land for primary land development and arrangement, in which: the People's Government of Shibei District, Qingdao City (青島市市北區人民政府) is the administration authority and implementation entity of the development and arrangement project, CRRC Sifang is the owner of the land use right of the Target Land, Qingdao City Land Reserve and Arrangement Centre is the resumption unit of the Target Land, which is responsible for the resumption of the Target Land from CRRC Sifang, and Science and Technology Park Qingdao Company is the development and arrangement unit determined by the People's Government of Shibei District, Qingdao City through tender, which is responsible for the arrangement of the Target Land owned by CRRC Sifang and the payment of compensation amount to CRRC Sifang.

By executing this Transaction, CRRC Sifang aims to revitalise its assets of low and no efficiency, optimise the corporate asset structure, reduce the management cost and financial risks, and response to the general strategic goal of "Ecology City, Beautiful Qingdao" of Qingdao City. At the same time, by executing this Transaction, the Company can receive corresponding cash inflow, which is beneficial to the Company's activities and safeguards the implementation of in-depth reform and high quality development of the Company. After deducting the relevant expenditure such as land costs, net value of the buildings (structures), relevant taxes paid and relocation expenses (estimated), etc., it is expected that CRRC Sifang will record a gain of approximately RMB900 million from this Transaction, and the relevant proceeds will be used for the daily operation of CRRC Sifang.

5. GENERAL INFORMATION OF THE COMPANY, CRRC GROUP AND PARTIES TO THE TRANSACTION

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 railway locomotives, EMUs, 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; 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, refurbishment and leasing of rolling stock and key components, and the extended businesses relying on the proprietary technology of rolling stock.

CRRC Sifang

CRRC Sifang is a wholly-owned subsidiary of the Company. The principal businesses of CRRC Sifang include the manufacturing of high-end passenger carriages; the refurbishment, installation and renovation of various passenger cars and underground rail, and equipment of light rail; manufacturing of road-railer; the manufacturing of various special vehicles for rail; the manufacturing of components of rail passenger cars; the provision of technical service of railway locomotives; machining: pressing and casting; woodwork; the import and export businesses and business of overseas economic cooperation (in accordance with the approved scope of operation by the Ministry of Foreign Trade and Economic Cooperation); the leasing of properties and machinery equipment; the measurement, physics and chemistry and non-destructive test of machinery manufacturing industry.

Science and Technology Park Qingdao Company

Science and Technology Park Qingdao Company is an indirect wholly-owned subsidiary of CRRC GROUP. The principal businesses of Science and Technology Park Qingdao Company include the provision of management service of technology parks; property management; enterprise management; self-funded investment; the development and operation of real estate; real estate agency; the management of construction projects; planning management; urban landscaping services; land development, land arrangement, and urban water management services; municipal construction and planning consultation; economic information consultancy; the renting of office premises, commercial premises and equipment; exhibition and presentation; intelligent property right services; the organisation of cultural and technological exchange events (excluding performance and performance agency); the research and development, transfer and consultancy services of technologies, and provision of incubation service for enterprises.

6. IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, CRRC GROUP is a controlling Shareholder holding, directly and indirectly, 50.73% of the shares of the Company, thus a connected person of the Company under the Hong Kong Listing Rules. CRRC Sifang is a wholly-owned subsidiary of the Company, and Science and Technology Park Qingdao Company is an indirect wholly-owned subsidiary of CRRC GROUP, therefore the entering into of the Land Arrangement and Compensation Agreement by CRRC Sifang with Science and Technology Park Qingdao Company constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

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Two Directors, namely Liu Hualong and Sun Yongcai, hold positions in CRRC GROUP and have abstained from voting on the Board resolution approving for entering into the Land Arrangement and Compensation Agreement and the transaction thereunder. 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 Land Arrangement and Compensation Agreement was entered into after negotiation on arm's length basis and on normal commercial terms, and the relevant terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

7. DEFINITION

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

“Board”	the board of directors of the Company
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“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
“CRRC GROUP”	CRRC GROUP Co., Ltd. (中國中車集團有限公司), a large-scale wholly state-owned enterprise and the controlling shareholder of the Company
“CRRC Sifang”	CRRC Sifang Co., Ltd.* (中車四方車輛有限公司), a wholly-owned subsidiary of the Company
“Director(s)”	directors of the Company (including independent non-executive directors)
“Group”	the Company and its subsidiaries
“Hong Kong”	the 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

“Land Arrangement and Compensation Agreement”	the land arrangement and compensation agreement in relation to Sifang’s factory site entered into between CRRC Sifang and Science and Technology Park Qingdao Company on 5 December 2019, pursuant to which, among other things, Science and Technology Park Qingdao Company agreed to pay the compensation amount of RMB2,400,004,717 to CRRC Sifang
“PRC”	the People’s Republic of China
“Previous Transactions”	similar transactions entered into between the Group and CRRC GROUP and its subsidiaries during the past 12 months, which, for the purpose of this announcement, include (i) the transaction under the equity transfer contract entered into by CRRC Beijing Nankou Co., Ltd.* (中車北京南口機械有限公司) (a subsidiary of the Company) with CRRC Real Estate Co., Ltd.* (中車置業有限公司) (a subsidiary of CRRC GROUP) on 11 December 2018 (please refer to the announcement of the Company dated 11 December 2018 for details); and (ii) the transaction under the equity transfer contract entered into by Tianjin CRRC Equipment Co., Ltd.* (天津中車機輛裝備有限公司) (a subsidiary of the Company) with CRRC Real Estate Co., Ltd.* (中車置業有限公司) (a subsidiary of CRRC GROUP) on 11 December 2018 (please refer to the announcement of the Company dated 11 December 2018 for details)
“Qingdao Hengyuande”	Qingdao Hengyuande Real Estate Appraisal Co., Ltd. (青島衡元德房地產評估有限公司), an independent property valuer
“Relevant Assets”	the assets such as residential buildings, relevant structures, etc. with an area of 219,651.73 square metres (deducted the oil station rented by CRRC Sifang Logistics Co., Ltd.* (中車四方車輛物流有限公司)) on the Target Land

“RMB”	Renminbi, the lawful currency of the PRC
“Science and Technology Park Qingdao Company”	CRRC Science and Technology Park (Qingdao) Co., Ltd.* (中車科技園(青島)有限公司), an indirect wholly-owned subsidiary of CRRC GROUP
“Shareholder(s)”	shareholders of the Company
“Target Assets”	the land use right and the Relevant Assets of the Target Land
“Target Land”	the industrial land located at No. 16 Hangzhou Road, Shibei District, Qingdao City (青島市市北區杭州路16號), with an area of approximately 426,335.4 square metres (approximately 639.5 mu, subject to the surveying and mapping of the Qingdao City Land Reserve and Arrangement Centre (青島市土地儲備整理中心))
“Transaction”	the transaction under the Land Arrangement and Compensation Agreement
“%”	per cent

By order of the Board
CRRC Corporation Limited
Liu Hualong
Chairman

Beijing, the PRC
5 December 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Liu Hualong and Mr. Sun Yongcai; the non-executive Director is Mr. Liu Zhiyong; and the independent non-executive Directors are Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Sun Patrick.

* For identification purposes only