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中國中車股份有限公司
CRRC CORPORATION LIMITED

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

ANNOUNCEMENT ON CONNECTED TRANSACTION
TRANSFER OF EQUITY INTERESTS
IN THE ENGINEERING COMPANY

The Board announces that, on 18 December 2020, the Company entered into the Equity Transfer Agreement with CRRC Construction and Investment, pursuant to which, the Company agreed to sell and CRRC Construction and Investment agreed to acquire the Target Equity Interests at a consideration of RMB1.1405 billion. After completion of the Transaction, the Company will hold 50% equity interests in the Engineering Company, and the Engineering Company will remain as a subsidiary of the Company.

As at the date of this announcement, CRRC GROUP is the controlling shareholder of the Company directly holding 50.87% of the shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. CRRC Construction and Investment is a wholly-owned subsidiary of CRRC GROUP. Therefore, the entering into of the Equity Transfer Agreement between the Company and CRRC Construction and Investment constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the Transaction under the Equity Transfer Agreement 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

The Board announces that, on 18 December 2020, the Company entered into the Equity Transfer Agreement with CRRC Construction and Investment, pursuant to which, the Company agreed to sell and CRRC Construction and Investment agreed to acquire the Target Equity Interests at a consideration of RMB1.1405 billion. After completion of the Transaction, the Company will hold 50% equity interests in the Engineering Company, and the Engineering Company will remain as a subsidiary of the Company.

2. EQUITY TRANSFER AGREEMENT

2.1 Date

18 December 2020

2.2 Parties

- (1) the Company, as the vendor; and
- (2) CRRC Construction and Investment, as the purchaser.

2.3 Target Equity Interests

50% equity interests in the Engineering Company held by the Company.

2.4 Consideration

The consideration for the Transaction is RMB1.1405 billion. The consideration for the Transaction has been determined based on the appraised value of the Engineering Company evaluated by Pan-China using the income approach (discounted cash flow method) on 31 December 2019, being the valuation date. The appraised value of the net assets of the Engineering Company evaluated by Pan-China using the income approach is RMB2,281,000,000. Accordingly, the appraised value of the Target Equity Interests is RMB1,140,500,000. The consideration for the Transaction is the appraised value of the Target Equity Interests.

CRRC Construction and Investment shall pay all consideration to the Company within 10 business days after the completion date. The consideration shall be paid to the bank account designated by the Company.

2.5 Transfer of the Target Equity Interests

Both parties agreed that the Company shall procure the Engineering Company to perform the registration procedures for transfer of equity interests at authorized governmental institutions within 30 days after the fulfilment of all effective conditions agreed in the Equity Transfer Agreement, and CRRC Construction and Investment shall provide necessary assistance and cooperation. The date of completion of the registration procedures for transfer of equity interests at authorized governmental institutions shall be the date of completion of the equity transfer.

Both parties shall agree on a specific date and place to handle the related settlement matters within 30 days after the completion of the equity transfer. The Company shall be responsible for the completeness and truthfulness of the documents handed over, and bear all legal liabilities arising from concealment and fabrication.

2.6 Effectiveness of the Equity Transfer Agreement

The Equity Transfer Agreement is established when sealed by both parties and signed or sealed by its legal representatives or authorized representatives, and shall become effective upon fulfilment of all of the followings conditions: (1) the equity transfer shall be effective upon the approval of CRRC GROUP; (2) the equity transfer has obtained permission from the state-owned assets supervision and administration authority or its authorized institutions (if necessary).

3. INFORMATION ON THE ENGINEERING COMPANY

The Engineering Company is a company incorporated in the PRC in February 2012 with limited liability, and the registered capital amounted to RMB1.5 billion. Its principal business is general contracting of urban rail transit construction. As at the date of this announcement, the Engineering Company is a wholly-owned subsidiary of the Company.

As at 31 December 2019, being the valuation date, the book value of the Engineering Company's consolidated net assets is RMB2,026,097,700. According to the asset valuation report issued by Pan-China, the appraised value of the Engineering Company's net assets after appraisal using the income approach is RMB2,281,000,000.

According to the China Accounting Standards for Business Enterprises, the consolidated net profit attributable to the Engineering Company for the financial years ended 31 December 2018 and 2019 are set out as follows:

Unit: RMB0'000

	Financial year ended 31 December 2018	Financial year ended 31 December 2019
Net profit before taxation and extraordinary items	15,669.67	13,128.81
Net profit after taxation and extraordinary items	12,504.71	8,852.41

4. PROFIT FORECAST IN RELATION TO THE VALUATION METHOD

Since the valuation conclusion of the asset valuation report issued by Pan-China is based on the valuation result by adopting the income approach (discounted cash flow method), such valuation constitutes a profit forecast under Rule 14.61 of the Hong Kong Listing Rules.

According to Rule 14.62 of the Hong Kong Listing Rules, the major assumptions for preparing such valuation (including commercial assumptions on which the profit forecast is based) are set out as follows:

General Assumptions:

- (1) Transaction assumption: assume all assets to be appraised are in the process of transaction, and the valuer will appraise in a simulated market according to the transaction conditions of assets to be appraised.

- (2) Open market assumption: open market assumption is a hypothesis made on the conditions of the market where the assets are intended to enter as well as the impact on the assets under such market conditions. An open market is a fully-developed and perfect market. It refers to a competitive market with voluntary buyers and voluntary sellers where each of the buyer and the seller is offered with equal status in terms of the opportunity and time to have access to sufficient market information in this market. In addition, transactions between both the buyers and the sellers in this market are all conducted in a voluntary and rational way, without compulsion or unrestricted conditions.
- (3) Continuing use assumption: continuing use assumption is a hypothesis made on the conditions of the market where the asset are intended to enter as well as the status of the asset under such market conditions. Firstly, the assets to be appraised are in use, and it is further assumed that the assets that are in use will be in a status of continuous use. Under continuing use assumption, no consideration is given to the conversion of the use of the assets or the use of the assets under the best condition. The valuation results under this assumption are subject to a restricted scope of applicability.
- (4) Going concern operation of enterprise: this assumption is a hypothesis made on condition that the overall assets of the enterprise are treated as the valuation target. This assumption assumes that the enterprise, as an operating entity, operates on a going concern basis in its external environment in accordance with its business goals. It is also assumed that the business operators of the enterprise should be accountable for, and are competent in, discharging their duties and responsibilities. It is also presumed that the enterprise operates lawfully, and is able to generate appropriate profits to maintain its continuous operating ability.

Evaluation Assumptions of Income Approach:

No material changes occur in the relevant laws, regulations and policies prevailing in the PRC and the macroeconomic conditions of the PRC, no material changes occur in the political, economic and social environment of the places where the parties to the Transaction operate, and no material and adverse effects have been caused by other unforeseeable and force majeure factors.

- (1) The assumption of going concern operation in respect of the actual conditions of the assets as at the valuation date is adopted.

- (2) Assume the operator of the enterprise is responsible and the management of the enterprise is competent to undertake their duties.
- (3) Unless otherwise specified, assume the enterprise is fully in compliance with all relevant laws and regulations.
- (4) Assume the accounting policies to be adopted by the enterprise in the future and the accounting policies adopted at the time of preparing this report are basically consistent in material aspects.
- (5) Assume the enterprise's scope and mode of operation are consistent with current orientation on the basis of existing management method and management standard.
- (6) No material changes occur in, among other things, the relevant interest rates, exchange rates, basis and rate of taxation, and policy-based levies.
- (7) No other force majeure factors and unforeseeable factors have caused material and adverse effects on the enterprise.
- (8) The undertaking cycle of future projects of the enterprise can be carried out in accordance with the current pace of undertaking.
- (9) The general contracting of urban rail transit construction and urban rail operation platform of the enterprise can be established and operated as scheduled, and subsequent operations can be carried out as planned, and there is no significant deviation between the project revenue and the forecast.
- (10) Assume the forecasted annual cash flow of the enterprise is generated at the end of the period.

KPMG Huazhen LLP, the auditor of the Company, was engaged to issue a report dated 18 December 2020 on the calculations of the discounted future cash flows used in the asset valuation report, as required by Rule 14.62(2) of the Hong Kong Listing Rules. The discounted future cash flows do not involve the adoption of accounting policies. The Board has confirmed that the profit forecast for the Engineering Company in the asset valuation report was prepared after due and careful enquiry by the Board. The report issued by KPMG Huazhen LLP and the letter issued by the Board are set out respectively in Appendix I and Appendix II to this announcement.

The qualifications of each of the experts who has provided conclusions or opinions in this announcement are set out below:

Name	Qualification	Date of conclusion or opinion
KPMG Huazhen LLP	Certified Public Accountant	18 December 2020
Pan-China	Asset Valuer	8 September 2020

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

Each of the experts has respectively given its written consent to the publication of this announcement with the inclusion herein of its letter and/or references to its name in the context, and such written consents have not been withdrawn so far.

5. REASONS FOR AND BENEFITS OF THE TRANSACTION

Upon completion of the Transaction, the Company will continue to have ultimate control over the Engineering Company, which is still included in the consolidated financial statements of the Company. No expected gain or loss will be accrued to the Group as a result of the Transaction.

The proceeds from the Transaction will be utilized to supplement the funds required for the industries and fields to be developed by the Company. The Transaction is conducive to revitalising the existing asset, optimising asset structure and improving the assets quality for the Company, which will improve stability, sustainability, and anti-risk capability of the Company for future development and facilitate the positive development of the Company's business.

6. 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, MUs, urban rail 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 of the PRC 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 Construction and Investment

CRRC Construction and Investment is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of CRRC GROUP. The principal business of CRRC Construction and Investment includes project investment, investment management, asset management, and investment consulting.

7. IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, CRRC GROUP is the controlling shareholder of the Company directly holding 50.87% of the shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. CRRC Construction and Investment is a wholly-owned subsidiary of CRRC GROUP. Therefore, the entering into of the Equity Transfer Agreement between the Company and CRRC Construction and Investment constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the Transaction under the Equity Transfer Agreement 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.

Three Directors, namely Liu Hualong, Sun Yongcai and Lou Qiliang, hold positions in CRRC GROUP and have abstained from voting on the Board resolution approving for entering into the Equity Transfer 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 Equity Transfer 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.

8. 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
“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 the A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“connect person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“CRRC Construction and Investment”	CRRC Rail Transit Construction and Investment Co., Ltd.* (中車軌道交通建設投資有限公司), a wholly-owned subsidiary of CRRC GROUP

“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
“Director(s)”	directors of the Company (including independent non-executive directors)
“Engineering Company”	CRRC Construction Engineering Co., Ltd. (中車建設工程有限公司), a wholly-owned subsidiary of the Company as at the date of this announcement
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Company and CRRC Construction and Investment on 18 December 2020 in relation to the transfer of the Target Equity Interests, pursuant to which, the Company agreed to sell and CRRC Construction and Investment agreed to acquire the Target Equity Interests at a consideration of RMB1.1405 billion
“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
“Pan-China”	Pan-China Assets Appraisal Co., Ltd.* (北京天健興業資產評估有限公司), an independent appraisal agency
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholders of the Company

“Target Equity Interests”	50% equity interests in the Engineering Company held by the Company
“Transaction”	the transaction in respect of the transfer of the Target Equity Interests under the Equity Transfer Agreement
“%”	percent

* *For identification purposes only*

By order of the Board
CRRC Corporation Limited
Liu Hualong
Chairman

Beijing, the PRC
18 December 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Liu Hualong, Mr. Sun Yongcai and Mr. Lou Qiliang; and the independent non-executive Directors are Mr. Li Guo’an, Mr. Sun Patrick, Mr. Shi Jianzhong and Mr. Zhu Yuanchao.

APPENDIX I REPORT FROM KPMG HUAZHEN LLP

The following is the text of a report received from the Company’s auditor, KPMG Huazhen LLP, for inclusion in this announcement.



REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE EQUITY INTEREST IN CRRC CONSTRUCTION ENGINEERING CO., LTD

TO THE BOARD OF DIRECTORS OF CRRC CORPORATION LIMITED

We refer to the discounted future cash flows on which the asset valuation report (“**the Valuation**”) dated 8 September 2020 prepared by Pan-China Assets Appraisal Co., Ltd (北京天健興業資產評估有限公司) in respect of the appraised value of CRRC Construction Engineering Co., Ltd (“**the Target Company**”) as at 31 December 2019 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (“**IESBA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the International Auditing and Assurance Standards Board (“IAASB”) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the IAASB. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with International Standards on Auditing issued by the IAASB. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG Huazhen LLP

Beijing, China
18 December 2020

APPENDIX II LETTER FROM THE BOARD

The following is the full text of the letter dated 18 December 2020 prepared by the Board for inclusion in this announcement.

To: Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place, Central, Hong Kong

Dear Sir or Madam,

Company: CRRC Corporation Limited (the “**Company**”)

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

Reference is hereby made to the announcement dated 18 December 2020 of the Company in which the adoption of the income approach in the asset valuation report (the “**Valuation Report**”) dated 8 September 2020 prepared by Pan-China Assets Appraisal Co., Ltd.* (北京天健興業資產評估有限公司) (the “**Valuer**”) on the total value of shareholders’ equity interest of CRRC Construction Engineering Co., Ltd.* (中車建設工程有限公司) was mentioned.

The board of directors of the Company (the “**Board**”) has reviewed and discussed the basis and assumptions of the valuation with the Valuer. The Board has also considered the report dated 18 December 2020 issued by KPMG Huazhen LLP, the auditor of the Company, on the arithmetical accuracy of the calculations of the profit forecast contained in the Valuation Report.

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

By order of the Board
CRRC Corporation Limited
Liu Hualong
Chairman

18 December 2020