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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)

ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS

FINANCIAL SERVICES FRAMEWORK AGREEMENT WITH CRCC FINANCE

Reference is made to the announcement of the Company dated 21 December 2021 in relation to the Previous Financial Services Framework Agreement.

As the Previous Financial Services Framework Agreement will expire on 31 December 2022, the Company entered into the Financial Services Framework Agreement with CRCC Finance on 29 July 2022 to renew the Previous Financial Services Framework Agreement, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from 1 January 2023 and ending on 31 December 2025.

MACHINERY EQUIPMENT AND ACCESSORIES SALES FRAMEWORK AGREEMENT WITH CRCC

Reference is made to the announcement of the Company dated 26 April 2019 and the circular of the Company dated 13 June 2019 in relation to the Previous Machinery Equipment and Accessories Sales Framework Agreement.

As the Previous Machinery Equipment and Accessories Sales Framework Agreement will expire on 31 December 2022, the Company entered into the Machinery Equipment and Accessories Sales Framework Agreement with CRCC on 29 July 2022 to renew the Previous Machinery Equipment and Accessories Sales Framework Agreement, pursuant to which the Group agreed to: (i) sell various kinds of large railway track maintenance machines; (ii) sell machinery and track equipment, facilities and materials; and (iii) provide other related or ancillary products and services, mainly including the sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates for the term commencing from 1 January 2023 and ending on 31 December 2025.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CRCC is a controlling Shareholder of the Company and CRCC Finance is a subsidiary of CRCC, and thus each of CRCC and CRCC Finance is a connected person of the Company under the Listing Rules. Therefore, the transactions under the Financial Services Framework Agreement and the Machinery Equipment and Accessories Sales Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules, respectively.

Since the highest applicable percentage ratio in respect of the highest annual caps under the Financial Services Framework Agreement is more than 5% but less than 25%, such transaction is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. It also constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Since the highest applicable percentage ratio in respect of the highest annual caps under the Machinery Equipment and Accessories Sales Framework Agreement is more than 5%, such transaction is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

At the EGM, ordinary resolutions, among other things, will be put forward for the Independent Shareholders to consider and, if appropriate, to approve (i) the Financial Services Framework Agreement, together with the proposed maximum daily balance of the deposits thereunder, and (ii) the Machinery Equipment and Accessories Sales Framework Agreement, together with the proposed maximum transaction amounts thereunder.

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) details of the Machinery Equipment and Accessories Sales Framework Agreement and the proposed maximum transaction amounts; (iii) the opinion and recommendation from the Independent Board Committee; and (iv) the opinion and recommendation from the Independent Financial Adviser, will be issued by the Company and despatched to the Shareholders no later than 8 September 2022.

I. FINANCIAL SERVICES FRAMEWORK AGREEMENT WITH CRCC FINANCE

1. Background

Reference is made to the announcement of the Company dated 21 December 2021 in relation to the Previous Financial Services Framework Agreement.

On 21 December 2021, 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 2022 and ending on 31 December 2022.

As the Previous Financial Services Framework Agreement will expire on 31 December 2022, the Company entered into the Financial Services Framework Agreement with CRCC Finance on 29 July 2022 to renew the Previous Financial Services Framework Agreement, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from 1 January 2023 and ending on 31 December 2025. 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:	29 July 2022
Parties:	The 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:	<p>The term of the Financial Services Framework Agreement will commence from 1 January 2023 and end on 31 December 2025, subject to early termination by either party giving at least three months' prior written notice to the other party.</p> <p>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.</p>
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 EGM.
Pricing policy:	Pursuant to the Financial Services Framework Agreement, CRCC Finance shall accept deposits from the 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: The 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 Annual Caps and Historical Figures

Pursuant to the financial services framework agreements entered into between the Company and CRCC Finance in December 2018, December 2019, December 2020, and December 2021, the historical maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance (the “**historical annual caps**”), as well as the actual maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance (the “**historical figures**”) for each of the three years ended 31 December 2021 and the six months ended 30 June 2022 are set out as follows:

	For the year ended 31 December			
	2019	2020	2021	2022
	<i>(RMB million)</i>			
Historical annual caps	100.00	75.00	45.00	36.00
Historical figures	99.00	74.90	44.98	34.68 ^{note}

Note: As at 30 June 2022, the actual maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance for 2022.

4. Proposed Maximum Daily Balance of the Deposits

The proposed maximum daily balance of the deposits (including accrued interest) to be placed by the Group with CRCC Finance for three years ending 31 December 2025 are as follows:

	12 months	12 months	12 months
	ending	ending	ending
	31 December	31 December	31 December
	2023	2024	2025
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Proposed maximum daily balance of the deposits (including accrued interest) to be placed by the Group with CRCC Finance	220	220	220

5. Basis of Proposed Maximum Daily Balance of the Deposits

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

- (i) for the sales of products and services transactions that the Company enters into with CRCC, a large proportion of the payment is expected to be made through (a) credit certificates issued by a member of the CRCC Group, or (b) acceptance bills drawn by CRCC Finance. Payments through both methods will be made to the Company's account at CRCC Finance. Such payment methods have relevantly shorter collection period, and are more efficient and reliable, especially between members of the CRCC Group. To better enjoy the efficiency and reliability of such credit certificates and acceptance bills, the Company is expected to receive payment from members of the CRCC Group through such payment methods to a greater extent as much as possible. For the three years ended 31 December 2021, the payment made through such payment methods amounted to RMB166 million, RMB195 million and RMB250 million, respectively. It is expected that the maximum amount of the payment made through such methods will further increase to approximately RMB400 million on average for the three years ending 31 December 2025;
- (ii) the Company is expected to make payments to its suppliers through acceptance bills drawn by CRCC Finance, which provides more efficient services at relevantly lower costs, as compared to independent commercial banks (for example, the commission fee rate charged by CRCC Finance is 0.03% with a minimum charge of RMB200 for each transaction, while the average commission fee rate charged by independent commercial banks amounts to approximately 0.05% with a minimum charge of RMB500 for each transaction). To better enjoy the efficiency and lower costs of acceptance bills drawn by CRCC Finance, the Company is expected to make payment through such payment methods to a greater extent as much as possible. For the years ended 31 December 2020 and 2021, since the annual caps were relatively low, the Company limited the amount of acceptance bills drawn by CRCC Finance in between on purpose, while the amount of payment made by the Company through the acceptance bills amounted to RMB1,030 million in 2021. Given the benefits of such payment method and taking into account the interests of shareholders and the expansion plan of low-cost services of the Company, it is expected that the maximum amount of the payment made by the Company through the acceptance bills drawn by CRCC Finance will amount to approximately RMB200 million on average for the three years ending 31 December 2025;

- (iii) the interest rate of deposits from CRCC Finance is more competitive than that from general commercial banks. The latest benchmark interest rates for deposits as announced by the PBOC for one-year deposit, two-year deposit and three-year deposit are 1.50%, 2.10% and 2.75%, respectively. However, the interest rate of 6-month deposit, one-year deposit and two-year deposit offered by CRCC Finance to the Group are 2.10%, 2.75% and 3.40%, respectively;
- (iv) taking into account macro-economic conditions, such as the latest policies adopted by the PRC government to boost economy and increase infrastructure construction after the outbreak of the COVID-19 pandemic, the machine depot repair business and the overseas business of the Company are expected to recover steadily for the three years ending 31 December 2025. The metro railway business, the engineering construction business, together with the sand aggregates and steelwork businesses newly expanded by the Company are also expected to bring growth to the Company's cash flow, which will lead to the necessity to increase the deposit amounts;
- (v) with the continuous implementation of financial industry reform in the PRC, the limit for commercial bank deposit interest rate which used to be agreed on by participants of the industry is now being gradually lifted. In light of this general industry trend, the Company anticipates that it will be more likely to obtain greater interest income for its deposits placed with commercial banks generally. In the meantime, the Company still wants to retain certain flexibility for deposits with CRCC Finance given the clear benefits for cooperation with CRCC Finance as discussed in section 6 below and in case of any changes of financial industry and market conditions. Through the stringent internal control measures discussed in section 7 below, the Company will ensure that the interest rates of deposits with CRCC Finance, if to be carried out, be not lower, and thus no less favorable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature.

6. Reasons for and Benefits of the Continuing Connected Transactions under the Financial Services Framework Agreement

The Group is expected to benefit from CRCC Finance's familiarity of our industry and the Group's operations. Through years of cooperation, CRCC Finance has become familiar with the 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 the 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 the Group.

With respect to deposits placed by the Group with CRCC Finance, the 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, the 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. The 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 from 1 January 2023 to 31 December 2025 is 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 the Group Deposited with CRCC Finance

The 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) 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 Company and the relevant subsidiary of the Company, which deposits money with them, can view the balance of such deposits at any time on any day;
- (ii) CRCC Finance shall, in taking the deposits from the Group, not affect the normal use of the deposits by the Group; CRCC Finance shall ensure that their deployment of the funds will not inhibit or restrict the ability of the Group from utilizing our deposits, and if the funding needs of the Group do not exceed the total deposits placed by the Group with CRCC Finance, CRCC Finance shall ensure that there will be sufficient funds for the Group's timely withdrawal to meet the funding needs of the Group;

- (iii) CRCC Finance shall facilitate any annual inspection by the Group of the management of the deposits placed by the 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;
- (iv) CRCC Finance will provide its annual financial report, the regulatory report submitted to CBIRC and other documents and information to the Company at request; and
- (v) The Company will regularly obtain benchmarks during the term of the Deposit Service Agreement. All the benchmarks obtained by the Company will be kept in a database maintained by us, which will be used internally for, in addition to determining the interest rates and/or exchange rates under the Financial Services Framework Agreement, monitoring the market trend and allowing the Company to better formulate our funds management strategy. With all the benchmarks mentioned above collected, the Company will negotiate with CRCC Finance on the best interest rates most favourable that can be obtained. The benchmarks will set the bottom line for us in the negotiation process.

II. MACHINERY EQUIPMENT AND ACCESSORIES SALES FRAMEWORK AGREEMENT WITH CRCC

1. Background

Reference is made to the announcement of the Company dated 26 April 2019 and the circular of the Company dated 13 June 2019 in relation to the Previous Machinery Equipment and Accessories Sales Framework Agreement.

As the Previous Machinery Equipment and Accessories Sales Framework Agreement will expire on 31 December 2022, the Company entered into the Machinery Equipment and Accessories Sales Framework Agreement with CRCC on 29 July 2022 to renew the Previous Machinery Equipment and Accessories Sales Framework Agreement, pursuant to which the Group agreed to (i) sell various kinds of large railway track maintenance machines comprising all products of the Group; (ii) sell machinery and track equipment, facilities and materials; and (iii) provide other related or ancillary products and services, to CRCC and/or its associates, commencing from 1 January 2023 to 31 December 2025. Other than the above change, all existing terms and conditions of the Previous Machinery Equipment and Accessories Sales Framework Agreement have remained unchanged.

2. Machinery Equipment and Accessories Sales Framework Agreement

Details of the Machinery Equipment and Accessories Sales Framework Agreement are as follows:

Date:	29 July 2022
Parties:	The Company (as the supplier of products and services); and CRCC (as the purchaser of products and services).
Nature of transactions:	The Group agreed to: (i) sell various kinds of large railway track maintenance machines comprising all products of the Group, which are categorized into seven major series based on functions, namely, tamping machine series, stabilization machine series, ballast cleaning machine series, ballast regulator series, materials logistics machine series, rail processing machine series and other machinery; (ii) sell machinery and track equipment, facilities and materials; and (iii) provide other related or ancillary products and services, mainly including the sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates.
Term:	The term of the Machinery Equipment and Accessories Sales Framework Agreement will commence from 1 January 2023 and end on 31 December 2025, 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 transactions contemplated under the Machinery Equipment and Accessories Sales Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Machinery Equipment and Accessories Sales Framework Agreement is conditional upon the resolution regarding the transactions under such agreement and the relevant annual caps having been approved by the Independent Shareholders at the EGM.

Pricing policy:

In line with the general pricing policy of fairness and reasonableness set out in the Machinery Equipment and Accessories Sales Framework Agreement, the prices for products and services under such agreement shall be determined based on the following pricing principles:

- (i) where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices at which the same type of products and services provided by us to an Independent Third Party customer on normal commercial terms and the prices for the same type of products and services provided by the Independent Third Parties; and
- (ii) where there are no market prices for the relevant products which are applicable to new types of machinery equipment to be tailor-made for the specifications required by CRCC and/or its associates for specific business needs, the price shall be determined according to the price to be agreed between the parties; the agreed price will be calculated based on the actual costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance, incurred in providing such products plus reasonable profits; we will charge a mark-up rate, taking into consideration of the specific types of products, for the transactions on a cost-plus basis. Such mark-up rate charged to CRCC and/or its associates is generally not lower than 15% for all cases, which is the same mark-up rate charged to an Independent Third Party customer. The Board is of the view that such mark-up rate is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Payment terms:

The actual settlement price and the method of payment shall be determined based on the principles, instructions, conditions and terms of the Machinery Equipment and Accessories Sales Framework Agreement and set out in the specific agreements or order forms to be entered into by the parties.

The payment terms will be on market terms which are no less favourable to the Company than those available to Independent Third Parties.

Other major terms:

To implement the transactions contemplated under the Machinery Equipment and Accessories Sales Framework Agreement, the parties will enter into specific agreements or order forms which specify and record the specific terms (such as the types of large maintenance machinery and accessories, machinery and track equipment, facilities and materials, the prices and the payment and delivery terms) and operative provisions of those transactions to be determined in accordance with the terms under the Machinery Equipment and Accessories Sales Framework Agreement.

**Internal control procedures
for pricing policy:**

In order to ensure that (i) the sales of large railway track maintenance machinery and accessories; (ii) the sales of machinery and track equipment, facilities and materials; and (iii) the provision of other related or ancillary products and services from the Group to CRCC and/or its associates will not be prejudicial to the interests of the Company and our minority Shareholders, the Company adopts the following measures in negotiating the prices and terms of the transactions to be carried out under the Machinery Equipment and Accessories Sales Framework Agreement:

1. the prices will generally be agreed following arm's length negotiation between the parties with reference to the prevailing market prices; a large portion of our purchase orders is won through public tenders with our largest customer group (i.e. CRC and its affiliated enterprises), local railway operators and railway construction companies (including the CRCC Group).

In order to determine the prevailing market prices, we will make reference to the prices we offer to at least two Independent Third Party customers for the same or similar products or services; we will also primarily take into account the following factors to determine the market prices, to ensure that the prices will be no less favourable to the Company than those of the same type of products and services we provide to the Independent Third Party customers:

- (a) in respect of large railway track maintenance machines and machinery and track equipment, facilities and materials, we take into account our costs and market condition to determine the prices of our products. We adjust our prices with reference to various factors, such as the prevailing market condition, market prospect and competition;
- (b) in respect of parts and components, we determine the prices of our parts and components primarily based on the cost, and adjust our prices with reference to market conditions, logistic requirements, expected profit margins and safety of rails operations;
- (c) in respect of railway line maintenance services, we primarily take into account our costs, timeline, operation quality requirements and operation environment (such as the climate and topographical requirements) to determine the prices of our services;
- (d) in respect of overhaul services, we determine our prices primarily based on the condition of the machines to be overhauled;

2. in respect of the principle of the cost plus a reasonable profit margin, we will take into account all relevant factors in determining the underlying costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance; and
3. in the unlikely event that no comparable market prices can be taken which are applicable to new types of machinery equipment to be tailor-made for the specifications required by CRCC and/or its associates for specific business needs, experts in the Group with sufficient industry experience could opine on the fairness and reasonableness of the prices to ensure that the prices would be fair and reasonable to the Company and no less favourable to the Company than the prices the Group offers to the Independent Third Party customers. Such experts in the Group are the overall project consultant of our research center with senior engineer certificate, head of our cost management department with the qualification of certified public accountant, head of our procurement center and head of our marketing department. These experts have adopted a comprehensive evaluation model to determine the prices with reference to the historical transaction prices of the most similar types of machines and also take into account other factors, which include technical specifications, actual costs, payment terms, product quality and geographical areas where we provide products, etc. The prices of such new types of machinery equipment will be submitted to our general manager for approval.

3. Historical Figures

The aggregate amounts of transactions with respect to (i) the sales of various kinds of large railway track maintenance machines; (ii) the sales of machinery and track equipment, facilities and materials; and (iii) the provision of other related or ancillary products and services by the Group to CRCC and its associates for the two years ended 31 December 2021 and the six months ended 30 June 2022 were approximately RMB298.77 million, RMB364.67 million, and RMB158.79 million, respectively.

4. Proposed Annual Caps

The existing annual caps for the three years ending 31 December 2022 for the transactions under the Previous Machinery Equipment and Accessories Sales Framework Agreement are RMB1,100 million, RMB1,100 million and RMB1,100 million, respectively. The Board proposed the annual caps for the three years ending 31 December 2025 for the transactions under the Machinery Equipment and Accessories Sales Framework Agreement as follows:

Sales:

Amounts payable to the Group by CRCC and its associates with respect to the sales of large railway track maintenance machinery and accessories, machinery and track equipment, facilities and materials, and the provision of other related or ancillary products and services

12 months ending 31 December 2023 <i>(RMB million)</i>	12 months ending 31 December 2024 <i>(RMB million)</i>	12 months ending 31 December 2025 <i>(RMB million)</i>
1,100	1,100	1,100

5. Basis of Proposed Annual Caps

In arriving at the above proposed annual caps, the Company has considered the following principal factors:

Under the Machinery Equipment and Accessories Sales Framework Agreement, the products and services provided by us to CRCC and/or its associates mainly consist of two types, namely (i) the various kinds of large railway track maintenance machines and other related or ancillary products and services; and (ii) other machines and railway equipment, facilities and materials and other related or ancillary products and services.

(i) Large railway track maintenance machines and other related or ancillary products and services

According to the procurement plan and intention of fixed assets of CRCC and its subsidiaries (including the Company) formulated by CRCC, the products and services we provide are classified into two categories based on geographical locations of projects, namely, (i) our sales of large railway track maintenance machines as well as parts and components, provision of railway line maintenance services and provision of overhaul services to CRCC and/or its associates that will be used in domestic projects; and (ii) our sales of large railway track maintenance machines as well as parts and components and provision of railway line maintenance services to CRCC and/or its associates that will be used in overseas railway construction projects. We sell a wide range of products, including large railway track maintenance machines of various technical specifications (such as different gauges, axle loads, etc.) and price ranges, in order to cater to varied speed, climate, topographical and logistics requirements of the railway industry. Details are set out as follows:

Under the relevant procurement plan and intention, the aggregate amounts of our sales of large railway track maintenance machines as well as parts and components, and provision of railway line maintenance services and provision of overhaul services to CRCC and/or its associates are expected to reach approximately RMB500 million for the year ending 31 December 2022 and they are expected to maintain stable for the three years ending 31 December 2025 based on the following three major reasons:

- (a) due to the sustainable growth trend in the aggregate amounts of transactions for the three years ended 31 December 2021, the Company expects more potential for growth in the future. Pursuant to the 14th Five-Year development strategic plan of CRCC, it is expected that the revenue of CRCC will keep increasing with a compound annual growth rate of 6.8% during the five years from 2021 to 2025. Besides, considering that the construction of engineering projects lasts for several years after signing the contract, the demand of the large railway track maintenance machines of CRCC is sustainable. In particular, as of 31 December 2021, 23 categories of machines and 121 types of machinery equipment of the Company, e.g., sewage suction and sand removal machinery, cleaning machinery and stone ballast treatment machinery, were recognized into the requisite list of supplies, for the first time. Pursuant to the Company's deep participation in CRCC's railway engineering projects and CRCC's purchase intention which the Company knows, the Company estimates that the sales of large railway track maintenance machines and parts and components to CRCC for 2023 will amount to RMB600 million, representing an increase of approximately 25% comparing to 2022;

- (b) according to the regulations enacted by National Railway Administration of the PRC and relevant competent authorities, the large railway track maintenance machinery would be due for overhaul after being used for 10 to 13 years, or achieving certain level of workload; as such, the CRCC Group's demand for our overhaul services is expected to increase in the three years ending 31 December 2025 as more railway track maintenance machines supplied to the CRCC Group are expected to be due for overhaul; and
- (c) taking into account macro-economic conditions, such as the "One Belt, One Road" initiative adopted by the PRC government, we are expected to maintain a steady growth in such sales of large railway track maintenance machines as well as parts and components and provision of overhaul services to the CRCC Group for the three years ending 31 December 2025.

(ii) *Other machines and railway equipment, facilities and materials and other related or ancillary products and services*

Pursuant to the strategic arrangement of the Company, it is implementing the development strategy highlighting "strengthening major operation and related sectors and achieving diversified development". In particular, the Company has established strategic alliance with certain subsidiaries of the CRCC Group to drive forward rapid development of the related diversified industries of the Company. Comparing to 2020, the sales of large railway track maintenance machines and other related or ancillary products and services, machinery and track equipment and facilities and materials increased rapidly in 2021, representing an increase of 22%, which is due to the Company has established its solid reputation in market of other machines and railway equipment, facilities and materials and the increase in its market share, and therefore laid foundation for future growth in sales. The Company also proactively acquaints itself on CRCC's projects progress and demands, and keeps in touch with CRCC on projects. Based on the currently available market data and procurement plan and intention, and having taken into account the sustainable growth trend in the aggregate amounts of transactions for the three years ending 31 December 2025, the sales of other machines and railway equipment, facilities and materials and other related or ancillary products and services by the Company to the CRCC Group for the three years ending 31 December 2025 are expected to reach RMB600 million per year, representing an increase of 25% comparing to the estimated RMB500 million in 2022.

In arriving at the proposed annual caps under the Machinery Equipment and Accessories Sales Framework Agreement, the Company has also taken into consideration the buffer of RMB500 million for possible changes in the trade volume due to market condition changes. Since 2018, CRCC started to implement an overseas development strategy. Pursuant to the 2018 annual report of CRCC, its overseas newly-signed contracts increased approximately 24% than the previous year. Moreover, the Company understands that the overseas business of CRCC is under rapid development, and CRCC is proactively promoting its important railway projects in the Middle East, the Latin America, the Europe, the North America and the Africa under “One Belt, One Road” initiative. According to the strategic plan of CRCC which is known to the Company, CRCC expects that its overseas revenue to increase steadily for the three years ending 31 December 2025 comparing to 2021. Pursuant to previous experience of the Company, CRCC’s high speed overseas development will bring new sales demand to the Company as overseas projects are with large work quantity and large capital input and demand various kinds of products. The Company expects that if CRCC acquires new overseas projects, the Company can provide products worth RMB10 million to RMB80 million depending on the nature and size of project. Therefore, the Company believes that an enough buffer is necessary. However, the overseas projects are influenced by international economic and political environment so there is uncertainty in obtaining such projects by CRCC, thus the Company thinks it is better to regard the increase of the sales of overseas projects as the buffer to market change. Based on the above, the Board is of the view that such buffer is fair and reasonable.

6. Reasons for and Benefits of the Continuing Connected Transactions under the Machinery Equipment and Accessories Sales Framework Agreement

In the ordinary and usual course of our business, the Group sells large railway track maintenance machinery and accessories, machinery and track equipment, facilities and materials, and provides other related or ancillary services to CRCC and/or its associates. The Board is of the view that such transactions are beneficial to the Group for the following reasons:

- (i) in accordance with the relevant regulations of competent authorities for all constructions of new railway lines, railway line maintenance (such as tamping, formation and rehabilitation) must be conducted before the inspection and acceptance of such railway lines; CRCC and/or its associates, which are primarily engaged in the railway construction operations, require such products for carrying out railway track maintenance work before the inspection and acceptance of the new railway lines they have constructed;
- (ii) the Company and CRCC and/or its associates have established a long-term relationship, and understand respective planning of operations, quality control as well as certain specific requirements of both parties; and

- (iii) the prices and terms for the sales of large railway track maintenance machinery and accessories, machinery and track equipment, facilities and materials, and the provision of other related or ancillary services by us to CRCC and/or its associates would be no less favourable to the Company than those we offer to any Independent Third Party.

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 Machinery Equipment and Accessories Sales 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 annual caps for the three years ending 31 December 2025 for the transactions under the Machinery Equipment and Accessories Sales Framework Agreement 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 transaction. Saved as disclosed above, none of the other Directors has any material interest in the transaction contemplated under the Machinery Equipment and Accessories Sales Framework Agreement and therefore none of the other Directors has abstained from voting on such Board resolution.

7. Internal Control Measures for the Implementation of the Machinery Equipment and Accessories Sales Framework Agreement

The Company has adopted the following internal control measures to ensure that the terms of the Machinery Equipment and Accessories Sales Framework Agreement are fair and reasonable and such transactions are on normal commercial terms:

- (i) the Company has adopted and implemented a management system on connected transactions. Under the relevant system, our finance department is responsible for conducting reviews on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the Machinery Equipment and Accessories Sales Framework Agreement. In addition, the finance department, marketing department, international department, legal affairs department and other relevant operation departments of the Company are jointly responsible for evaluating the transaction terms under such agreement, in particular, the fairness of the pricing terms under such agreement;

- (ii) the independent non-executive Directors have also reviewed and will continue to review the continuing connected transactions to ensure that the transactions have been entered into on normal commercial terms and according to the Machinery Equipment and Accessories Sales Framework Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in our annual report; and
- (iii) the auditor of the Company will also conduct an annual review on the pricing policies and annual caps of such agreement, and provide confirmation in our annual report.

III. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CRCC is a controlling Shareholder, which directly and indirectly holds approximately 65% of the total issued share capital of the Company, and thus is a connected person of the Company under the Listing Rules. 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 and the Machinery Equipment and Accessories Sales Framework constitute continuing connected transactions of the Company under the Listing Rules, respectively.

Since the highest applicable percentage ratio in respect of the highest annual caps under the Financial Services Framework Agreement is more than 5% but less than 25%, such transactions is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. It also constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Since the highest applicable percentage ratio in respect of the highest annual caps under the Machinery Equipment and Accessories Sales Framework Agreement is more than 5%, such transaction is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 and the Machinery Equipment and Accessories Sales Framework are both 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; (ii) the proposed maximum daily balance of the deposits to be placed under the Financial Services Framework Agreement for the three years ending 31 December 2025 are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (iii) the proposed annual caps for the three years ending 31 December 2025 for the transactions under the Machinery Equipment and Accessories Sales Framework Agreement 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 resolutions 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 or the Machinery Equipment and Accessories Sales Framework Agreement. Save as disclosed above, none of the Directors has material interest in such transactions, and therefore, none of the other Director has abstained from voting on such Board resolutions.

IV. 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 the Group.

CRCC and its subsidiaries (excluding the Group) are primarily engaged in: (i) construction operations; (ii) survey, design and consultancy operations; (iii) manufacturing operations (except the business of the Group); (iv) real estate development operations; and (v) logistics and materials trading.

V. EGM

At the EGM, ordinary resolutions, among other things, will be put forward for the Independent Shareholders to consider and, if appropriate, to approve (i) the Financial Services Framework Agreement, together with the proposed maximum daily balance of the deposits thereunder, and (ii) the Machinery Equipment and Accessories Sales Framework Agreement, together with the proposed maximum transaction amounts thereunder.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of (i) the Financial Services Framework Agreement, together with the proposed maximum daily balance of the deposits thereunder, and (ii) the Machinery Equipment and Accessories Sales Framework Agreement, together with the proposed maximum transaction amounts thereunder. 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 resolutions at the EGM with respect to (i) the Financial Services Framework Agreement, together with the proposed maximum daily balance of the deposits thereunder, and (ii) the Machinery Equipment and Accessories Sales Framework Agreement, together with the proposed maximum transaction amounts thereunder. 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 or the Machinery Equipment and Accessories Sales Framework Agreement and therefore will be required to abstain from voting to approve the relevant resolutions at the EGM.

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) details of the Machinery Equipment and Accessories Sales Framework Agreement and the proposed maximum transaction amounts;
- (ii) a letter from the Independent Board Committee containing its opinion and recommendation on (a) the Financial Services Framework Agreement, together with the proposed maximum daily balance of the deposits thereunder, and (b) the Machinery Equipment and Accessories Sales Framework Agreement, together with the proposed maximum transaction amounts thereunder; and
- (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its opinion and recommendation on (a) the Financial Services Framework Agreement, together with the proposed maximum daily balance of the deposits thereunder, and (b) the Machinery Equipment and Accessories Sales Framework Agreement, together with the proposed maximum transaction amounts thereunder,

will be issued by the Company and despatched to the Shareholders no later than 8 September 2022 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.

VI. DEFINITIONS

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

“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, the Shareholder and a connected person of the 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, the Shareholder and a connected person of the 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 the 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, the Shareholder and a connected person of the 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 the Company
“CRCC Group”	CRCC and its subsidiaries (excluding the 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, the Shareholder and a connected person of the Company
“Director(s)”	the director(s) of the Company
“EGM”	the forthcoming extraordinary general meeting to be held by the Company on 27 September 2022 to consider and, if appropriate, to approve, among other things, (i) the Financial Services Framework Agreement, together with the proposed maximum daily balance of the deposits thereunder, and (ii) the Machinery Equipment and Accessories Sales Framework Agreement, together with the proposed maximum transaction amounts thereunder
“Financial Services Framework Agreement”	the financial services framework agreement dated 29 July 2022 between the Company and CRCC Finance to renew the Previous Financial Services Framework Agreement, pursuant to which CRCC Finance agrees to provide deposit services to the Group for the term commencing 1 January 2023 and ending on 31 December 2025
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign shares in the share capital of the 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 (i) the Financial Services Framework Agreement, together with the proposed maximum daily balance of the deposits thereunder, and (ii) the Machinery Equipment and Accessories Sales Framework Agreement, together with the proposed maximum transaction amounts thereunder
“Independent Financial Adviser”	Messis Capital Limited, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the Financial Services Framework Agreement, together with the proposed maximum daily balance of the deposits thereunder, and (ii) the Machinery Equipment and Accessories Sales Framework Agreement, together with the proposed maximum transaction amounts thereunder

“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 resolutions at the EGM with respect to (i) the Financial Services Framework Agreement, together with the proposed maximum daily balance of the deposits thereunder, and (ii) the Machinery Equipment and Accessories Sales Framework Agreement, together with the proposed maximum transaction amounts thereunder
“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
“Machinery Equipment and Accessories Sales Framework Agreement”	the Machinery Equipment and Accessories Sales Framework Agreement dated 29 July 2022 between the Company and CRCC, pursuant to which the Group agreed to provide machinery equipment and accessories to CRCC and/or its associates, including: (i) sell various kinds of large railway track maintenance machines; (ii) sell machinery and track equipment, facilities and materials; and (iii) provide other related or ancillary products and services, mainly including the sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates
“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”	the financial services framework agreement dated 21 December 2021 between the Company and CRCC Finance, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commenced from 1 January 2022 and ending on 31 December 2022

“Previous Machinery Equipment and Accessories Sales Framework Agreement”	the Machinery Equipment and Accessories Sales Framework Agreement dated 26 April 2019 between the Company and CRCC, pursuant to which the Group agreed to: (i) sell various kinds of large railway track maintenance machines; (ii) sell machinery and track equipment, facilities and materials; and (iii) provide other related or ancillary products and services, mainly including the sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates for the term commenced from 1 January 2020 and ending on 31 December 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares in the capital of the 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, 29 July 2022

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