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株洲中车时代电气股份有限公司
ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS UNDER 2023-2024 CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT

References are made to the announcements of the Company dated 29 December 2017, 28 December 2018, 25 October 2019 and 26 August 2022 in relation to, among other things, the 2017-18 CRRC Financial Services Framework Agreement, the 2018-19 CRRC Financial Services Framework Agreement, the 2019-20 CRRC Financial Services Framework Agreement and the 2022-2023 CRRC Financial Services Framework Agreement, respectively.

2023-2024 CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT

In view of the expiry of the 2022-2023 CRRC Financial Services Framework Agreement on 31 August 2023, on 22 August 2023, the Company and CRRC Finance entered into the 2023-2024 CRRC Financial Services Framework Agreement, pursuant to which, CRRC Finance has agreed to provide the Group with deposit services and other financial services subject to the terms and conditions provided therein.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CRRC Group directly and indirectly holds approximately 51.35% equity interest in CRRC in aggregate. CRRC directly holds the entire equity interest in the Parent Company. The Parent Company is a controlling shareholder of the Company. CRRC Finance is held as to approximately 91.36% by CRRC and approximately 8.64% by CRRC Group and is therefore a connected person of the Company as defined under the Listing Rules. Therefore, the transactions contemplated under the 2023-2024 CRRC Financial Services Framework Agreement constitute continuing connected transactions of the Company.

All of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the proposed Annual Cap for the other financial services under the 2023-2024 CRRC Financial Services Framework Agreement are less than 0.1%.

As one or more of the applicable percentage ratios in respect of the proposed Annual Cap for deposit services under the 2023-2024 CRRC Financial Services Framework Agreement, whether alone or aggregated with the proposed Annual Cap for the other financial services under the 2023-2024 CRRC Financial Services Framework Agreement, is more than 0.1% but are all less than 5%, the deposit services and other financial services to be provided by CRRC Finance to the Group constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will disclose the relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Listing Rules.

BACKGROUND

References are made to the announcements of the Company dated 29 December 2017, 28 December 2018, 25 October 2019 and 26 August 2022 in relation to, among other things, the 2017-18 CRRC Financial Services Framework Agreement, the 2018-19 CRRC Financial Services Framework Agreement, the 2019-20 CRRC Financial Services Framework Agreement and 2022-2023 CRRC Financial Services Framework Agreement, respectively.

In view of the expiry of the 2022-2023 CRRC Financial Services Framework Agreement on 31 August 2023, on 22 August 2023, the Company and CRRC Finance entered into the 2023-2024 CRRC Financial Services Framework Agreement, pursuant to which, CRRC Finance has agreed to provide the Group with deposit services and other financial services subject to the terms and conditions provided therein.

PRINCIPAL TERMS OF THE 2023-2024 CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT

The principal terms of the 2023-2024 CRRC Financial Services Framework Agreement are set out below:

Date:

22 August 2023

Parties:

- (a) The Company (for itself and on behalf of the members of the Group); and
- (b) CRRC Finance

Term:

A term of one year commencing from 1 September 2023 to 31 August 2024 (both dates inclusive) (the "Term").

Material terms:

Pursuant to the 2023-2024 CRRC Financial Services Framework Agreement, the services to be provided by CRRC Finance to the Group include deposit services and other financial services as described below.

CRRC Finance will ensure the stable operation of the capital management system to safeguard the funds and to control the asset and liability risks, so as to satisfy the payment needs of the Group.

The parties have agreed to enter into separate agreements for each service provided under the 2023-2024 CRRC Financial Services Framework Agreement and the terms of such agreements shall be in compliance with the principle and terms stipulated in the 2023-2024 CRRC Financial Services Framework Agreement.

Pricing policy:**Deposit services**

The interest rate for the Group's deposits with CRRC Finance will not be lower than (i) the benchmark interest rate as stipulated by the PBOC and the same type of deposit; (ii) the interest rate of principal commercial banks in the PRC offered to each member of the Group for the same type of deposit services; and (iii) the interest rate determined by CRRC Finance to absorb the same type of deposits of each member of the CRRC Group of Companies.

The commercial terms (including fees and charges) of the deposits and other daily transactions offered by CRRC Finance to the Group will not be less favourable than: (i) the terms offered by principal commercial banks in the PRC when providing similar services to the Group; and (ii) the terms offered by CRRC Finance to other members of the CRRC Group of Companies.

Other financial services

The fees charged by CRRC Finance for the provision of other financial services to the Group will comply with the charge standards published by the PBOC and NFRA for such type of financial services and will not be higher than (i) the fees charged by principal commercial banks in the PRC for the same type of financial services; and (ii) the fees charged by CRRC Finance to other members of the CRRC Group of Companies for the same type of financial services.

Historical Transaction Records

Set out below is a summary of the historical transaction records under the 2022-2023 CRRC Financial Services Framework Agreement for the nine months ended 30 June 2023:

**For the nine months
ended 30 June 2023**
(RMB millions)

Maximum daily deposit balance (aggregating deposits denominated in Renminbi and foreign currencies (equivalent to RMB), including any interest accrued thereon) placed by the Group with CRRC Finance	292.5
Fees charged annually by CRRC Finance to the Group for other financial services provided	0

The historical transaction amounts under the 2022-2023 CRRC Financial Services Framework Agreement for the nine months ended 30 June 2023 did not exceed the annual cap for the one year commenced from 1 September 2022 to 31 August 2023.

The Company confirms that as at the date of this announcement, the actual transaction amounts under the 2022-2023 CRRC Financial Services Framework Agreement have not exceeded the annual caps for the one year commenced from 1 September 2022 to 31 August 2023.

Annual Caps and Basis of Annual Caps

The proposed Annual Caps under the 2023-2024 CRRC Financial Services Framework Agreement for the Term are as follows:

Deposit services

The proposed Annual Cap for the deposit services, being the maximum daily deposit balance aggregating deposits denominated in RMB and foreign currencies (equivalent to RMB) (including any interest accrued thereon) placed by the Group with CRRC Finance for the Term shall be RMB300 million, which is determined after taking into account: (i) the increasing total assets of the Group; and (ii) the fact that CRRC Finance is under supervision of relevant competent financial authorities (such as NFRA) and it has been maintaining good risk control, well-regulated management and settlement systems comparable with principal commercial banks in the PRC; (iii) the fact that the Group's cooperation with CRRC Finance will allow it to reduce financial costs, increase income from interest on deposits, and reduce settlement costs with good risk control; and (iv) the historical transaction amounts under the 2022-2023 CRRC Financial Services Framework Agreement as shown in the section headed "Historical Transaction Records" above.

Other financial services

The other financial services which may be provided by CRRC Finance to the Group include but not limited to financial advisory, credit assurance and related consulting and agency services, handling the receipt and payment of transaction proceeds, providing non-financial guarantees, handling entrusted loans and bond underwriting, handling acceptance and discount of bills, handling fund settlement and receipt and payment, spot and forward foreign exchange settlement and sale as well as spot and forward foreign exchange trading etc..

The proposed Annual Cap for other financial services, being the fees payable by the Group to CRRC Finance for receiving other financial services for the Term shall be RMB10 million, which is determined after taking into account the expected business development of, and demand on other financial services by, the Group during the Term.

INFORMATION ON THE PARTIES

The Group

The Group is mainly engaged in the research, development, design, manufacture and sale of railway transportation equipment products, as well as provision of relevant services. The Group has an industrial structure of “components + systems + complete machines”. The products primarily include rail transit electrical equipment, rail engineering machinery and communication signal systems with a focus on rail transit traction converter systems. Meanwhile, the Group also actively expands into industries other than rail transit and carries out business operations in the fields of power semiconductor device, industrial converter products, electric drive system of new energy vehicles, sensor device and marine equipment.

CRRC Group

The principal scope of business of CRRC Group is the authorized state-owned asset management and state-owned equity management, capital operation, investment and investment management, asset management and trust management; research and development, sale, leasing and technological services of transportation and urban infrastructure, new energy, energy conservation and environmental protection equipment; design, manufacture and repair of locomotive trains, urban railway transport trains, railway hoisting machinery, various mechanical and electrical equipment and parts, electronic equipment, environmental protection equipment and products; import and export of goods, technology and agency. (The market entity selects its operating projects and carries out operating activities at its own discretion in accordance with the laws; for projects subject to approval in accordance with the laws, operating activities shall be carried out in accordance with the approved content after the approval is obtained from relevant authorities; operating activities in relation to projects prohibited and restricted by the national and municipal industrial policies shall not be carried out).

CRRC Finance

CRRC Finance is a non-banking financial institution established under the laws of the PRC in November 2012 with the approval of the former China Banking and Insurance Regulatory Commission (which has been incorporated into NFRA) and is subject to the supervision of NFRA. CRRC Finance is principally engaged in providing financial services to the members of the CRRC Group of Companies (and the Group as contemplated under the 2023-2024 CRRC Financial Services Framework Agreement), including but not limited to absorbing deposits, handling loans, handling discount of bills, handling fund settlement and receipt and payment, providing entrusted loans, bond underwriting, non-financial guarantees, financial consulting, credit assurance and related consulting and agency services, providing loans to fellow financial institutions, handling acceptance of bills and engaging in fixed-income marketable securities investment.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023-2024 CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT

Having considered that (i) the interest rates on deposits offered by CRRC Finance to the Group will be no less favourable than those offered by principal commercial banks in the PRC for the same type; (ii) CRRC Finance is regulated by the PBOC and NFRA and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities; (iii) the Group is expected to benefit from CRRC Finance's better understanding of operations of the Group which should allow more flexible, expedient and efficient service provision than those offered by principal commercial banks in the PRC (such as it is expected that CRRC Finance may provide better solutions in financial advisory consultation services); and (iv) pursuant to the relevant regulations of PBOC and NFRA, the customers of CRRC Finance mainly limited to entities within the CRRC Group of Companies and the Group, thereby reducing the risks that CRRC Finance may otherwise be exposed to, the Directors consider that the 2023-2024 CRRC Financial Services Framework Agreement will provide a better utilisation of such surplus cash with acceptable levels of risk and an efficient management of deposit and other financial services for meeting the daily operation needs of the Group. The deposit transactions do not have any effect on the assets and liabilities of the Group. In addition, the interest earned out of the deposit transactions will provide satisfactory economic returns for the Group.

Mr. Li Donglin, Mr. Liu Ke'an and Mr. Zhang Xinning have abstained from voting on the Board resolution approving the 2023-2024 CRRC Financial Services Framework Agreement due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the 2023-2024 CRRC Financial Services Framework Agreement and hence no other Director has abstained from voting on such Board resolution.

The Directors (excluding Mr. Li Donglin, Mr. Liu Ke'an and Mr. Zhang Xinning but including the independent non-executive Directors) consider that the terms of the 2023-2024 CRRC Financial Services Framework Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors also consider that the transactions contemplated under the 2023-2024 CRRC Financial Services Framework Agreements are conducted in the ordinary and usual course of business of the Group and on normal commercial terms or better and on terms which are no less favourable than those offered by Independent Third Parties to the Group.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES

In addition to the annual review and quarterly review by the auditors and the independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, in order to ensure that the terms under the 2023-2024 CRRC Financial Services Framework Agreement are fair and reasonable, and the connected transactions are carried out on normal commercial terms or better and on terms which are no less favourable than those offered by Independent Third Parties to the Group, and to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted the following risk management and internal control procedures:

- (i) before providing the deposit services to the Group, CRRC Finance shall provide its latest audited annual financial report and other necessary information (such as risk indicators) and provide financial statements and risk indicator information regularly in every six months;
- (ii) during the period of providing the financial services, CRRC Finance is obliged to cooperate with the Company in continuous dynamic supervision and risk assessment, and cooperate with the issuance and disclose continuous risk assessment reports;
- (iii) Establish a risk prevention and management leading group (the “**Leading Group**”), which consists of a working group responsible for daily supervision of the financial business with CRRC Finance and keep track of the daily operation of CRRC Finance, and report abnormal risks to the Leading Group in a timely manner, in order for the Leading Group to prevent and manage the risks;
- (iv) CRRC Finance shall notify the Company promptly and the Company shall immediately commence the prevention and response mechanism, if any of the following circumstances occurs:
 - (1) any violation of certain provisions of the Administrative Measures on Finance Companies of Corporate Groups (《企業集團財務公司管理辦法》) by CRRC Finance, or any of the financial indicators of CRRC Finance does not meet the requirements stipulated therein;
 - (2) the occurrence of material events on CRRC Finance, such as bank runs, failure to repay due debts, material loans overdue or guaranteed advances, serious failure of transaction system, robbed or scammed, directors or senior management involved in serious disciplinary or criminal cases;
 - (3) the occurrence of major institutional changes, equity transactions or operational risks that may affect CRRC Finance’s normal operation;
 - (4) the indebtedness owed to CRRC Finance by its shareholder(s) is overdue for more than one year;
 - (5) CRRC Finance suffers a serious payment crisis or has non-group (contingent) liability business such as interbank lending and bill acceptance is overdue for more than 5 working days;

- (6) CRRC Finance has a loss of more than 30% of the registered capital for the current year or more than 10% of the registered capital for three consecutive years;
 - (7) the occurrence of material credit risk events (including but not limited to overdue of open market bonds for more than seven working days, payment of guarantee of large value etc.) on CRRC Finance, its controlling shareholder, ultimate beneficial owner and other related parties;
 - (8) CRRC Finance is subject to administrative penalties imposed by the NFRA and other regulatory authorities for violation of laws and regulations;
 - (9) CRRC Finance is ordered to carry out rectification by NFRA; and
 - (10) any other matters that may pose security risks to the Company's deposited funds.
- (v) the finance department of the Company will closely monitor the credit risk of CRRC Finance and keep track of any event that affect the safety of the Group's fund held by CRRC Finance;
 - (vi) the finance department of the Company will closely monitor the financial and operating conditions of CRRC Finance. If the Company considers that there are material adverse changes in the financial position of CRRC Finance, the Company will take appropriate measures, including early withdrawal of deposit and suspension of further deposits, to protect the Group's financial position. The Company will, from time to time, at its sole discretion, request that the deposits with CRRC Finance be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of its deposits;
 - (vii) the subsidiaries of the Company are required to obtain internal approval from the Company before entering into any separate agreements in relation to each service provided under the 2023-2024 CRRC Financial Services Framework Agreement, which will set out the specific terms and conditions of the relevant service, and are in the ordinary and usual course of business, after arm's length negotiation, on normal commercial terms or better and on terms which are no less favourable than those offered by independent third parties to the Group;
 - (viii) the finance department of the Company has a designated person to record the execution of the separate agreements in relation to the deposit services and other financial services provided under the 2023-2024 CRRC Financial Services Framework Agreement; and
 - (ix) in respect of the deposit services, the finance department of the Company will visit the websites of at least two principal commercial banks in the PRC to check their offers of comparable deposit of the same tenure and type and other financial services (including interest rates and fees) and check and compare the benchmark deposit interest rates as promulgated by the PBOC, the deposit interest rates offered by CRRC Finance to the CRRC Group of Companies and those offered by CRRC Finance to the Group on a monthly basis and prior to placing deposits with CRRC Finance, and in the event that the deposit interest rates offered by CRRC Finance to the Group are lower than any of the above comparable rates, the Group will negotiate and seek compensation from CRRC Finance (where applicable).

In addition, the Group has adopted the following procedures to control the risks in relation to the deposits placed by the Group with CRRC Finance, so as to ensure that the applicable Annual Cap are not exceeded:

- (i) the finance department of the Company will monitor the daily deposits placed by the Group with CRRC Finance, so as to monitor its accounts and ensure that relevant transaction amounts will not exceed the Annual Caps under the 2023-2024 CRRC Financial Services Framework Agreement, and conduct periodic risk assessment of deposits placed by the Group with CRRC Finance;
- (ii) if the balance is close to or expected to exceed the applicable maximum daily deposit balance, the Group will consider its deposit management and may transfer part of the funds to other independent commercial bank, if necessary.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CRRC Group directly and indirectly holds approximately 51.35% equity interest in CRRC in aggregate, CRRC directly holds the entire equity interest in the Parent Company. The Parent Company is a controlling shareholder of the Company. CRRC Finance is held as to approximately 91.36% by CRRC and approximately 8.64% by CRRC GROUP and is therefore a connected person of the Company as defined under the Listing Rules. Therefore, the transactions contemplated under the 2023-2024 CRRC Financial Services Framework Agreement constitute continuing connected transactions of the Company.

All of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the proposed Annual Cap for the other financial services under the 2023-2024 CRRC Financial Services Framework Agreement are less than 0.1%.

As one or more of the applicable percentage ratios in respect of the proposed Annual Cap for deposit services under the 2023-2024 CRRC Financial Services Framework Agreement, whether alone or aggregated with the proposed Annual Cap for the other financial services under the 2023-2024 CRRC Financial Services Framework Agreement, is more than 0.1% but are all less than 5%, the deposit services and other financial services to be provided by CRRC Finance to the Group constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will disclose relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Listing Rules.

DEFINITIONS

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

“2017-18 CRRC Financial Services Framework Agreement”	a financial services framework agreement entered into between CRRC Finance and the Company on 29 December 2017 for a term of one year commenced from 31 December 2017 to 30 December 2018. Please refer to the announcement of the Company dated 29 December 2017 for further details of the 2017-18 CRRC Financial Services Framework Agreement
“2018-19 CRRC Financial Services Framework Agreement”	a financial services framework agreement entered into between CRRC Finance and the Company on 28 December 2018 for a term of one year commenced from 31 December 2018 to 30 December 2019. Please refer to the announcement of the Company dated 28 December 2018 for further details of the 2018-19 CRRC Financial Services Framework Agreement
“2019-20 CRRC Financial Services Framework Agreement”	a financial services framework agreement entered into between CRRC Finance and the Company on 25 October 2019 for a term of one year commenced from 31 December 2019 to 30 December 2020. Please refer to the announcement of the Company dated 25 October 2019 for further details of the 2019-20 CRRC Financial Services Framework Agreement
“2022-2023 CRRC Financial Services Framework Agreement”	a financial services framework agreement entered into between CRRC Finance and the Company on 26 August 2022 for a term of one year commenced from 1 September 2022 to 31 August 2023. Please refer to the announcement of the Company dated 26 August 2022 for further details of the 2022-2023 CRRC Financial Services Framework Agreement
“2023-2024 CRRC Financial Services Framework Agreement”	a financial services framework agreement entered into between CRRC Finance and the Company on 22 August 2023 for a term of one year commenced from 1 September 2023 to 31 August 2024
“Annual Cap(s)”	the maximum annual cap(s) for the deposit services and/or other financial services under the 2023-2024 Financial Services Framework Agreement
“Board”	the board of Directors

“Company”	Zhuzhou CRRC Times Electric Co., Ltd. (株 洲 中 車 時 代 電 氣 股 份 有 限 公 司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3898) and the A Shares of which are listed on the Science and Technology Innovation Board of the SSE (stock code: 688187)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CRRC”	CRRC Corporation Limited (中 國 中 車 股 份 有 限 公 司), a joint stock company established in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1766) and the A shares of which are listed on the SSE (stock code: 601766). CRRC is directly and indirectly held as to approximately 51.35% in aggregate by CRRC Group and holds the entire equity interest in the Parent Company
“CRRC Finance”	CRRC Finance Co., Ltd.* (中 車 財 務 有 限 公 司), a company established under the laws of the PRC with limited liability
“CRRC Group”	CRRC Group Co., Ltd.* (中 國 中 車 集 團 有 限 公 司), a state-owned enterprise of the PRC and the controlling shareholder of CRRC
“CRRC Group of Companies”	CRRC Group and its subsidiaries (excluding the Group)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	parties who are independent of, and not connected with the Company or any of its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NFRA”	The National Financial Regulatory Administration (國 家 金 融 監 督 管 理 總 局) of the PRC, which was officially established on the basis of the China Banking and Insurance Regulatory Commission* (中 國 銀 行 保 險 監 督 管 理 委 員 會) on 18 May 2023
“Parent Company”	CRRC Zhuzhou Institute Co., Ltd.* (中 車 株 洲 電 力 機 車 研 究 所 有 限 公 司), a company established under the laws of the PRC with limited liability, a wholly-owned subsidiary of CRRC and the controlling shareholder of the Company

“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SSE”	the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

The English names of the PRC entities mentioned in this announcement which are marked with “” are translation, or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency between the Chinese name of the PRC entities mentioned in this announcement and their English translation, the Chinese version shall prevail.*

By order of the Board
Zhuzhou CRRC Times Electric Co., Ltd.
Li Donglin
Chairman

Zhuzhou, China, 22 August 2023

As at the date of this announcement, our chairman of the Board and executive Director is Li Donglin, our vice chairman of the Board and executive Director is Liu Ke’an, our other executive Director is Shang Jing, our non-executive Director is Zhang Xinning, and our independent non-executive Directors are Gao Feng, Li Kaiguo, Zhong Ninghua and Lam Siu Fung.