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**中国铁建**  
**CRCC High-Tech Equipment Corporation Limited**  
**中國鐵建高新裝備股份有限公司**

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

**(Stock Code: 1786)**

**CONTINUING CONNECTED TRANSACTION**  
**THE PRODUCTS AND SERVICES PROCUREMENT FRAMEWORK**  
**AGREEMENT WITH CRCC**

References are made to the announcement of the Company dated 31 July 2020 and the circular of the Company dated 9 September 2020 in relation to, among other things, the Previous Products and Services Procurement Framework Agreement.

As the Previous Products and Services Procurement Framework Agreement will expire on 31 December 2023, the Company entered into the Products and Services Procurement Framework Agreement with CRCC on 9 May 2023 to renew the Previous Products and Services Procurement Framework Agreement, pursuant to which the Company and/or its subsidiaries agreed to procure products and services from CRCC and/or its associates for the term commencing from 1 January 2024 and ending on 31 December 2026.

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. Pursuant to the Listing Rules, CRCC is a connected person of the Company. Therefore, the transactions under the Products and Services Procurement Framework Agreement constitute continuing connected transactions of the Company.

Since the highest applicable percentage ratio for the proposed annual caps for the three years ending 31 December 2026 under the Products and Services Procurement Framework Agreement is more than 5%, the transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the 2022 AGM, an ordinary resolution, among other things, will be put forward for the Independent Shareholders to consider and, if thought fit, to approve the Products and Services Procurement Framework Agreement, together with the proposed annual caps thereunder.

A circular of the Company containing, among other things, (i) details of the Products and Services Procurement Framework Agreement and the proposed annual caps; (ii) the opinion and recommendation from the Independent Board Committee; and (iii) the opinion and recommendation from the Independent Financial Adviser, will be issued by the Company and despatched to the Shareholders no later than 8 June 2023.

## 1. BACKGROUND

References are made to the announcement of the Company dated 31 July 2020 and the circular of the Company dated 9 September 2020 in relation to, among other things, the Previous Products and Services Procurement Framework Agreement.

As the Previous Products and Services Procurement Framework Agreement will expire on 31 December 2023, the Company entered into the Products and Services Procurement Framework Agreement with CRCC on 9 May 2023 to renew the Previous Products and Services Procurement Framework Agreement, pursuant to which the Company and/or its subsidiaries agreed to procure products and services from CRCC and/or its associates for the term commencing from 1 January 2024 and ending on 31 December 2026.

## 2. PRODUCTS AND SERVICES PROCUREMENT FRAMEWORK AGREEMENT

Details of the Products and Services Procurement Framework Agreement are set out below:

**Date:** 9 May 2023

**Parties:** the Company (as the purchaser of products and services); and

CRCC (as the supplier of products and services)

**Nature of transactions:** The Company and/or its subsidiaries agreed to procure products and services from CRCC and/or its associates, including: (i) materials and equipment required by the Company and/or its subsidiaries in their productions and sales; (ii) construction services; (iii) assets and equipment leasing services; (iv) railway line usage services; (v) maintenance services; and (vi) other paid services.

**Term:** The term of the Products and Services Procurement Framework Agreement will commence on 1 January 2024 and end on 31 December 2026, subject to early termination by either party giving at least three months' prior written notice to the other party.

The parties may extend or renew such term by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

**Conditions precedent:** The Products and Services Procurement Framework Agreement is conditional upon the resolution regarding the Products and Services Procurement Framework Agreement and the proposed annual caps being approved by the Independent Shareholders at the 2022 AGM.

**Pricing policy:** The prices for the products and services under the Products and Services Procurement Framework Agreement shall be determined based on the following principles and in the following order:

- (1) Where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices, which are the prices charged by CRCC and/or its associates for providing the same type of products and services to an independent third party customer on normal commercial terms.

In determining the prevailing market prices for the relevant products and services, the Company will make reference to the quotations offered by at least two independent third party suppliers for providing the same or similar products or services. The Company will also take into account the following factors to ensure that the prices offered by CRCC and/or its associates will be no less favourable than those available to the Company from the independent third party suppliers for purchasing the same type of products or services, including the costs of the relevant products or services, quality requirements, market conditions, and time arrangement.

- (2) Where there are no market prices for the relevant products and services that are aimed at meeting the Group's specific business requirements, the prices shall be determined according to the agreed prices between the parties.

The agreed prices will be calculated based on the actual costs incurred in providing such products and services, which include the costs of raw materials, accessories, depreciation, salary, energy, required technology and equipment maintenance, plus reasonable profits. CRCC and/or its associates will charge a mark-up rate generally not higher than 15% for all transactions under the Products and Services Procurement Framework Agreement, 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 prices and the method of payment shall be determined based on the principles, instructions, conditions and terms of the Products and Services Procurement Framework Agreement and set out in the specific contracts to be entered into by the parties.

The payment terms will be no less favourable than the market terms available from independent third parties.

**Other major terms:** The parties shall enter into a specific contract for a single or a series of transactions based on the principles under the Products and Services Procurement Framework Agreement to specify the terms of each transaction thereunder.

### 3. HISTORICAL ANNUAL CAPS AND HISTORICAL FIGURES

Pursuant to the Previous Products and Services Procurement Framework Agreement, the annual caps for each of the three years ending 31 December 2023 (the “**historical annual caps**”) as well as the historical transaction amounts are set out as follows:

	<b>For the year ended 31 December 2021</b> <i>(RMB million)</i>	<b>For the year ended 31 December 2022</b> <i>(RMB million)</i>	<b>For the year ending 31 December 2023</b> <i>(RMB million)</i>
Historical annual caps	350	350	350
Historical transaction amounts	57.49	129.86 <sup>Note</sup>	/

*Note:*

Under the Previous Products and Services Procurement Framework Agreement, the transaction amount for the year ended 31 December 2022 was RMB129.86 million, representing a significant increase compared with the year ended 31 December 2021. Such increase was primarily attributable to the increase of transaction amount for purchase of materials and equipment by the Company and/or its subsidiaries in their production and sales.

#### 4. PROPOSED ANNUAL CAPS

The proposed annual caps for the three years ending 31 December 2026 under the Products and Services Procurement Framework Agreement are as follows:

	<b>For the year ending 31 December 2024</b> <i>(RMB million)</i>	<b>For the year ending 31 December 2025</b> <i>(RMB million)</i>	<b>For the year ending 31 December 2026</b> <i>(RMB million)</i>
<b>Proposed annual caps:</b>			
Procurement of products and services by the Group from CRCC and/or its associates	160	160	160

#### 5. BASIS OF PROPOSED ANNUAL CAPS

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

- (i) the historical transaction amounts between the Group and CRCC and/or its associates. The annual transaction amount for the year ended 31 December 2022 under the Previous Products and Services Procurement Framework Agreement was RMB129.86 million. Considering the macro-economic conditions, such as the “Belt and Road Initiative” of Chinese government, the purchase demands of the Company for products and services from CRCC and its associates are expected to maintain a steady growth trend in the three years ending 31 December 2026. Accordingly, the Company has reserved a 20% buffer on the basis of the annual transaction amount for the year ended 31 December 2022;
- (ii) for the three financial years ending 31 December 2026, taking into account the expected increase in equipment manufacturing businesses, the demands for parts, components and materials required by the Company and/or its subsidiaries in their productions and sales are expected to increase slightly. In addition, certain of the key parts and components of such business are of weak substitutability on the market from independent third party suppliers, and therefore need to be purchased from CRCC and/or its associates;

- (iii) for the three financial years ending 31 December 2026, according to the 14th Five-Year Railway Standardization Development Plan published by the National Railway Administration of the PRC, the construction business volume of the Company and/or its subsidiaries is estimated to increase, together with a corresponding increase in their purchase demands for construction services; and
- (iv) in addition to the above business and services, the demands of the Company and/or its subsidiaries for other products and services under the Product and Services Procurement Framework Agreement, including assets and equipment leasing services, railway line usage services, maintenance services and other paid services are expected to remain stable for the three financial years ending 31 December 2026.

## **6. REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE PRODUCTS AND SERVICES PROCUREMENT FRAMEWORK AGREEMENT**

In the ordinary and usual course of business, the Group procures products and services from CRCC and/or its associates, including: (i) materials and equipment required by the Company and/or its subsidiaries in their productions and sales; (ii) construction services; (iii) assets and equipment leasing services; (iv) railway line usage services; (v) maintenance services; and (vi) other paid services.

The Board (excluding the Director who has abstained from voting on the relevant board resolution and the independent non-executive Directors whose view will be given after taking into account the advice of the Independent Financial Adviser) is of the view that such transactions are beneficial to the Group for the following reasons: under the Products and Services Procurement Framework Agreement, the products and related services procured by the Company from CRCC and/or its associates can meet the rigid demands of the Company for rail testing and over-the-rail delivery of overhaul products in the daily productions and operation processes of the Company. In addition, key parts and components required in the special engineering equipment manufacturing business of the Company are of weak substitutability from independent third party suppliers and therefore need to be purchased from CRCC and/or its associates. Besides, the terms (including the pricing terms and payment terms) entered into by the Company and CRCC and/or its associates will not be less favourable than the normal commercial terms available from independent third parties.

As Mr. Bai Yunfei, 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. Saved as disclosed above, none of the other Directors has any material interest in the transactions contemplated under the Products and Services Procurement Framework Agreement, and therefore none of the other Directors has abstained from voting on such Board resolution.

**7. INTERNAL CONTROL MEASURES TO ENSURE THE FAIRNESS AND REASONABLENESS OF THE TRANSACTIONS UNDER THE PRODUCTS AND SERVICES PROCUREMENT FRAMEWORK AGREEMENT**

- (i) Before the Group enters into any specific procurement contract with CRCC and/or its associates, the Group shall conduct public procurement for the business through methods including, among others, public tenders on governmental platforms, public tenders on corporate platforms, invitation tenders, competitive negotiation after invitation quotations, inquiry comparison purchase, direct competitive negotiation and inquiry comparison purchase. The bid-winner of the procurement will be determined with comprehensive evaluation conducted by professional institutions or professional departments (if the comprehensive evaluation scores of CRCC and/or its associates are at disadvantages, they will not be determined as the bid-winners). The results of the bidding shall be reviewed by professional judges, professional departments and the senior management of the Company. The entering into of the specific procurement contracts is subject to the review by the finance department, legal affairs department, audit department and the senior management of the Company;
- (ii) The procurement department, finance department, audit department and the senior management of the Company shall conduct examination on the execution of the specific procurement contracts; and
- (iii) The auditor of the Company will also conduct annual review on the pricing policies and annual caps of the Agreement, and provide confirmation in the annual report.

**8. 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. Pursuant to the Listing Rules, CRCC is a connected person of the Company. Therefore, the transactions under the Products and Services Procurement Framework Agreement constitute continuing connected transactions of the Company.

Since the highest applicable percentage ratio for the proposed annual caps for the three years ending 31 December 2026 under the Products and Services Procurement Framework Agreement is more than 5%, the transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **9. GENERAL INFORMATION**

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

CRCC and its subsidiaries (excluding the Group) are principally engaged in construction operations, planning and design consulting, investment and operation, real estate development, industrial manufacturing, supplies and logistics, green environmental protection, industrial financial services, and other emerging industries.

CRCG is the controlling shareholder of CRCC, holding approximately 51.13% equity interest in CRCC as at the date of this announcement. As a large central enterprise administrated by the State-owned Assets Supervision and Administration Commission, CRCG is principally engaged in construction of railways, metropolitan railways, highways, airports, ports, docks, tunnels, bridges, water conservancy and hydropower facilities, post and telecommunication facilities, mining facilities and lumbering facilities; provision of technical consultancy services for municipal engineering, general contracting and subcontracting of installation of circuitry, pipeline and equipment; construction of prevention and control of geologic disasters; provision of construction project management services; sale of automobiles and cars; wholesale and retail of ferrous metal, timber, cement, fuel, construction materials, chemical products (excluding dangerous chemicals), electromechanical products, armored concrete products and special railway equipment; organization of the production of the enterprises under direct control; overseas construction contracting and domestic international construction tendering; provision of rental services of machinery and construction installation equipment, provision of renovation and interior decoration services; provision of technical consulting, technical services, import and export related to the above businesses; advertising business.

## **10. 2022 AGM**

At the 2022 AGM, an ordinary resolution, among other things, will be put forward for the Independent Shareholders to consider and, if thought fit, to approve the Products and Services Procurement Framework Agreement, together with the proposed annual caps thereunder.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the Products and Services Procurement Framework Agreement, together with the proposed annual caps 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 subsidiaries, namely China Railway Construction Investment Group, CRCC International Group, China Civil Engineering Construction and CRCC China-Africa Company, which directly and indirectly hold approximately 65% of the issued share capital of the Company as at the date of this announcement, will be required to abstain from voting on the resolution at the 2022 AGM with respect to the Products and Services Procurement Framework Agreement, together with the proposed annual caps 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 Products and Services Procurement Framework Agreement and therefore will be required to abstain from voting to approve the relevant resolution at the 2022 AGM.

A circular of the Company containing, among other things:

- (i) details of the Products and Services Procurement Framework Agreement and the proposed annual caps;
- (ii) a letter from the Independent Board Committee containing its opinion and recommendation on the Products and Services Procurement Framework Agreement, together with the proposed annual caps 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 the Products and Services Procurement Framework Agreement, together with the proposed annual caps thereunder,

will be issued by the Company and despatched to the Shareholders no later than 8 June 2023 in accordance with Rule 19A.39A of the Listing Rules as additional time is required to prepare and finalise the information to be included in the circular.

## 11. DEFINITIONS

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

“2022 AGM”	the 2022 annual general meeting to be held by the Company at the office building of the Company at No. 384, Yangfangwang, Jinma Town, Kunming City, Yunnan Province, the PRC at 9:00 a.m. on Wednesday, 28 June 2023
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“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 subsidiary of CRCC, our 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 subsidiary of CRCC, our 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 our controlling Shareholder. Its H shares are listed on the Main Board of the Stock Exchange (stock code: 01186) and its A shares are listed on the Shanghai Stock Exchange (stock code: 601186)
“CRCC China-Africa Company”	CRCC China-Africa Construction Limited (中鐵建中非建設有限公司), a limited liability company incorporated in the PRC, a subsidiary of CRCC, our Shareholder and a connected person of the Company
“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 subsidiary of CRCC, our Shareholder and a connected person of the Company
“CRCG”	China Railway Construction Corporation (中國鐵道建築集團有限公司), formerly known as China Railway Construction Corporation (中國鐵道建築總公司) and China Railway Construction Co., Ltd. (中國鐵道建築有限公司), the controlling shareholder of CRCC and a connected person of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	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. Wu Yuntian, Mr. Na Pengjie and Ms. Chu Ching, who are independent non-executive Directors, which is formed to advise on the Products and Services Procurement Framework Agreement, together with the proposed annual caps 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 the Products and Services Procurement Framework Agreement, together with the proposed annual caps thereunder
“Independent Shareholders”	the Shareholders other than CRCC and its four subsidiaries, namely China Railway Construction Investment Group, CRCC International Group, China Civil Engineering Construction and CRCC China-Africa Company who will abstain from voting on the resolution at the 2022 AGM with respect to the Products and Services Procurement Framework Agreement, together with the proposed annual caps 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
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Previous Products and Services Procurement Framework Agreement”	the products and services procurement framework agreement dated 31 July 2020 between the Company and CRCC, pursuant to which the Company and/or its subsidiaries agreed to procure products and services from CRCC and/or its associates, including: (i) materials and equipment required by the Company and/or its subsidiaries in their productions and sales; (ii) construction services; (iii) assets and equipment leasing services; (iv) railway line usage services; (v) maintenance services; and (vi) other paid services, for the term commencing from 1 January 2021 and ending on 31 December 2023

“Products and Services Procurement Framework Agreement” or the “Agreement”	the products and services procurement framework agreement dated 9 May 2023 between the Company and CRCC, pursuant to which the Company and/or its subsidiaries agreed to procure products and services from CRCC and/or its associates, including: (i) materials and equipment required by the Company and/or its subsidiaries in their productions and sales; (ii) construction services; (iii) assets and equipment leasing services; (iv) railway line usage services; (v) maintenance services; and (vi) other paid services, for the term commencing from 1 January 2024 and ending on 31 December 2026
“RMB”	Renminbi, the lawful currency of the PRC
“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, 9 May 2023

*As at the date of this announcement, the Board comprises Mr. Liu Feixiang, Mr. Tong Pujiang, Mr. Chen Yongxiang and Mr. Luo Jianli, as executive Directors; Mr. Zhao Hui and Mr. Bai Yunfei, as non-executive Directors; and Mr. Wu Yuntian, Mr. Na Pengjie and Ms. Chu Ching, as independent non-executive Directors.*