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**China Railway Signal & Communication Corporation Limited\***  
**中國鐵路通信信號股份有限公司**

*(A joint stock limited liability company incorporated in the People's Republic of China)*  
**(Stock Code: 3969)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
FOR YEARS 2018-2020**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR  
YEARS 2018-2020**

Reference is made to the Prospectus in relation to, among other things, the CRSC Corporation Group Purchases and Sales Framework Agreement and the amount of annual caps thereunder entered into between the Company and CRSC Corporation Group on July 19, 2015. Since the terms of the CRSC Corporation Group Purchases and Sales Framework Agreement will expire within three years from the Listing Date and the corresponding annual caps thereunder will expire on December 31, 2017 and the Company will continue the transactions thereunder after December 31, 2017. Therefore, the Company entered into the New CRSC Corporation Group Purchases and Sales Framework Agreement with CRSC Corporation Group on December 20, 2017 (after trading hours), and proposed the annual caps for 2018, 2019 and 2020 thereunder to renew the continuing connected transactions. The New CRSC Corporation Group Purchases and Sales Framework Agreement shall be effective from January 1, 2018 to December 31, 2020 for a term of three years. The Company will comply with the requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CRSC Corporation Group holds 75.14% of the issued share capital of the Company and is the controlling shareholder of the Company. Therefore, CRSC Corporation Group is a connected person of the Company. CRSC Corporation Group and its associates constitute connected persons of the Group according to the requirements under Chapter 14A of the Listing Rules. Accordingly, the continuing transactions carried out between the Group and CRSC Group under the New CRSC Corporation Group Purchases and Sales Framework Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the purchases of the products by the Group from CRSC Group under the New CRSC Corporation Group Purchases and Sales Framework Agreement, as the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the proposed annual caps is more than 0.1% but less than 5%, the continuing connected transactions of purchases of the products by the Group from CRSC Group under the New CRSC Corporation Group Purchases and Sales Framework Agreement would be subject to the reporting, annual review and announcement requirements, but exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of sales of the products by the Group to CRSC Group under the New CRSC Corporation Group Purchases and Sales Framework Agreement, as the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the proposed annual caps are more than 0.1% but less than 5%, the continuing connected transactions of the sales of the products by the Group to CRSC Group under the New CRSC Corporation Group Purchases and Sales Framework Agreement would be subject to the reporting, annual review and announcement requirements, but exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors), after taking into account the pricing policies, basis of determining annual caps, reasons and benefits as well as internal control procedures, are of the view that the terms of the proposed transactions contemplated under the New CRSC Corporation Group Purchases and Sales Framework Agreement and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Company, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole. All the Directors who are materially interested in such transactions have abstained from voting on the resolutions to approve such transactions at the Board meeting.

## **I. NEW CRSC CORPORATION GROUP PURCHASES AND SALES FRAMEWORK AGREEMENT**

### **1. Background**

Reference is made to the Prospectus in relation to, among other things, the CRSC Corporation Group Purchases and Sales Framework Agreement and the amount of annual caps thereunder entered into between the Company and CRSC Corporation Group on July 19, 2015. Since the terms of the CRSC Corporation Group Purchases and Sales Framework Agreement will expire within three years from the Listing Date and the corresponding annual caps thereunder will expire on December 31, 2017 and the Company will continue the transactions thereunder after December 31, 2017. Therefore, the Company entered into the New CRSC Corporation Group Purchases and Sales Framework Agreement with CRSC Corporation Group on December 20, 2017 (after trading hours), and proposed the annual caps for 2018, 2019 and 2020 thereunder to renew such continuing connected transactions. The New CRSC Corporation Group Purchases and Sales Framework Agreement shall be effective from January 1, 2018 to December 31, 2020 for a term of three years. The Company will comply with the requirements under Chapter 14A of the Listing Rules in respect of such continuing connected transactions.

### **2. New CRSC Corporation Group Purchases and Sales Framework Agreement**

The Company entered into the New CRSC Corporation Group Purchases and Sales Framework Agreement with CRSC Corporation Group on December 20, 2017 (after trading hours), the main contents of this agreement are set out as follows:

**Types of transaction:** The Group and CRSC Group may purchase or sell, among others, raw materials, auxiliary materials, accessories, components, packaging materials, semi-finished products, finished products, goods and related products from or to each other.

**Principal terms:** (1) Pricing policy (see below);  
(2) Except for public tender, both parties must confirm the demand schedule for the next year or the demand adjustment schedule of the current year on a stipulated date of each year;

- (3) The Group and CRSC Group must enter into specific agreements to stipulate specific terms and conditions, including specific content of products, quality standards and payment methods, in respect of the relevant products under the New CRSC Corporation Group Purchases and Sales Framework Agreement; and
- (4) The New CRSC Corporation Group Purchases and Sales Framework Agreement shall be effective from January 1, 2018 to December 31, 2020 and may be renewed with mutual consent after negotiation.

**Pricing policy:**

The pricing of each of the products under the New CRSC Corporation Group Purchases and Sales Framework Agreement will be determined on the basis of market prices, together with purchasing costs of materials, labour costs, manufacturing costs, management costs, financial costs, transportation and packaging costs incurred by sales, tax burdens and profitability standards. The pricing of products provided by the Group to CRSC Group will be by reference to and subject to the contractual terms agreed between CRSC Corporation Group and the contractual party of the overseas project. CRSC Corporation Group will purchase products from the Group at the price agreed between itself and the contractual party of the overseas project and supply the same to the contractual party of the overseas project without making any profit.

**3. Historical amount**

For the years ended December 31, 2015, 2016 and 2017, the maximum annual amount of purchases by the Group from CRSC Group under the CRSC Corporation Group Purchases and Sales Framework Agreement shall not exceed RMB109,629,000, RMB117,912,000 and RMB127,648,000, respectively.

For the years ended December 31, 2015 and 2016 and the six months ended June 30, 2017, the actual amount of purchases by the Group from CRSC Group was RMB95,025,000, RMB88,603,000 and RMB35,792,000, respectively.

For the years ended December 31, 2015, 2016 and 2017, the maximum annual amount of sales by the Group to CRSC Group under the CRSC Corporation Group Purchases and Sales Framework Agreement shall not exceed RMB81,332,000, RMB66,345,000 and RMB46,367,000, respectively.

For the years ended December 31, 2015 and 2016 and the six months ended June 30, 2017, the actual amount of sales by the Group to CRSC Group was RMB27,013,000, RMB7,747,000 and RMB9,766,000, respectively.

#### 4. Annual caps and basis of determination

**Annual caps:** For the years ending December 31, 2018, 2019 and 2020, the Group's maximum annual amount of purchases from and sales to CRSC Group shall not exceed the following caps, respectively:

|                              | <b>Proposed annual caps for the year<br/>ending December 31,</b> |             |             |
|------------------------------|--|-------------|-------------|
|                              | <b>2018</b>  | <b>2019</b> | <b>2020</b> |
|                              | <i>(RMB'000)</i>   |             |             |
| Total amount<br>of purchases | 99,000   | 110,000     | 120,000     |
| Total amount<br>of sales     | 42,000   | 32,000      | 17,000      |

**Basis of determination:** In determining the above annual caps, the Directors have considered that: (i) given the recent expansion of the Group's business and rapid growth of its revenue, the Group's demand of components is expected to increase significantly in the next three years, (ii) the Group planned to increase procurement of certain components from CRSC Group, primarily for the purpose of more efficient support of the Group's projects than procuring such components from third-party suppliers, (iii) the Group planned to reduce the amount of sales to CRSC Group mainly because the overseas project entered into prior to the Reorganization was close to completion and the volume of works has decreased year by year.

**5. Reasons for and benefits of entering into the New CRSC Corporation Group Purchases and Sales Framework Agreement**

CRSC Group and the Group have established a long-term steady business relationship, and are familiar with each other's business demands and able to supply products required for production by each other. The Directors consider that maintaining stable and high quality business relationship with CRSC Group will be favorable to the current and future production and operation of the Group. By reference to the Group's historical business transaction experience with CRSC Group, the Directors believe that the Group and CRSC Group will be able to satisfy the stable and high quality requirements of the other party in the relevant businesses, and it is in the interest of the Group and the Shareholders as a whole to maintain business transactions with CRSC Group. In addition, during the process of the Reorganization, some of the project contracts signed between CRSC Corporation Group and third parties under an overseas project were not novated to the Group because the counterparties objected to any novation, and CRSC Corporation Group continued to be the counterparty to the contracts. Since CRSC Corporation Group has lost its capability to perform the contracts after the Reorganization, the products which should be supplied by CRSC Corporation Group to the contractual party of the overseas project would be sold by the Group to CRSC Corporation Group first and then resold by CRSC Corporation Group to the contractual party of the overseas project. The overseas project is expected to be completed in 2020.

**6. Implications under the Listing Rules**

As at the date of this announcement, CRSC Corporation Group holds 75.14% of the issued share capital of the Company and is the controlling shareholder of the Company. Therefore, CRSC Corporation Group is a connected person of the Company. CRSC Corporation Group and its associates constitute connected persons of the Group according to the requirements under Chapter 14A of the Listing Rules. Accordingly, the continuing transactions carried out between the Group and CRSC Group under the New CRSC Corporation Group Purchases and Sales Framework Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the purchases of the products by the Group from CRSC Group under the New CRSC Corporation Group Purchases and Sales Framework Agreement, as the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the proposed annual caps is more than 0.1% but less than 5%, the continuing connected transactions of purchases of the products by the Group from CRSC Group under the New CRSC Corporation Group Purchases

and Sales Framework Agreement would be subject to the reporting, annual review and announcement requirements, but exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of sales of the products by the Group to CRSC Group under the New CRSC Corporation Group Purchases and Sales Framework Agreement, as the highest applicable percentage ratios calculated in accordance with the Listing Rules in respect of the proposed annual caps are more than 0.1% but less than 5%, the continuing connected transactions of the sales of the products by the Group to CRSC Group under the New CRSC Corporation Group Purchases and Sales Framework Agreement would be subject to the reporting, annual review and announcement requirements, but exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **II. INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES**

To regulate the performance of connected transactions of the Company, the Company has formulated the Rules for Connected Transactions of China Railway Signal & Communication Corporation Limited\* (《中國鐵路通信信號股份有限公司關聯交易管理制度》), and adopted a series of internal control and corporate governance measures in its daily operation. Such measures in relation to the New CRSC Corporation Group Purchases and Sales Framework Agreement mainly include the following:

1. The New CRSC Corporation Group Purchases and Sales Framework Agreement will be conducted on a non-exclusive basis;
2. The Company's finance department is responsible for providing statistical reports on continuing connected transactions under the New CRSC Corporation Group Purchases and Sales Framework Agreement to the finance departments of its subsidiaries, explaining the applicable scope of various continuing connected transactions, proposing reporting requirements, as well as coordinating and monitoring the compliance with the annual caps by its subsidiaries;
3. The Company's finance department and its subsidiaries' finance departments are responsible for summarizing the actual amount of continuing connected transactions incurred under the New CRSC Corporation Group Purchases and Sales Framework Agreement, respectively, while the subsidiaries' finance departments shall submit reports on continuing connected transactions under the New CRSC Corporation Group Purchases and Sales Framework Agreement to the

Company's finance department on a monthly basis, and the Company's finance department is responsible for verifying, summarizing, analyzing and forecasting such monthly amount of the continuing connected transactions of the Company and its subsidiaries under the New CRSC Corporation Group Purchases and Sales Framework Agreement;

4. The finance department of the Company will strictly control the balance of the annual caps and ensure that the continuing connected transactions under the New CRSC Corporation Group Purchases and Sales Framework Agreement will not exceed the relevant annual caps. When the statistical data indicates that those actual amounts incurred may exceed the annual caps, the Company's Board office will organize relevant departments to propose a handling plan as soon as possible and forecast new annual cap amounts, make an application to revise the annual caps pursuant to the relevant procedures, strictly fulfill the disclosure obligations under the Listing Rules, and ensure the actual amount of continuing connected transactions incurred under the New CRSC Corporation Group Purchases and Sales Framework Agreement will not exceed the approved and/or disclosed annual caps before the obtaining of the relevant approvals and/or completion of the relevant disclosure;
5. The Company's finance department will work with the Board office and report the status of continuing connected transactions under the New CRSC Corporation Group Purchases and Sales Framework Agreement to the audit and risk management committee of the Company and the Board at least twice a year;
6. Prior to entering into any independent purchase or sales agreement with CRSC Group, the Company's legal department will review the independent purchase or sales agreement to ensure that the principal terms are in line with the relevant terms of the New CRSC Corporation Group Purchases and Sales Framework Agreement;
7. The independent non-executive Directors of the Company will review the New CRSC Corporation Group Purchases and Sales Framework Agreement and the proposed continuing connected transactions contemplated thereunder to ensure that such agreement is entered into on normal commercial terms, is fair and reasonable and conducted in accordance with the terms of such agreement. Meanwhile, the auditor of the Company will also conduct annual review of the pricing and annual caps for such continuing connected transactions.



The Directors (including the independent non-executive Directors), after taking into account the pricing policies, basis of determining proposed annual caps, reasons and benefits as well as internal control procedures, are of the view that the terms of the proposed transactions contemplated under the New CRSC Corporation Group Purchases and Sales Framework Agreement and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Company, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Meanwhile, the Company believes that it has implemented sufficient mechanisms, internal control procedures and external supervision measures, and thus to ensure compliance of the continuing connected transactions with and their strict abidance by relevant regulatory guidelines and the terms of the New CRSC Corporation Group Purchases and Sales Framework Agreement.

### **III. OPINIONS OF BOARD**

Mr. ZHOU Zhiliang and Mr. YIN Gang, the Directors, hold positions in CRSC Corporation Group, thus are deemed to be materially interested in the New CRSC Corporation Group Purchases and Sales Framework Agreement and the proposed transactions contemplated thereunder. Accordingly, they have abstained from voting on the resolutions of the Board for approving such transactions. Save as disclosed above, none of the other Directors has material interests in such transactions and is required to abstain from voting on the resolutions of the Board for considering and approving such transactions.

The Directors (including the independent non-executive Directors), after taking into account the pricing policies, basis of determining proposed annual caps, reasons and benefits as well as internal control procedures, are of the opinion that the terms of the proposed transactions contemplated under the New CRSC Corporation Group Purchases and Sales Framework Agreement and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Company, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The aforesaid Directors who are materially interested in such transactions have abstained from voting on the resolutions at the Board meeting for approving such transactions.

## IV. GENERAL

### 1. Information on the Company

The Company is a joint stock limited liability company established in the PRC on December 29, 2010. The principle businesses of the Company include design and integration, equipment manufacturing, system implementation and engineering project contracting services and others.

### 2. Information on CRSC Corporation Group

CRSC Corporation Group is a wholly state-owned enterprise approved to be established by the former Ministry of Railway of the PRC (中華人民共和國鐵道部) on May 8, 1981 and registered in the PRC on January 7, 1984, and is the sole controlling shareholder and one of the promoters of the Company. The principle businesses of CRSC Corporation Group include manufacturing of accessory parts and provision of services and provision of property leasing services for the Group.

## V. DEFINITION

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

|                                       |   |
|---------------------------------------|---|
| “associate(s)”                        | has the meaning ascribed thereto under the Listing Rules  |
| “Board”                               | the board of Directors of the Company   |
| “Company”                             | China Railway Signal & Communication Corporation Limited* (中國鐵路通信信號股份有限公司), a joint stock limited liability company established in the PRC on December 29, 2010 |
| “connected person(s)”                 | has the meaning ascribed thereto under the Listing Rules  |
| “connected transaction(s)”            | has the meaning ascribed thereto under the Listing Rules  |
| “continuing connected transaction(s)” | has the meaning ascribed thereto under the Listing Rules  |

|  |   |
|--|---|
| “CRSC Corporation Group”   | China Railway Signal & Communication Corporation (中國鐵路通信信號集團公司), a wholly state-owned enterprise approved to be established by the former Ministry of Railway of the PRC (中華人民共和國鐵道部) on May 8, 1981 and registered in the PRC on January 7, 1984, sole Controlling Shareholder and one of the promoters of the Company                         |
| “CRSC Corporation Group Purchases and Sales Framework Agreement” | the purchases and sales framework agreement entered into between the Company and CRSC Corporation Group on July 19, 2015  |
| “CRSC Group”   | collectively, CRSC Corporation Group and/or its subsidiaries (excluding the Group)  |
| “Director(s)”  | the director(s) of the Company  |
| “Group”  | the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time |
| “H Share(s)”   | overseas listed foreign shares in the ordinary share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on The Stock Exchange of Hong Kong Limited   |
| “HK dollars”   | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong” or “HK”  | the Hong Kong Special Administrative Region of the PRC  |
| “Listing Date”   | August 7, 2015, the date on which the H Shares are listed on the main board of The Stock Exchange of Hong Kong Limited  |
| “Listing Rules”  | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)   |

|  |   |
|--|---|
| “New CRSC Corporation Group Purchases and Sales Framework Agreement” | the purchases and sales framework agreement entered into between the Company and CRSC Corporation Group on December 20, 2017 (after trading hours)  |
| “PRC” or “China”   | the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan   |
| “Reorganization”   | Pursuant to the relevant approval of the State-owned Assets Supervision and Administration Commission of the State Council in 2010 on the restructuring of CRSC Group and the sponsor agreement dated 2 December 2010, the Company was established as a joint stock limited company on 29 December 2010. CRSC Group injected into the Company assets relating to the business of the rail transportation control system accordingly |
| “RMB”  | Renminbi, the lawful currency of the PRC  |
| “Share(s)”   | ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each  |
| “Shareholder(s)”   | holder(s) of the Share(s)   |
| “subsidiaries”   | has the meaning ascribed thereto under the Listing Rules  |
| “%”  | %   |

By Order of the Board  
**China Railway Signal & Communication  
Corporation Limited\***  
**ZHOU Zhiliang**  
*Chairman*

Beijing, the PRC  
December 20, 2017

*As of the date of this announcement, the executive Directors are Mr. ZHOU Zhiliang and Mr. YIN Gang, and the independent non-executive Directors are Mr. WANG Jiajie, Mr. SUN Patrick, Mr. CHEN Jin'en and Mr. GAO Shutang.*

\* For identification purpose only.