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中国铁建

中國鐵建股份有限公司

China Railway Construction Corporation Limited

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

(Stock Code: 1186)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS**

ENTERING INTO THE NEW SERVICES PROVISION FRAMEWORK AGREEMENT

The Board hereby announces that on 13 December 2018, the Company and CRCCG entered into the New Services Provision Framework Agreement for a term of three years from 1 January 2019 to 31 December 2021.

The Company estimates that the annual caps of expenditures in respect of the continuing connected transactions under the New Services Provision Framework Agreement for the three years ending 31 December 2021 will amount to RMB2,000 million, RMB2,000 million and RMB2,000 million, respectively.

ENTERING INTO THE NEW FINANCIAL SERVICES AGREEMENT

The Board hereby announces that on 13 December 2018, Finance Company and CRCCG entered into the New Financial Services Agreement for a term of three years from 1 January 2019 to 31 December 2021.

The Company estimates that under the New Financial Services Agreement, (i) the daily loan balance (including accrued interest thereon) in respect of the loan services provided by Finance Company to CRCCG and its subsidiaries for each of the three years ending 31 December 2021 will amount to RMB4,500 million, RMB4,500 million and RMB4,500 million, respectively; and (ii) the annual caps of service fees charged for the provision of clearing services and other financial services by Finance Company to CRCCG and its subsidiaries on an aggregated basis for each of the three years ending 31 December 2021 will amount to RMB200 million, RMB200 million and RMB200 million, respectively.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

CRCCG is the Controlling Shareholder of the Company, holding approximately 51.13% equity interests in the Company, and hence a connected person of the Company. As at the date of this announcement, Finance Company is a subsidiary of the Company. Therefore, the transactions between the Group and CRCCG and/or its associates under the New Services Provision Framework Agreement, and the transactions between Finance Company and CRCCG under the New Financial Services Agreement constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As all applicable percentage ratios in respect of the continuing connected transactions under the New Services Provision Framework Agreement exceed 0.1% but are less than 5%, such transactions are therefore subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under the Hong Kong Listing Rules.

Since the provision of deposit services by Finance Company to CRCCG and its subsidiaries is on normal commercial terms or better and is in the interests of the Group, and is not secured by the assets of the Group, the deposit services under the New Financial Services Agreement provided by Finance Company to CRCCG and its subsidiaries are exempted from all reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements pursuant to the stipulations under Rule 14A.90 of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the continuing connected transactions of the loan services provided by Finance Company to CRCCG and its subsidiaries under the New Financial Services Agreement exceeds 0.1% but is less than 5%, the provision of loan services by Finance Company to CRCCG and its subsidiaries shall be subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the continuing connected transactions of the clearing services and other financial services provided by Finance Company to CRCCG and its subsidiaries under the New Financial Services Agreement exceeds 0.1% but is less than 5%, the provision of clearing services and other financial services by Finance Company to CRCCG and its subsidiaries shall be subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under the Hong Kong Listing Rules.

1. BACKGROUND

References are made to the announcements of the Company dated 29 December 2015 and 26 January 2016 on continuing connected transactions, in relation to, among other things, the entering into the Old Services Provision Framework Agreement between the Company and CRCCG and the entering into the Old Financial Services Agreement between Finance Company and CRCCG, respectively, for a term from 1 January 2016 to 31 December 2018.

As the Old Services Provision Framework Agreement and the Old Financial Services Agreement will expire on 31 December 2018, in order to regulate the continuing connected transactions under such agreements, on 13 December 2018, the Company entered into the New Services Provision Framework Agreement with CRCCG, and Finance Company entered into the New Financial Services Agreement with CRCCG each for a term of three years from 1 January 2019 to 31 December 2021.

2. CONTINUING CONNECTED TRANSACTIONS

(1) New Services Provision Framework Agreement

Main contents of the New Services Provision Framework Agreement are summarized as follows:

Date:	13 December 2018
Parties:	CRCCG; and the Company
Term:	From 1 January 2019 to 31 December 2021

Principal terms:

- CRCCG and its related parties/connected persons/associates shall provide services to the Group pursuant to the terms of the New Services Provision Framework Agreement. Such services include design, survey and supervision, property management, printing, nurseries, reception centers, labour services and other ancillary services relating to livelihood and logistics.
- Both parties agreed to determine the contents and other conditions of the relevant services on an arm's length negotiation basis.
- CRCCG agreed that, under the same or less favourable conditions of purchase from third parties, it shall give priority to providing services to the Company.
- CRCCG agreed, in any transactions, not to provide such services to the Company on terms less favourable than those offered by it to third parties.
- CRCCG agreed that the entering into of the New Services Provision Framework Agreement would not restrict the Company from independently choosing its transaction counterparties or conducting transactions with third parties. If a third party can provide similar services on price terms more favourable than those offered by CRCCG under the New Services Provision Framework Agreement, the Company is entitled to engage such third party to provide relevant services.
- For the purpose of all the service transactions under the New Services Provision Framework Agreement, the relevant parties shall enter into specific contracts within the scope of such framework agreement, and these specific contracts shall not contravene the provisions of the New Services Provision Framework Agreement. The relevant parties herein refer to CRCCG, its related parties/connected persons/associates and the Group.

- CRCCG agreed that, under the same conditions, it shall ensure provision of relevant services to the Company on the terms and conditions as agreed under the New Services Provision Framework Agreement.
- Both parties shall ensure and procure their respective related parties/connected persons/associates or subsidiaries (if applicable) to enter into specific service contracts in accordance with the principles and provisions of the New Services Provision Framework Agreement in accordance with the supply plan as agreed by both parties.
- During the implementation process of the New Services Provision Framework Agreement, the demand and supply plan, as well as specific contracts for the services may be adjusted if necessary and as agreed by both parties.

Pricing:

The fees for various services offered by CRCCG and its related parties/connected persons/associates to the Group under the New Services Provision Framework Agreement shall be determined according to comparable market prices, which refer to the reference made to the prices charged or quoted by at least two independent third parties offering the same or similar services with a comparable scale in areas where such services were then provided under normal trading conditions.

Payment term:

Payable in cash according to the progress of the provision of services, or on a yearly or quarterly or monthly basis, subject to actual situation.

Precedent conditions: With signature and common seal of the authorized representatives of both parties, the New Services Provision Framework Agreement shall become effective from 1 January 2019 to 31 December 2021. Such agreement may be extended or renewed upon agreement between both parties in accordance with relevant laws and regulations and other regulatory documents as well as the listing rules of the places where the shares of the Company are listed. On the effective date of the New Services Provision Framework Agreement, the Old Services Provision Framework Agreement signed between both parties on 28 December 2015 shall be terminated forthwith.

(2) New Financial Services Agreement

Main contents of the New Financial Services Agreement are summarized as follows:

Date: 13 December 2018

Parties: CRCCG; and Finance Company

Term: From 1 January 2019 to 31 December 2021

Principal terms: Finance Company shall provide CRCCG and its subsidiaries with the following financial services pursuant to the New Financial Services Agreement:

(1) Deposit Services

- CRCCG or its subsidiaries shall establish deposit accounts at Finance Company and deposit funds into the deposit accounts established at Finance Company under the principle of free access to these accounts. Deposits can be in the form of current deposits, time deposits, call deposits or agreement deposits, etc.;

- For the deposits of CRCCG and its subsidiaries at Finance Company, the floating range of interest rates shall be subject to the requirements of the interest rates for the same kind of deposits for the same period offered by the People's Bank of China, and shall not be higher than the applicable interest rates offered by major commercial banks in the PRC for the same kind of deposits services for the same period;
- During the valid period of the New Financial Services Agreement, the maximum daily balance (including accrued interest thereon) deposited at Finance Company by CRCCG and its subsidiaries shall not exceed RMB30 billion in principle;
- For the funds deposited at Finance Company by CRCCG and its subsidiaries, Finance Company shall develop business such as interbank deposits and lending based on the principles of complying with laws and regulations in a prudent manner.
- If Finance Company fails to pay the deposits in full to CRCCG or its subsidiaries on schedule, CRCCG shall be entitled to terminate the New Financial Services Agreement and make claims in accordance with the laws.
- If CRCCG or its subsidiaries suffers from economic losses arising from other breaches of contract of Finance Company, Finance Company shall make full compensation, while CRCCG shall be entitled to terminate the New Financial Services Agreement.

(2) Loan Services

- In compliance with the PRC's relevant laws and regulations, Finance Company shall provide CRCCG and its subsidiaries with loan services according to the needs for operation and development of CRCCG;
- CRCCG and its subsidiaries shall pay loan interests to Finance Company. The loan interest rates shall not be lower than the applicable interest rates offered by major commercial banks in the PRC for the same type of loan services for the same period;
- During the valid period of the New Financial Services Agreement, the daily loan balance (including accrued interest thereon) obtained from Finance Company by CRCCG and its subsidiaries shall not exceed RMB4.5 billion in total;
- If CRCCG and/or its subsidiaries fails to repay the loans in full to Finance Company on schedule, Finance Company shall be entitled to terminate the New Financial Services Agreement and offset the loans payable to Finance Company by CRCCG and its relevant subsidiaries with the deposits at Finance Company from CRCCG and such relevant subsidiaries in accordance with the requirements of the PRC's laws.

(3) Clearing Services

- Finance Company shall provide CRCCG and its subsidiaries with collection and payment services and other auxiliary services in relation to settlement business as instructed by CRCCG;

- Finance Company shall provide CRCCG and its subsidiaries with the abovementioned clearing services, with the charges not less than the fee scale of normal commercial banks. The limit of the annual service fees shall not exceed RMB100 million;
- Finance Company shall ensure the safety of the funds from CRCCG and its subsidiaries, control its own asset-liability risks, and guarantee the demand of CRCCG and its subsidiaries for their payment of settlement funds.

(4) *Other Financial Services*

- Finance Company shall provide other financial services to CRCCG and its subsidiaries within its scope of operation, according to the demands of CRCCG and its subsidiaries as well as its own conditions and in line with the New Financial Services Agreement. Both parties shall separately enter into independent contracts/agreements to stipulate specific terms of the transactions before Finance Company provides CRCCG and its subsidiaries with other financial services. Such specific contracts/agreements shall be in compliance with the principles and terms of the New Financial Services Agreement and the requirements of relevant laws;
- The fees charged by Finance Company for the provision of other financial services shall be in compliance with the charging standards for such type of services as stipulated by the People's Bank of China or China Banking Regulatory Commission, and shall not be less than the fee scale for same type of service projects from major financial institutions in the PRC. The limit of the annual service fees shall not exceed RMB100 million.

3. THE HISTORICAL AMOUNTS OF CONTINUING CONNECTED TRANSACTIONS

Set out below are historical amounts of the continuing connected transactions under the Old Services Provision Framework Agreement and the Old Financial Services Agreement of the Group for the two years ended 31 December 2017 and the eleven months ended 30 November 2018:

	2016	2017	For the eleven months ended 30 November 2018
	<i>(RMB thousand)</i>		
Expenditure incurred by the Group in respect of the services provided by CRCCG and/or its associates under the Old Services Provision Framework Agreement	387,881	583,098	654,258
The maximum daily loan balance (including accrued interest thereon) obtained from Finance Company by CRCCG and its subsidiaries	1,414,029	1,758,116	2,200,000
The fees charged by Finance Company for the provision of clearing services to CRCCG and its subsidiaries	0	7	21
The fees charged by Finance Company for the provision of other financial services to CRCCG and its subsidiaries	5	50	0

4. THE PROPOSED ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS

Set out below are the proposed annual caps of the continuing connected transactions under the New Services Provision Framework Agreement and the New Financial Services Agreement for the three years ending 31 December 2021:

	2019	2020	2021
	<i>(RMB million)</i>		
Expenditure payable by the Group in respect of the services provided by CRCCG and/or its associates under the New Services Provision Framework Agreement	2,000	2,000	2,000
The daily loan balance (including accrued interest thereon) obtained from Finance Company by CRCCG and its subsidiaries	4,500	4,500	4,500
The fees charged by Finance Company for the provision of clearing services to CRCCG and its subsidiaries	100	100	100
The fees charged by Finance Company for the provision of other financial services to CRCCG and its subsidiaries	100	100	100

The above proposed annual caps of the continuing connected transactions are determined based on the estimated amount of transactions involved with reference to the historical transaction volumes.

When determining the proposed annual caps of the above continuing connected transactions, the Company has taken into consideration of:

(1) Services Provision

- (a) When the Company was listed, CRCCG retained certain ancillary operations. It is expected that CRCCG will continue to provide such ancillary services to the Company during the period from 2019 to 2021. According to the historical transactions in previous years, the actual amount of service expenditure in 2017 has increased by 50.33% as compared with 2016, and the actual amount for the eleven months ended 30 November 2018 has increased by 12.20% as compared with 2017. Considering the Company's business development plan for the next three years, the demand for services provided by CRCCG and/or its associates will also increase;
- (b) The increase in future labour costs will result in an increase in the transaction amount under the New Services Provision Framework Agreement; and
- (c) The annual cap utilization rate in the previous years for the expenses incurred by the Group in respect of the services provided by CRCCG and/or its associates was approximately 97.18% in 2017 while the utilization rate for the eleven months ended 30 November 2018 was approximately 76.97%. Therefore, when determining the new annual cap, the Company makes such decision based on the estimated amounts for relevant transactions with a certain extent of buffer room, in order to set aside a space for unforeseen further growth of such transactions in the future, giving itself the flexibility to address any unforeseen events.

(2) Loan Services

In terms of the transaction amount in previous years, the maximum daily loan balance (including accrued interest) obtained by CRCCG and its subsidiaries from Finance Company continued to increase. In the meantime, considering that the business capital demand of CRCCG will further increase, and the credit scale of Finance Company will also be sufficient, the Company increases the daily loan balance (including accrued interest) obtained by CRCCG and its subsidiaries from Finance Company at discretion.

(3) Clearing Services

In terms of the transaction amount in previous years, the fees charged by the Finance Company for the provision of clearing services to CRCCG and its subsidiaries showed a year-on-year increase, in which the income for the eleven months ended 30 November 2018 has been doubled as compared with 2017. With the stable development of the major businesses of CRCCG, there will be a certain degree of growth in income for the next three years, along with the increased volume of capital clearing, at the same time the Finance Company has the ability to meet the clearing service needs from the customers.

(4) Other Financial Services

Considering the CRCCG's demand for other financial services for the next three years and that the Finance Company is equipped with qualifications and abilities in various financial services, as a result, the annual caps remain to be consistent with the annual caps in previous years.

5. REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW SERVICES PROVISION FRAMEWORK AGREEMENT AND THE NEW FINANCIAL SERVICES AGREEMENT

When the Company was listed, CRCCG retained certain ancillary operations. It is expected that CRCCG will continue to provide relevant ancillary services to the Company during the period from 2019 to 2021. Therefore, the Company entered into the New Services Provision Framework Agreement with CRCCG to regulate the relevant continuing connected transactions.

Finance Company's entering into the New Financial Services Agreement with CRCCG and providing the financial services thereunder to CRCCG and its subsidiaries will facilitate the Company to utilize part of CRCCG's available funds so as to enhance its capital utilization efficiency and to achieve economic benefits from the net interests and service fees received through Finance Company, which is in line with the needs of operation and development of the Company.

The Directors, including the independent non-executive Directors, are of the view that the aforesaid New Services Provision Framework Agreement and New Financial Services Agreement have been entered into after arm's length negotiation and on normal commercial terms, and the terms of the transactions under such agreements and the relevant annual caps are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

6. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

CRCCG is the Controlling Shareholder of the Company, holding approximately 51.13% equity interests in the Company, and hence a connected person of the Company. As at the date of this announcement, Finance Company is a subsidiary of the Company. Therefore, the transactions between the Group and CRCCG and/or its associates under the New Services Provision Framework Agreement, and the transactions between Finance Company and CRCCG under the New Financial Services Agreement constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As all applicable percentage ratios in respect of the continuing connected transactions under the New Services Provision Framework Agreement exceed 0.1% but are less than 5%, such transactions are therefore subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under the Hong Kong Listing Rules.

Since the provision of deposit services by Finance Company to CRCCG and its subsidiaries is on normal commercial terms or better and is in the interests of the Group, and is not secured by the assets of the Group, the deposit services under the New Financial Services Agreement provided by Finance Company to CRCCG and its subsidiaries are exempted from all reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements pursuant to the stipulations under Rule 14A.90 of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the continuing connected transactions of the loan services provided by Finance Company to CRCCG and its subsidiaries under the New Financial Services Agreement exceeds 0.1% but is less than 5%, the provision of loan services by Finance Company to CRCCG and its subsidiaries shall be subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the continuing connected transactions of the clearing services and other financial services provided by Finance Company to CRCCG and its subsidiaries under the New Financial Services Agreement exceeds 0.1% but is less than 5%, the provision of clearing services and other financial services by Finance Company to CRCCG and its subsidiaries shall be subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under the Hong Kong Listing Rules.

As Mr. Chen Fenjian and Mr. Zhuang Shangbiao, Directors of the Company, are serving as directors in CRCCG concurrently, they have abstained from voting on the Board resolution approving the aforesaid agreements and relevant annual caps. Save as the aforementioned, none of the Directors has material interest in the said continuing connected transactions and therefore no other Director has abstained from voting on such Board resolution.

7. INFORMATION ON PARTIES TO THE RELEVANT TRANSACTIONS

As one of the largest integrated construction groups in the world, the Company is principally engaged in construction contracting, survey, design and consultancy operations, industrial manufacturing, property development, logistics and goods and materials trade, as well as other businesses.

CRCCG is the Controlling Shareholder of the Company, holding approximately 51.13% equity interests in the Company as at the date of this announcement. As a large-scale central enterprise led and managed by the SASAC, it is mainly engaged in state-owned asset supervision; management, operation and disposal of unlisted assets; construction, operation and management of concession investment projects; publishing and issuance of China Railway Construction News and other businesses.

Finance Company is a non-wholly owned subsidiary of the Company. As at the date of this announcement, the Company holds 94% equity interests in Finance Company. Finance Company is mainly engaged in financial management and financing advisory, credit verification, relevant consulting services and agency businesses for members of the Group; support in the settlement and receipt of transaction payments for members of the Group; authorized insurance agency businesses; provision of guarantees for members of the Group; entrusted loans and entrusted investment (investment in marketable securities excluding investment in shares) between members of the Group; bill acceptance and discount for members of the Group; clearing for internal transfers between members of the Group and formulation of relevant settlement and clearing schemes; deposit-taking services for members of the Group; provision of loans and financial leasing for members of the Group; interbank lending; underwriting corporate bonds of members of the Group; investment in the equity interests of financial institutions; investment in marketable securities (excluding investment in shares); buyer's credits of products of members of the Group.

8. DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“Company”	China Railway Construction Corporation Limited, a joint stock limited company incorporated in the PRC with limited liability, whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Controlling Shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“CRCCG”	China Railway Construction Co., Ltd (中國鐵道建築有限公司), formerly known as China Railway Construction Corporation (中國鐵道建築總公司) the Controlling Shareholder of the Company
“Directors”	the directors of the Company (including the independent non-executive Directors)
“Finance Company”	CRCC Finance Company Limited, a non-wholly owned subsidiary of the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“New Financial Services Agreement”	the financial services agreement entered into between Finance Company and CRCCG on 13 December 2018 for a term from 1 January 2019 to 31 December 2021

“New Services Provision Framework Agreement”	the services provision framework agreement entered into between the Company and CRCCG on 13 December 2018 for a term from 1 January 2019 to 31 December 2021
“Old Financial Services Agreement”	the financial services agreement entered into between Finance Company and CRCCG on 25 January 2016 for a term from 1 January 2016 to 31 December 2018
“Old Services Provision Framework Agreement”	the services provision framework agreement entered into between the Company and CRCCG on 28 December 2015 for a term from 1 January 2016 to 31 December 2018
“PRC”	the People’s Republic of China
“related party(ies)”	has the meaning ascribed thereto under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Shareholder(s)”	the shareholders of the Company
“%”	per cent

By order of the Board of Directors
China Railway Construction Corporation Limited
CHEN Fenjian
Chairman

Beijing, the PRC
13 December 2018

As at the date of this announcement, the Board comprises Mr. CHEN Fenjian (Chairman and Executive Director), Mr. ZHUANG Shangbiao (President and Executive Director), Mr. LIU Ruchen (Executive Director), Mr. GE Fuxing (Non-executive Director), Mr. WANG Huacheng (Independent Non-executive Director), Mr. Patrick SUN (Independent Non-executive Director), Mr. CHENG Wen (Independent Non-executive Director) and Ms. Amanda Xiao Qiang LU (Independent Non-executive Director).