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中国通号

中國鐵路通信信號股份有限公司

China Railway Signal & Communication Corporation Limited*

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

(Stock Code: 3969)

CONNECTED TRANSACTION ESTABLISHMENT OF JOINT VENTURE

ESTABLISHMENT OF JOINT VENTURE

The Board announces that on 20 July 2022, the Company has entered into a Joint Venture Agreement with CRSC Group in relation to the establishment of a joint venture, pursuant to which, the Company and CRSC Group agreed to jointly contribute RMB2,000 million to establish a financial company that engages in financial services, of which the Company will contribute RMB1,900 million in cash and hold 95% equity interests in the joint venture, and CRSC Group will contribute RMB100 million in cash and hold 5% equity interests in the joint venture.

The joint venture, upon its establishment, will become a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CRSC Group holds 62.69% of the issued share capital of the Company and is a controlling shareholder of the Company. Pursuant to the requirements of Chapter 14A of the Listing Rules, CRSC Group is a connected person of the Company. Therefore, the transaction under the Joint Venture Agreement between the Company and CRSC Group constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for this transaction is more than 0.1% but less than 5%, therefore the transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempted from the requirement of independent Shareholders' approval.

I. ESTABLISHMENT OF JOINT VENTURE

The Board announces that on 20 July 2022, the Company has entered into a Joint Venture Agreement with CRSC Group in relation to the establishment of a joint venture, pursuant to which, the Company and CRSC Group agreed to jointly contribute RMB2,000 million to establish a financial company that engages in financial services. The establishment and business scope of the financial company is subject to the approval of the regulatory authorities.

The principal terms of the Joint Venture Agreement are set out below:

Date

20 July 2022

Parties

- (1) CRSC Group; and
- (2) the Company

Capital Contribution

According to the Joint Venture Agreement, the registered capital of the joint venture is proposed to be RMB2,000 million, of which the Company will contribute RMB1,900 million in cash and hold 95% equity interests in the joint venture, and CRSC Group will contribute RMB100 million in cash and hold 5% equity interests in the joint venture. The capital contributions of CRSC Group and the Company will be fully paid up in one lump sum. The amounts of such capital contribution were determined after arm's length negotiation between both parties to the Joint Venture Agreement with reference to the registered capital required for the joint venture in carrying out its principal business operations.

The capital contribution payable by the Company under the Joint Venture Agreement will be funded by the internal funds of the Company. The joint venture, upon its establishment, will become a subsidiary of the Company.

Corporate Governance

The joint venture shall establish a board of directors that consists of five directors, of which the number of external directors shall be more than half of the total number of members of the board of directors. The joint venture shall have a chairman, who shall be elected by a majority of all directors. Among the board of directors, four shall be shareholder representative directors that are elected and replaced through shareholders meetings and one shall be an employee representative director that is elected and removed through the employee representative meetings, the employee meetings or other forms of democratic election of the joint venture. A director shall serve a term of three years and may seek re-election upon expiry of the said term unless otherwise specified. The consecutive terms of external directors of joint ventures generally do not exceed six years.

The joint venture shall establish a board of supervisors that consists of three supervisors and a chairman of the board of supervisors. Among the board of supervisors, two shall be shareholder representative supervisors that are elected and replaced through shareholders meetings and one shall be an employee representative supervisor that is elected and removed through the employee representative meetings, the employee meetings or other forms of democratic election of the joint venture. A supervisor shall serve a term of three years and may seek re-election upon expiry of the said term.

The joint venture will have one general manager and a number of vice general managers and senior management members. The general manager will be responsible for the daily operation and management of the joint venture with the assistance of the vice general managers and the senior management members.

II. REASONS FOR AND BENEFITS OF ENTERING INTO JOINT VENTURE AGREEMENT

The establishment of joint venture helps the Company promote internal fund arrangements, optimise the allocation of resources, strengthen group control and prevent capital risk. The Directors (excluding Directors required to abstain from voting but including the independent non-executive Directors) are of the view that the terms of the Joint Venture Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. INFORMATION ON PARTIES OF THE AGREEMENT

The Company

The Company is a joint stock limited liability company incorporated in the PRC on 29 December 2010. The principal business of the Company includes the design and integration, equipment manufacturing and system implementation of rail transit control system, construction contracting and other businesses.

CRSC Group

CRSC Group is a wholly state-owned enterprise approved to be established by the former Ministry of Railway of the PRC (中國鐵道部) on 8 May 1981 and registered in the PRC on 7 January 1984, the sole controlling shareholder and one of the promoters of the Company. The principal business of CRSC Group includes manufacturing of accessories, provision of services and property leasing services for the Group. The ultimate beneficial owner of CRSC Group is the State-owned Assets Supervision and Administration Commission of the State Council.

VI. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CRSC Group holds 62.69% of the issued share capital of the Company and is a controlling shareholder of the Company. Pursuant to the requirements of Chapter 14A of the Listing Rules, CRSC Group is a connected person of the Company. Therefore, the transaction under the Joint Venture Agreement between the Company and CRSC Group constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for this transaction is more than 0.1% but less than 5%, therefore the transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempted from the requirement of independent Shareholders' approval.

As Mr. ZHOU Zhiliang, Mr. XU Zongxiang and Mr. YANG Yongsheng hold directorships at CRSC Group, and are thereby regarded as having material interest in the Joint Venture Agreement and the transaction contemplated thereunder, they have abstained from voting on the Board resolution for approving such transaction. Save as disclosed above, none of the other Directors has any material interest in such transaction, and no other Directors shall abstain from voting on the Board resolution for considering and approving such transaction.

V. DEFINITIONS

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

“Board” or “Board of Directors”	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 incorporated in the PRC on 29 December 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
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“CRSC Group”	China Railway Signal and Communication (group) Corporation Limited (中國鐵路通信信號集團有限公司), a wholly state-owned enterprise approved to be established by the former Ministry of Railway of the PRC (中國鐵道部) on 8 May 1981 and registered in the PRC on 7 January 1984, the sole controlling shareholder and one of the promoters of the Company
“Director(s)”	the director(s) of the Company
“joint venture”	CRSC Group Finance Limited* (通號集團財務有限公司), a tentative name subject to the industrial and commercial registration, a company proposed to be incorporated in the PRC with limited liability
“Joint Venture Agreement”	a joint venture agreement entered into by the Company and CRSC Group on 20 July 2022 in relation to the joint capital contribution for the establishment of a joint venture
“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

“Hong Kong Stock Exchange”	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)
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“%”	Percent

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

Beijing, the PRC
20 July 2022

As of the date of this announcement, the executive Directors of the Company are Mr. ZHOU Zhiliang, Mr. XU Zongxiang and Mr. YANG Yongsheng, the non-executive Director of the Company is Mr. GUO Yonghong, and the independent non-executive Directors of the Company are Mr. YAO Guiqing, Mr. YAO Cho Fai Andrew and Mr. FU Junyuan.

* *For identification purpose only*