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中國中鐵股份有限公司

CHINA RAILWAY GROUP LIMITED

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

(Stock Code: 390)

CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF THE 2019-2021 FINANCIAL SERVICES FRAMEWORK AGREEMENT

2022-2024 FINANCIAL SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 27 December 2018 in respect of the 2019-2021 Financial Services Framework Agreement entered into between China Railway Finance and CREC.

As the 2019-2021 Financial Services Framework Agreement will expire on 31 December 2021, China Railway Finance and CREC entered into the 2022-2024 Financial Services Framework Agreement on 30 December 2021 to renew the 2019-2021 Financial Services Framework Agreement. Pursuant to the 2022-2024 Financial Services Framework Agreement, China Railway Finance agreed to provide deposit services, lending services and miscellaneous financial services to CREC in accordance with the terms and conditions as set out in the agreement. The 2022-2024 Financial Services Framework Agreement shall be for a term from 1 January 2022 to 31 December 2024.

IMPLICATIONS UNDER THE LISTING RULES

CREC is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As a result, the 2022-2024 Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

(i) Deposit services

The provision of deposit services by China Railway Finance to CREC under the 2022-2024 Financial Services Framework Agreement will constitute financial assistance to be provided by connected person for the benefit of the Group. Since such deposit services shall be on normal commercial terms, on terms (including interest) no less favourable than those offered by independent commercial banks for the provision of comparable services in the PRC, and no security over the assets of the Group shall be granted in respect of the provision of such deposits services, the deposit services to be provided by China Railway Finance to CREC under the 2022-2024 Financial Services Framework Agreement are exempt from all reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

(ii) Lending services

As the relevant percentage ratios in respect of the lending services to be provided by China Railway Finance to CREC under the 2022-2024 Financial Services Agreement (calculated by reference to the maximum daily lending balance (including the accrued interest)) exceed 0.1% but are below 5%, the lending services to be provided by China Railway Finance to CREC are subject to the reporting and announcement requirements, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(iii) Miscellaneous financial services

As the relevant percentage ratios in respect of the maximum amount of service fees to be payable by CREC to China Railway Finance for the provision of miscellaneous financial services to be provided by China Railway Finance to CREC under the 2022-2024 Financial Services Framework Agreement on an annual basis will not exceed 0.1%, the miscellaneous financial services to be provided by China Railway Finance to CREC are exempt from the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 27 December 2018 in respect of the 2019-2021 Financial Services Framework Agreement entered into between China Railway Finance and CREC.

As the 2019-2021 Financial Services Framework Agreement will expire on 31 December 2021, China Railway Finance and CREC entered into the 2022-2024 Financial Services Framework Agreement on 30 December 2021 to renew the 2019-2021 Financial Services Framework Agreement. Pursuant to the 2022-2024 Financial Services Framework Agreement, China Railway Finance agreed to provide deposit services, lending services and miscellaneous financial services to CREC in accordance with the terms and conditions as set out in the agreement. The 2022-2024 Financial Services Framework Agreement shall be for a term from 1 January 2022 to 31 December 2024.

2022-2024 FINANCIAL SERVICES FRAMEWORK AGREEMENT

The principal terms of the 2022-2024 Financial Services Framework Agreement are set out below.

Parties	(i) China Railway Finance (ii) CREC
Term	The 2022-2024 Financial Services Framework Agreement shall come into force after being signed and shall be for a term from 1 January 2022 to 31 December 2024. The renewal shall be upon agreement of the parties provided the requirements of the relevant laws and regulations, and the applicable listing rules of the stock exchange in which the Company is listed are complied with.
Financial services to be provided by China Railway Finance to CREC	<p>(i) Deposit services</p> <p>Pursuant to the 2022-2024 Financial Services Framework Agreement, China Railway Finance shall provide deposit services to CREC (for the purpose of financial services under the 2022-2024 Financial Services Framework Agreement, including subsidiaries and associates of CREC, excluding the Company and its subsidiaries).</p> <p>The interest rate for CREC's deposit with China Railway Finance shall be no less than the minimum interest rate promulgated by the People's Bank of China for the same type of deposit, and no more than the applicable interest rate offered by the major commercial banks in PRC for the same type of deposit.</p> <p>China Railway Finance shall ensure the capital safety in respect of CREC's deposits, and make full and timely payment upon its capital demands. Where China Railway Finance fails to make full and timely payment to CREC at its capital demands, CREC has the right to terminate the 2022-2024 Financial Services Framework Agreement and may also offset its amount of deposits against CREC's loans provided by China Railway Finance in accordance with applicable laws of the PRC.</p>

(ii) Lending services

Pursuant to the 2022-2024 Financial Services Framework Agreement, China Railway Finance shall provide lending services to CREC.

The interest rate for CREC's loan provided by China Railway Finance shall be no less than the applicable interest rate offered by the major commercial banks in the PRC for the same type of loan.

Where CREC fails to repay to China Railway loans in full and in time, China Railway Finance has the right to terminate the 2022-2024 Financial Services Framework Agreement and may also offset the amount of loans payable by CREC to China Railway Finance against CREC's deposits with China Railway Finance in accordance with applicable laws of the PRC.

(iii) Miscellaneous financial services

Pursuant to the 2022-2024 Financial Services Framework Agreement, China Railway Finance shall also provide miscellaneous financial services within its business scope to CREC in accordance with the latter's instructions and requirements. Such miscellaneous financial services include, but not limited to, financial and financing consultation, credit verification and related consultation, agency business, provision of assistance in payment and receipt of transaction proceeds, handling entrusted loans and entrusted investment, bill acceptance and discounting, internal fund transfer and settlement and planning of relevant settlement and clearing proposals.

The fees charged by China Railway Finance for the provision of the miscellaneous financial services to CREC shall comply with the relevant prescribed rates for such services as determined by the People's Bank of China or the CBRC. In addition, such fees shall be no less than those charged by the major commercial banks in the PRC for the provision of comparable financial services.

Implementation agreement

Subject to compliance with the 2022-2024 Financial Services Framework Agreement, CREC and China Railway Finance shall enter into further specific contracts/agreements to set out detailed transaction terms with regard to the relevant specific financial services. Such specific contracts/agreements shall comply with the principles and terms set out under the 2022-2024 Financial Services Framework Agreement and applicable laws.

Non-exclusivity

The cooperation between CREC and China Railway Finance is on a non-exclusive basis and CREC has the right to choose the financial services offered by other financial institutions. China Railway Finance also has the right to offer financial services to other companies other than CREC.

HISTORICAL FIGURES**(i) Deposit services**

Pursuant to the 2019-2021 Financial Services Framework Agreement, the maximum daily balance of deposits (including accrued interests) placed by CREC with China Railway Finance shall not exceed RMB20 billion. The actual maximum daily balance of deposits (including accrued interests) placed by CREC was approximately RMB4.826 billion during the term of the 2019-2021 Financial Services Framework Agreement.

(ii) Lending services

Pursuant to the 2019-2021 Financial Services Framework Agreement, the maximum daily lending balance (including accrued interests) provided to CREC by China Railway Finance shall not exceed RMB3.5 billion. The actual maximum daily lending balance (including accrued interests) of CREC was approximately RMB1.87 billion during the term of the 2019-2021 Financial Services Framework Agreement.

(iii) Miscellaneous financial services

Pursuant to the 2019-2021 Financial Services Framework Agreement, the total amount of the service fees charged by China Railway Finance for the provision of miscellaneous financial services for the three years ended 31 December 2019, 2020 and 2021 shall not exceed RMB80 million respectively. Services fees of RMB20,000 were charged during the term of the 2019-2021 Financial Services Framework Agreement.

ANNUAL CAPS

(i) Deposit services

Pursuant to the 2022-2024 Financial Services Framework Agreement, the maximum daily balance of deposits (including accrued interests) of CREC maintained with China Railway Finance are as follows:

	For the year ending 31 December		
	2022	2023	2024
	<i>RMB billion</i>	<i>RMB billion</i>	<i>RMB billion</i>
Maximum daily balance of deposits (including accrued interests)	20	20	20

(ii) Lending services

Pursuant to the 2022-2024 Financial Services Framework Agreement, the maximum daily lending balance (including accrued interests) offered to CREC by China Railway Finance are as follows:

	For the year ending 31 December		
	2022	2023	2024
	<i>RMB billion</i>	<i>RMB billion</i>	<i>RMB billion</i>
Maximum daily lending balance (including accrued interests)	5.0	5.0	5.0

(iii) Miscellaneous financial services

Pursuant to the 2022-2024 Financial Services Framework Agreement, the maximum of the total amount of the service fees charged by China Railway Finance for the provision of the miscellaneous financial services to CREC are as follows:

	For the year ending 31 December		
	2022	2023	2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Maximum services fees	80	80	80

The proposed annual caps were calculated on the basis of several factors, including the following:

- (1) historical transaction amount;
- (2) strategies of the treasury management of the Group taking into account the cash flow requirements and financial needs of the Group for its business development plans; and
- (3) effective and reasonable control of financial risks.

REASONS FOR AND BENEFITS OF RENEWAL OF THE 2019-2021 FINANCIAL SERVICES FRAMEWORK AGREEMENT

It is expected that through the entering into of the 2022-2024 Financial Services Framework Agreement between China Railway Finance and CREC, the lending services and miscellaneous financial services will increase the overall income of China Railway Finance and the profitability of the Group. In addition, the deposit services will increase the efficiency of fund utilisation of the Group and reduce the financing costs, which meets the business development needs of the Group.

IMPLICATIONS UNDER THE LISTING RULES

CREC is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As a result, the 2022-2024 Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

(i) Deposit services

The provision of deposit services by China Railway Finance to CREC under the 2022-2024 Financial Services Framework Agreement will constitute financial assistance to be provided by connected person for the benefit of the Group. Since such deposit services shall be on normal commercial terms, on terms (including interest) no less favourable than those offered by independent commercial banks for the provision of comparable services in the PRC, and no security over the assets of the Group shall be granted in respect of the provision of such deposits services, the deposit services to be provided by China Railway to CREC under the 2022-2024 Financial Services Framework Agreement are exempt from all reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

(ii) Lending services

As the relevant percentage ratios in respect of the lending services to be provided by China Railway Finance to CREC under the 2022-2024 Financial Services Agreement (calculated by reference to the maximum daily lending balance (including the accrued interest)) exceed 0.1% but are below 5%, the lending services to be provided by China Railway Finance to CREC are subject to the reporting and announcement requirements, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(iii) Miscellaneous financial services

As the relevant percentage ratios in respect of the maximum amount of service fees to be payable by CREC to China Railway Finance for the provision of miscellaneous financial services to be provided by China Railway Finance to CREC under the 2022-2024 Financial Services Framework Agreement on an annual basis will not exceed 0.1%, the miscellaneous financial services to be provided by China Railway Finance to CREC are exempt from the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The independent non-executive Directors are of the view that the terms of the 2022-2024 Financial Services Framework Agreement and the transactions contemplated thereunder (together with the proposed maximum daily deposit balance (including the accrued interests), the proposed maximum daily lending balance (including accrued interests) and the proposed maximum services fees) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The executive Directors, Mr. Chen Yun (concurrently the chairman of CREC), Mr. Chen Wenjian (concurrently a director of CREC) and Wang Shiqi (concurrently the employee director of CREC), who are deemed materially interested in the transaction under the 2022-2024 Financial Services Framework Agreement, abstained from voting on the relevant Board resolutions. Save for the above, no other directors are materially interested in such transaction and were required to abstain from voting on the relevant Board resolutions.

INFORMATION ABOUT THE PARTIES

CREC, a state-owned enterprise, is the controlling shareholder of the Company holding approximately 47.21% interest in the Company. Its principal activities are construction works and related technological research, survey, design and consulting services, manufacturing of specialised equipment, operation and development of real estate.

The Group provides a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and expands to other businesses such as property development and mineral resources exploitation.

China Railway Finance is a non-banking financial institution legally established with the approval of the CBRC received on 27 February 2014. It is a subsidiary of the Company which is held as to 95% by the Company and 5% by CREC. Its principal businesses include financial and financing consultation, credit verification and related consultation, agency business, assistance to the receipt and payment of transactional amounts, approved insurance agency business, provision of guarantees, provision of entrusted loans, bill acceptance and discounting, internal fund transfer and settlement and planning of relevant settlement and clearing proposals, deposits services as well as provision of loans and finance lease to members of the Group and inter-bank lending and borrowing, underwriting corporate bonds of member entities, investment in securities (fixed income), purchaser loan and finance leasing of products of member entities.

DEFINITIONS

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

“2019-2021 Financial Services Framework Agreement”	the financial services framework agreement dated 27 December 2018 entered into between China Railway Finance and CREC (details of which are set out in the announcement of the Company dated 27 December 2018)
“2022-2024 Financial Services Framework Agreement”	the financial services framework agreement dated 30 December 2021 entered into between China Railway Finance and CREC
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	The board of Directors
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會), currently known as China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“China Railway Finance”	China Railway Finance Company Limited (中鐵財務有限責任公司), a limited liability company established in the PRC on 28 February 2014, a subsidiary of the Company which is held as to 95% by the Company and 5% by CREC
“Company”	China Railway Group Limited (中國中鐵股份有限公司), a joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 390) and the Shanghai Stock Exchange (stock code: 601390), respectively
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“CREC”	China Railway Engineering Group Company Limited (中國鐵路工程集團有限公司), formerly known as China Railway Engineering Corporation (中國鐵路工程總公司), a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	the legal currency of PRC, Renminbi
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

By Order of the Board
China Railway Group Limited
Chen Yun
Chairman

Beijing, China
30 December 2021

As at the date of this announcement, the executive directors of the Company are Mr. CHEN Yun (Chairman), Mr. CHEN Wenjian and Mr. WANG Shiqi; the non-executive director of the Company is Mr. WEN Limin; the independent non-executive directors of the Company are Mr. CHUNG Shui Ming Timpson, Mr. ZHANG Cheng and Mr. XIU Long.