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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stock broker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in 中國鐵建高新裝備股份有限公司 (CRCC High-Tech Equipment Corporation Limited), you should at once hand this circular to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

- (1) PROPOSED ELECTION OF DIRECTORS FOR  
THE THIRD SESSION OF THE BOARD;**
- (2) PROPOSED ELECTION OF SHAREHOLDER REPRESENTATIVE  
SUPERVISORS FOR THE THIRD SESSION OF  
THE SUPERVISORY COMMITTEE;**
- (3) CONTINUING CONNECTED TRANSACTIONS;**
- (4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; AND**
- (5) PROPOSED AMENDMENTS TO THE RULES OF  
PROCEDURE FOR GENERAL MEETINGS**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders in respect of the Continuing Connected Transactions**

**MESSIS 大有融資**

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A letter from the Board is set out on pages 5 to 29 of this circular. A letter from the Independent Board Committee in respect of the Machinery Equipment and Accessories Sales Framework Agreement and the Financial Services Framework Agreement, and their respective proposed annual caps and proposed maximum daily balance of the deposits is set out on pages 30 to 31 of this circular. A letter of advice from Messis Capital Limited, the Independent Financial Adviser, in respect of the same to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 59 of this circular.

The EGM will be held 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 Friday, 21 October 2022, and the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting will be held on Friday, 21 October 2022, immediately after the conclusion or adjournment of the EGM which will be held at the same place and on the same date. Please refer to the notice of the EGM, notice of the H Shareholders Class Meeting and notice of the Domestic Shareholders Class Meeting dated 12 August 2022 and the announcement relating to the postponement of the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting dated 8 September 2022 published on the Stock Exchange's website and the Company's website.

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## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Committee (中國銀行保險監督管理委員會)
“China” or “PRC”	the People’s Republic of China, and for the purpose of this circular, excluding 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 wholly-owned 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 wholly-owned subsidiary of CRCC, our Shareholder and a connected person of the Company
“Class Meetings”	H Shareholders Class Meeting and Domestic Shareholders Class Meeting
“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
“CRC”	China Railway Corporation (中國鐵路總公司), a wholly state-owned enterprise established in the PRC and an independent third party of the Company
“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 wholly-owned subsidiary of CRCC, our Shareholder and a connected person of our Company

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## DEFINITIONS

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“CRCC Finance”	CRCC Finance Company Limited (中國鐵建財務有限公司), a limited liability company incorporated in the PRC, a subsidiary of CRCC and a connected person of our Company
“CRCC Group”	CRCC and its subsidiaries (excluding the Group)
“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 wholly-owned subsidiary of CRCC, our Shareholder and a connected person of our Company
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary shares in the share capital of the Company, with nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Domestic Shareholders Class Meeting”	the class meeting to be held for the holders of Domestic Shares by the Company at the office building of the Company at No. 384, Yangfangwang, Jinma Town, Kunming City, Yunnan Province, the PRC on Friday, 21 October 2022, immediately after the conclusion or adjournment of the H Shareholders Class Meeting which will be held at the same place and on the same date
“EGM”	the extraordinary 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 Friday, 21 October 2022
“Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and CRCC Finance on 29 July 2022 to replace the Previous Financial Services Framework Agreement, pursuant to which CRCC Finance agrees to provide deposit services to the Group for the term commencing from 1 January 2023 and ending on 31 December 2025
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“H Shareholders Class Meeting”	the class meeting to be held for the holders of H Shares by the Company at the office building of the Company at No. 384, Yangfangwang, Jinma Town, Kunming City, Yunnan Province, the PRC on Friday, 21 October 2022, immediately after the conclusion or adjournment of the EGM which will be held at the same place and on the same date

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of Directors consisting of Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing, who are independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Machinery Equipment and Accessories Sales Framework Agreement, the Financial Services Framework Agreement, and their respective proposed annual caps and proposed maximum daily balance of the deposits
“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 Machinery Equipment and Accessories Sales Framework Agreement, the Financial Services Framework Agreement, and their respective proposed annual caps and proposed maximum daily balance of the deposits
“Independent Shareholders”	the Shareholders other than CRCC and its four wholly-owned 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 resolutions at the EGM with respect to the Machinery Equipment and Accessories Sales Framework Agreement, the Financial Services Framework Agreement, and their respective proposed annual caps and proposed maximum daily balance of the deposits
“Latest Practicable Date”	28 September 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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
“Machinery Equipment and Accessories Sales Framework Agreement”	the machinery equipment and accessories sales framework agreement entered into between the Company and CRCC on 29 July 2022, pursuant to which our Group agreed to: (i) sell various kinds of large railway track maintenance machines; (ii) sell machinery and track equipment, facilities and materials; and (iii) provide other related or ancillary products and services, mainly including the sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates

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## DEFINITIONS

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“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“Previous Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and CRCC Finance on 21 December 2021, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from 1 January 2022 and ending on 31 December 2022
“Previous Machinery Equipment and Accessories Sales Framework Agreement”	the machinery equipment and accessories sales framework agreement entered into between the Company and CRCC on 26 April 2019, pursuant to which our Group agreed to: (i) sell various kinds of large railway track maintenance machines; (ii) sell machinery and track equipment, facilities and materials; and (iii) provide other related or ancillary products and services, mainly including the sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates for the term commenced from 1 January 2020 and ending on 31 December 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Rules of Procedure for General Meetings”	the rules of procedure for general meetings of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	percent

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## LETTER FROM THE BOARD

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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)**

***Executive Directors:***

Mr. Liu Feixiang (*Chairman*)  
Mr. Tong Pujiang  
Mr. Chen Yongxiang

***Non-executive Directors:***

Mr. Zhao Hui  
Mr. Sha Mingyuan

***Independent non-executive Directors:***

Mr. Sun Linfu  
Mr. Yu Jiahe  
Mr. Wong Hin Wing

***Registered office and principal place of  
business in the PRC:***

No. 384, Yangfangwang  
Jinma Town  
Kunming City  
Yunnan Province  
PRC

***Principal place of business in Hong Kong:***

23/F, Railway Plaza  
39 Chatham Road South  
Tsim Sha Tsui  
Kowloon  
Hong Kong

5 October 2022

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED ELECTION OF DIRECTORS FOR  
THE THIRD SESSION OF THE BOARD;**  
**(2) PROPOSED ELECTION OF SHAREHOLDER REPRESENTATIVE  
SUPERVISORS FOR THE THIRD SESSION OF  
THE SUPERVISORY COMMITTEE;**  
**(3) CONTINUING CONNECTED TRANSACTIONS;**  
**(4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; AND**  
**(5) PROPOSED AMENDMENTS TO THE RULES OF  
PROCEDURE FOR GENERAL MEETINGS**

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# LETTER FROM THE BOARD

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## 1. INTRODUCTION

The purpose of this circular is, among other things, to provide you with more information in respect of: (i) proposed election of Directors for the third session of the Board; (ii) proposed election of shareholder representative Supervisors for the third session of the Supervisory Committee; (iii) continuing connected transactions in relation to the Machinery Equipment and Accessories Sales Framework Agreement and the proposed annual caps; (iv) continuing connected transactions in relation to the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits; (v) proposed amendments to the Articles of Association; and (vi) proposed amendments to the Rules of Procedure for General Meetings, to enable you to make an informed decision on whether to vote in favour of or against the relevant resolutions at the EGM and the Class Meetings.

## 2. PROPOSED ELECTION OF DIRECTORS FOR THE THIRD SESSION OF THE BOARD

Reference is made to the announcement of the Company dated 29 July 2022 in relation to the proposed election of Directors of the third session of the Board.

Since the tenure of the second session of the Board of the Company has expired, in accordance with the Articles of Association and the nomination by CRCC, the controlling shareholder of the Company, the Board proposed to elect Directors of the third session of the Board and submitted the resolutions to the EGM for consideration. The Board proposed to elect Mr. Liu Feixiang, Mr. Tong Pujiang, Mr. Chen Yongxiang, Mr. Luo Jianli, Mr. Zhao Hui, Mr. Bai Yunfei, Mr. Wu Yuntian, Mr. Na Pengjie and Ms. Chu Ching as Directors of the third session of the Board of the Company, of which Mr. Liu Feixiang, Mr. Tong Pujiang, Mr. Chen Yongxiang, Mr. Luo Jianli will be nominated as executive Directors, Mr. Zhao Hui, Mr. Bai Yunfei, will be nominated as non-executive Directors and Mr. Wu Yuntian, Mr. Na Pengjie and Ms. Chu Ching will be nominated as independent non-executive Directors.

Biographical details of candidates for Directors of the third session of the Board are set out in Appendix V to this circular.

The term of office of all Directors of the third session of the Board shall be three years commencing from the date of election at the EGM. Since the elected third session of the Board will take effect after the conclusion of the EGM, prior to that, all Directors of the second session of the Board will continue to perform their duties as Directors according to relevant requirements as stipulated in the Articles of Association. Upon appointments of Directors of the third session of the Board being approved by the Shareholders, the Company will enter into service contracts with such Directors. Their remuneration as Directors will be determined based on the Company's remuneration policy for Directors and subject to the approval at the annual general meeting.

Mr. Wu Yuntian, Mr. Na Pengjie and Ms. Chu Ching confirmed that they have satisfied the independence criteria as stipulated in Rule 3.13 of the Listing Rules. The Company has assessed their independence and considered that they meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

None of these Director candidates has any interest, deemed interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).



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## LETTER FROM THE BOARD

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Save as disclosed in this circular, none of these Director candidates held any other positions in the Company or any of its subsidiaries, or any directorships in other listed public companies in the last three years. None of these Director candidates has any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. There is no information relating to these Director candidates that is required to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed in this circular, there is no other matter in relation to the appointment of these Director candidates as mentioned above that needs to be brought to the attention of the Shareholders.

Ordinary resolutions in relation to the proposed election of Directors will be proposed at the EGM for Shareholders' consideration and approval.

### **3. PROPOSED ELECTION OF SHAREHOLDER REPRESENTATIVE SUPERVISORS FOR THE THIRD SESSION OF THE SUPERVISORY COMMITTEE**

Reference is made to the announcement of the Company dated 29 July 2022 in relation to the proposed election of shareholder representative Supervisors of the third session of the Supervisory Committee.

Since the tenure of the second session of the Supervisory Committee of the Company has expired, in accordance with the nomination by CRCC, the controlling shareholder of the Company, the Company proposed to elect Mr. Wang Huaming and Mr. Zhong Xiangjun as shareholder representative Supervisors of the third session of the Supervisory Committee.

Biographical details of candidates for Supervisors of the third session of the Supervisory Committee are set out in Appendix VI to this circular.

The term of office of shareholder representative Supervisors of the third session of the Supervisory Committee shall be three years commencing from the date of election at the EGM. Since the elected third session of the Supervisory Committee will take effect after the conclusion of the EGM, prior to that, all Supervisors of the second session of the Supervisory Committee will continue to perform their duties as Supervisors according to relevant requirements as stipulated in the Articles of Association. Upon the appointment of shareholder representative Supervisors of the third session of the Supervisory Committee being approved by the Shareholders, the Company will enter into service contracts with such Supervisors. Their remunerations as Supervisors of the Company will be determined based on the Company's remuneration policy for Supervisors and subject to the approval at the annual general meeting.

According to the Articles of Association, employee representative Supervisors are democratically elected by employees of the Company, which are not subject to approvals from the Shareholders. The Company proposed to elect Mr. Liang Zhijian as an employee representative Supervisor of the third session of the Supervisory Committee. The term of office of Mr. Liang Zhijian shall be three years commencing from the date of the EGM. Biographical details of candidate for employee representative Supervisor of the Supervisory Committee are set out in Appendix VI to this circular.

None of these candidates for Supervisors has or is deemed to have any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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## LETTER FROM THE BOARD

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Save as disclosed in this circular, none of these candidates for Supervisors held any other positions in the Company or any of its subsidiaries, or any directorships in other listed public companies in the last three years. None of these candidates for Supervisors has any relationship with any directors, senior management or substantial or controlling shareholders of the Company. There is no information relating to these candidates for Supervisors that is required to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed in this circular, there is no other matter in relation to the appointment of these candidates for Supervisors as mentioned above that needs to be brought to the attention of the Shareholders.

Ordinary resolutions in relation to the appointment of shareholder representative Supervisors will be proposed at the EGM for Shareholders' consideration and approval.

#### **4. CONTINUING CONNECTED TRANSACTIONS**

##### **4.1 Machinery Equipment and Accessories Sales Framework Agreement**

###### ***4.1.1 Background***

Reference is made to the announcement of the Company dated 26 April 2019 and the circular of the Company dated 13 June 2019 in relation to the Previous Machinery Equipment and Accessories Sales Framework Agreement.

As the Previous Machinery Equipment and Accessories Sales Framework Agreement will expire on 31 December 2022, the Company entered into the Machinery Equipment and Accessories Sales Framework Agreement with CRCC on 29 July 2022 to renew the Previous Machinery Equipment and Accessories Sales Framework Agreement, pursuant to which the Group agreed to (i) sell various kinds of large railway track maintenance machines comprising all products of the Group; (ii) sell machinery and track equipment, facilities and materials; and (iii) provide other related or ancillary products and services, to CRCC and/or its associates, commencing from 1 January 2023 to 31 December 2025. Other than the above change, all existing terms and conditions of the Previous Machinery Equipment and Accessories Sales Framework Agreement have remained unchanged.

###### ***4.1.2 Machinery Equipment and Accessories Sales Framework Agreement***

Details of the Machinery Equipment and Accessories Sales Framework Agreement are as follows:

***Date:*** 29 July 2022

***Parties:*** The Company (as the supplier of products and services); and  
CRCC (as the purchaser of products and services).

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## LETTER FROM THE BOARD

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***Nature of transactions:***

The Group agreed to: (i) sell various kinds of large railway track maintenance machines comprising all products of the Group, which are categorized into seven major series based on functions, namely, tamping machine series, stabilization machine series, ballast cleaning machine series, ballast regulator series, materials logistics machine series, rail processing machine series and other machinery; (ii) sell machinery and track equipment, facilities and materials; and (iii) provide other related or ancillary products and services, mainly including the sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates.

***Term:***

The term of the Machinery Equipment and Accessories Sales Framework Agreement will commence from 1 January 2023 and end on 31 December 2025, subject to early termination by either party giving at least three months' prior written notice to the other party.

Parties can extend or renew such terms by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

***Conditions precedent:***

The transactions contemplated under the Machinery Equipment and Accessories Sales Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Machinery Equipment and Accessories Sales Framework Agreement is conditional upon the resolution regarding the transactions under such agreement and the relevant annual caps having been approved by the Independent Shareholders at the EGM.

***Pricing policy:***

In line with the general pricing policy of fairness and reasonableness set out in the Machinery Equipment and Accessories Sales Framework Agreement, the prices for products and services under such agreement shall be determined based on the following pricing principles:

1. where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices at which the same type of products and services provided by us to an independent third party customer on normal commercial terms and the prices for the same type of products and services provided by the independent third parties; and

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## LETTER FROM THE BOARD

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2. where there are no market prices for the relevant products which are applicable to new types of machinery equipment to be tailor-made for the specifications required by CRCC and/or its associates for specific business needs, the price shall be determined according to the price to be agreed between the parties; the agreed price will be calculated based on the actual costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance, incurred in providing such products plus reasonable profits; we will charge a mark-up rate, taking into consideration of the specific types of products, for the transactions on a cost-plus basis. Such mark-up rate charged to CRCC and/or its associates is generally not lower than 15% for all cases, 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 price and the method of payment shall be determined based on the principles, instructions, conditions and terms of the Machinery Equipment and Accessories Sales Framework Agreement and set out in the specific agreements or order forms to be entered into by the parties.

The payment terms will be on market terms which are no less favourable to the Company than those available to independent third parties.

***Other major terms:***

To implement the transactions contemplated under the Machinery Equipment and Accessories Sales Framework Agreement, the parties will enter into specific agreements or order forms which specify and record the specific terms (such as the types of large maintenance machinery and accessories, machinery and track equipment, facilities and materials, the prices and the payment and delivery terms) and operative provisions of those transactions to be determined in accordance with the terms under the Machinery Equipment and Accessories Sales Framework Agreement.

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## LETTER FROM THE BOARD

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***Internal control  
procedures for  
pricing policy:***

In order to ensure that (i) the sales of large railway track maintenance machinery and accessories; (ii) the sales of machinery and track equipment, facilities and materials; and (iii) the provision of other related or ancillary products and services from the Group to CRCC and/or its associates will not be prejudicial to the interests of the Company and our minority Shareholders, the Company adopts the following measures in negotiating the prices and terms of the transactions to be carried out under the Machinery Equipment and Accessories Sales Framework Agreement:

1. the prices will generally be agreed following arm's length negotiation between the parties with reference to the prevailing market prices; a large portion of our purchase orders is won through public tenders with our largest customer group (i.e. CRC and its affiliated enterprises), local railway operators and railway construction companies (including the CRCC Group).

In order to determine the prevailing market prices, we will make reference to the prices we offer to at least two independent third party customers for the same or similar products or services; we will also primarily take into account the following factors to determine the market prices, to ensure that the prices will be no less favourable to the Company than those of the same type of products and services we provide to the independent third party customers:

- (1) in respect of large railway track maintenance machines and machinery and track equipment, facilities and materials, we take into account our costs and market condition to determine the prices of our products. We adjust our prices with reference to various factors, such as the prevailing market condition, market prospect and competition;
- (2) in respect of parts and components, we determine the prices of our parts and components primarily based on the cost, and adjust our prices with reference to market conditions, logistic requirements, expected profit margins and safety of rails operations;
- (3) in respect of railway line maintenance services, we primarily take into account our costs, timeline, operation quality requirements and operation environment (such as the climate and topographical requirements) to determine the prices of our services;

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## LETTER FROM THE BOARD

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- (4) in respect of overhaul services, we determine our prices primarily based on the condition of the machines to be overhauled;
2. in respect of the principle of the cost plus a reasonable profit margin, we will take into account all relevant factors in determining the underlying costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance; and
3. in the unlikely event that no comparable market prices can be taken which are applicable to new types of machinery equipment to be tailor-made for the specifications required by CRCC and/or its associates for specific business needs, experts in the Group with sufficient industry experience could opine on the fairness and reasonableness of the prices to ensure that the prices would be fair and reasonable to the Company and no less favourable to the Company than the prices the Group offers to the independent third party customers. Such experts in the Group are the overall project consultant of our research center with senior engineer certificate, head of our cost management department with the qualification of certified public accountant, head of our procurement center and head of our marketing department. These experts have adopted a comprehensive evaluation model to determine the prices with reference to the historical transaction prices of the most similar types of machines and also take into account other factors, which include technical specifications, actual costs, payment terms, product quality and geographical areas where we provide products, etc. The prices of such new types of machinery equipment will be submitted to our general manager for approval.

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## LETTER FROM THE BOARD

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### 4.1.3 Historical Figures

The aggregate amounts of transactions with respect to (i) the sales of various kinds of large railway track maintenance machines; (ii) the sales of machinery and track equipment, facilities and materials; and (iii) the provision of other related or ancillary products and services by the Group to CRCC and its associates for the three years ended 31 December 2021 and the six months ended 30 June 2022 are set out as follows:

	For the year ended 31 December			
	2019	2020	2021	2022
		(RMB million)		
Historical annual caps	1,100	1,100	1,100	1,100
Historical figures	303	298.77	364.67	158.79 <i>note</i>
Utilization rate (%)	27.5	27.2	33.2	14.4 <i>note</i>

*Note:* As at 30 June 2022, the actual transaction amount and the corresponding utilization rate under the Previous Machinery Equipment and Accessories Sales Framework Agreement.

The utilization rates of the historic annual caps in respect of the years ended 31 December 2019, 2020 and 2021 were relatively low. The main reason was that large fraction of the historical annual caps were determined pursuant to the potential demand for construction and maintenance; however, under the persistent rage of the COVID-19 pandemic across the domestic and international markets, the volume and progress of construction projects got decelerated and impacts on the railway transportation industry were exerted, which in turn led to a significant decrease in demand under the Previous Machinery Equipment and Accessories Sales Framework Agreement.

As of 30 June 2022, the utilization rate of the historical annual cap for the year ending 31 December 2022 was relatively low, which was mainly due to the payment schedule (i.e. payment in instalments with rather large portion of payment scheduled to be paid upon completion or settlement by the end of the year) of our contracts under the Previous Machinery Equipment and Accessories Sales Framework Agreement, which is in line with the market practice of the industry.

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## LETTER FROM THE BOARD

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### 4.1.4 Proposed Annual Caps

The existing annual caps for the three years ending 31 December 2022 for the transactions under the Previous Machinery Equipment and Accessories Sales Framework Agreement are RMB1,100 million, RMB1,100 million and RMB1,100 million, respectively. The Board proposed the annual caps for the three years ending 31 December 2025 for the transactions under the Machinery Equipment and Accessories Sales Framework Agreement as follows:

*Sales:*

	<b>12 months ending 31 December 2023 (RMB million)</b>	<b>12 months ending 31 December 2024 (RMB million)</b>	<b>12 months ending 31 December 2025 (RMB million)</b>
Amounts payable to the Group by CRCC and its associates with respect to the sales of large railway track maintenance machinery and accessories, machinery and track equipment, facilities and materials, and the provision of other related or ancillary products and services	1,100	1,100	1,100

### 4.1.5 Basis of Proposed Annual Caps

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

- (1) Based on currently available market data, the relevant procurement plan and intention as well as taken into account the sustainable growth trend in the aggregate amounts of transactions, the transaction amount of our products and services under the Machinery Equipment and Accessories Sales Framework Agreement is expected to reach RMB600 million for each of the three years ending 31 December 2025, representing an increase of 20% comparing to the estimated RMB500 million in 2022. Specifically, the Company expects more potential for growth in the future based on:
  - 1) Pursuant to the 14th Five-Year Railway Standardization Development Plan issued by the National Railway Administration of the PRC and 14th Five-Year development strategic plan of CRCC, it is expected that the revenue of CRCC will keep increasing for the five years from 2021 to 2025, therefore raises the potential for increase in the transaction amount under the Machinery Equipment and Accessories Sales Framework Agreement.



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## LETTER FROM THE BOARD

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- 2) Taking into account macro-economic conditions, such as the “One Belt, One Road” initiative adopted by the PRC government, we are expected to maintain a steady growth in such sales of large railway track maintenance machines as well as parts and components and provision of overhaul services to the CRCC Group for the three years ending 31 December 2025.
- 3) Given the rising vaccination rates of COVID-19 pandemic in the PRC and around the world and the various and continuous measures taken by the PRC government to boost the economy, the volume and progress of construction projects has restored gradually and it is expected to pick up further for the three years ending 31 December 2025. Therefore, the demand under the Machinery Equipment and Accessories Sales Framework Agreement is expected to increase accordingly.
- 4) According to the regulations enacted by National Railway Administration of the PRC and relevant competent authorities, the large railway track maintenance machinery would be due for overhaul after being used for 10 to 13 years, or achieving certain level of workload. As such, the CRCC Group’s demand for our overhaul services is expected to increase in the three years ending 31 December 2025 as more railway track maintenance machines supplied to the CRCC Group are expected to be due for overhaul. Moreover, considering that the construction of engineering projects lasts for several years after signing the contract, the demand of the large railway track maintenance machines of CRCC is sustainable.
- 5) As of 31 December 2021, 23 categories of machines and 121 types of machinery equipment of the Company, e.g., sewage suction and sand removal machinery, cleaning machinery and stone ballast treatment machinery, were recognized into the requisite list of supplies of CRCC, for the first time, and therefore contribute to future growth in sales of our products and services under the Machinery Equipment and Accessories Sales Framework Agreement.
- 6) Pursuant to the strategic arrangement of the Company, it is implementing the development strategy highlighting “strengthening major operation and related sectors and achieving diversified development”. In particular, the Company has established strategic alliance with certain subsidiaries of the CRCC Group to drive forward rapid development of the related diversified industries of the Company. The Company also proactively acquaints itself on CRCC’s projects progress and demands, and keeps in touch with CRCC on projects.
- 7) The amount of transactions under the Previous Machinery Equipment and Accessories Sales Framework Agreement remain relatively stable at RMB298.77 million in 2020 comparing to RMB303 million in 2019, and reached RMB364.67 million in 2021, and is expected to reach RMB500 million in 2022. Such transaction amounts represented an increase of approximately 22% from 2020 to 2021, and an increase of approximately 37% from 2021 to 2022. The reason is that the Company has established solid reputation in the market and maintained steady growth in its market share. Therefore, based on the above and our historical experience, the future growth of sales of our products and services under the Machinery Equipment and Accessories Sales Framework Agreement is estimated to be 20%.

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## LETTER FROM THE BOARD

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- (2) In arriving at the proposed annual caps under the Machinery Equipment and Accessories Sales Framework Agreement, the Company has also taken into consideration the amount of RMB500 million for the integrated supply of rail transit machinery and equipment from third parties, with respect to (i) machinery and track equipment, facilities and materials; and (ii) other related or ancillary products and services, for each of the three years ending 31 December 2025.
- 1) In 2022, the Company received the preliminary notice of engagement which delegated the Company as the integrated supplier for a construction project undertaken by CRCC, which involves procurement of machinery and services from third parties through the Company. The project is roughly middle-size with a transaction value of approximately RMB200 million.
  - 2) In general, the supply management of such construction projects is highly sophisticated which involves professional and systematical skills in dealing with hundreds or even thousands of machinery, equipment, and related products and services, of different types, and their corresponding suppliers. As such, in most projects, an integrated supplier with professional skills and industry familiarity would be engaged as a contractor for efficient coordination and management. Therefore, given the history of dealing and business relationship with CRCC, the experience of acting as the integrated supplier for market projects and the well-established reputation of the Company, the Company is expected to receive further delegation from CRCC under the Machinery Equipment and Accessories Sales Framework Agreement for the years ending 31 December 2025.
  - 3) Accordingly, considering the prospective projects delegated by CRCC of similar nature, the size of projects in the market (ranging from RMB100 million to RMB400 million) and the capacity of the Company in handling such projects, it is expected that the Company could derive approximately RMB500 million from such projects for each of the three years ending 31 December 2025 while each project could generate approximately RMB250 million.

### ***4.1.6 Reasons for and Benefits of the Continuing Connected Transactions under the Machinery Equipment and Accessories Sales Framework Agreement***

In the ordinary and usual course of our business, the Group sells large railway track maintenance machinery and accessories, machinery and track equipment, facilities and materials, and provides other related or ancillary services to CRCC and/or its associates. The Board is of the view that such transactions are beneficial to the Group for the following reasons:

- (1) in accordance with the relevant regulations of competent authorities for all constructions of new railway lines, railway line maintenance (such as tamping, formation and rehabilitation) must be conducted before the inspection and acceptance of such railway lines; CRCC and/or its associates, which are primarily engaged in the railway construction operations, require such products for carrying out railway track maintenance work before the inspection and acceptance of the new railway lines they have constructed;

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## LETTER FROM THE BOARD

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- (2) the Company and CRCC and/or its associates have established a long-term relationship, and understand respective planning of operations, quality control as well as certain specific requirements of both parties;
- (3) the prices and terms for the sales of large railway track maintenance machinery and accessories, machinery and track equipment, facilities and materials, and the provision of other related or ancillary services by us to CRCC and/or its associates would be no less favourable to the Company than those we offer to any independent third party; and
- (4) CRCC is one of the top-tier large-scale comprehensive construction groups in the PRC. By entering into Machinery Equipment and Accessories Sales Framework Agreement, the Group will better maintain its stable income sources and develop its expertise as well as promote the comprehensive competitiveness in the industry.

The Board (including the independent non-executive Directors) is of the view that: (i) the transactions under the Machinery Equipment and Accessories Sales Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions under the Machinery Equipment and Accessories Sales Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As Mr. Sha Mingyuan, being a non-executive Director of the Company, concurrently serves as the chief mechanical engineer (corresponding to the level of the department principal) of the Equipment and Material Department and professor-level senior engineer of CRCC, he has abstained from voting on the Board resolution with respect to the transaction. Saved as disclosed above, none of the other Directors has any material interest in the transaction contemplated under the Machinery Equipment and Accessories Sales Framework Agreement and therefore none of the other Directors has abstained from voting on such Board resolution.

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## LETTER FROM THE BOARD

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### ***4.1.7 Internal Control Measures for the Implementation of the Machinery Equipment and Accessories Sales Framework Agreement***

The Company has adopted the following internal control measures to ensure that the terms of the Machinery Equipment and Accessories Sales Framework Agreement are fair and reasonable and such transactions are on normal commercial terms:

- (1) the Company has adopted and implemented a management system on connected transactions. Under the relevant system, our finance department is responsible for organizing the draft agreement and conducting reviews, including reviews before signing the agreement and monthly reviews upon execution of the agreement, on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the Machinery Equipment and Accessories Sales Framework Agreement. In addition, the draft agreement is subject to internal review of the office of the Board, legal affairs department and management of the Company on the clauses (including but not limited to comparison with clauses with independent third parties and previous agreements), counterparty and type of transaction and the external review of outside legal counsels of the Company from compliance perspective. Afterwards, the Party committee and the office of the general manager may issue the clearance for proceeding the agreement upon final internal review and approval. All relevant operation departments of the Company are jointly responsible for evaluating the transaction terms under such agreement, in particular, the fairness of the pricing terms under such agreement;
- (2) the independent non-executive Directors have also reviewed and will continue to review the continuing connected transactions to ensure that the transactions have been entered into on normal commercial terms and according to the Machinery Equipment and Accessories Sales Framework Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in our annual report; and
- (3) the auditor of the Company will also conduct an annual review on the pricing policies and annual caps of such agreement, and provide confirmation in our annual report.

### ***4.1.8 Implications under the Listing Rules***

CRCC is a controlling Shareholder, which directly and indirectly holds approximately 65% of the total issued share capital of the Company as at the Latest Practicable Date of this circular, and thus is a connected person of the Company under the Listing Rules. Therefore, the transactions under the Machinery Equipment and Accessories Sales Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since the highest applicable percentage ratio in respect of the highest annual caps under the Machinery Equipment and Accessories Sales Framework Agreement is more than 5%, such transaction is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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CRCC and its four wholly-owned subsidiaries, namely China Railway Construction Investment Group, CRCC International Group, China Civil Engineering Construction and CRCC China-Africa Company, which directly and indirectly hold 987,984,000 Domestic Shares, representing approximately 65% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the resolutions at the EGM with respect to the transactions under the Machinery Equipment and Accessories Sales Framework Agreement and the proposed annual caps.

### **4.1.9 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 primarily engaged in: (i) construction operations; (ii) survey, design and consultancy operations; (iii) manufacturing operations (except the business of the Group); (iv) real estate development operations; and (v) logistics and materials trading.

## **4.2 Financial Services Framework Agreement**

### **4.2.1 Background**

Reference is made to the announcement of the Company dated 21 December 2021 in relation to the Previous Financial Services Framework Agreement.

On 21 December 2021, the Company entered into the Previous Financial Services Framework Agreement with CRCC Finance, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from 1 January 2022 and ending on 31 December 2022.

As the Previous Financial Services Framework Agreement will expire on 31 December 2022, the Company entered into the Financial Services Framework Agreement with CRCC Finance on 29 July 2022 to renew the Previous Financial Services Framework Agreement, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from 1 January 2023 and ending on 31 December 2025. Other than the above change, all existing terms and conditions of the Previous Financial Services Framework Agreement have remained unchanged.

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## LETTER FROM THE BOARD

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### **4.2.2 Financial Services Framework Agreement**

Details of the Financial Services Framework Agreement are as follows:

**Date:** 29 July 2022

**Parties:** The Company (as the service recipient); and  
CRCC Finance (as the service provider)

**Nature of transactions:** CRCC Finance agreed to provide deposit services to the Group.

**Term:** The term of the Financial Services Framework Agreement will commence from 1 January 2023 and end on 31 December 2025, subject to early termination by either party giving at least three months' prior written notice to the other party.

Parties can extend or renew such terms by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

**Conditions precedent:** The Financial Services Framework Agreement is conditional upon the resolution regarding the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits being approved by the Independent Shareholders at the EGM.

**Pricing policy:** Pursuant to the Financial Services Framework Agreement, CRCC Finance shall accept deposits from the Group at interest rates not lower, and thus no less favorable, than the prevailing rates (by taking into consideration the rates for current deposit, lump deposit for lump withdrawal, agreed deposit and deposit at call) offered by the major PRC commercial banks (i.e. Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications) for deposits of similar nature.

**Other major terms:** The Group and CRCC Finance will enter into specific agreements to set out specific terms with respect to the financial services contemplated under the Financial Services Framework Agreement in accordance with the aforementioned principle terms thereunder.

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## LETTER FROM THE BOARD

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### 4.2.3 Historical Annual Caps and Historical Figures

Pursuant to the financial services framework agreements entered into between the Company and CRCC Finance in December 2018, December 2019, December 2020, and December 2021, the historical maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance (the “**historical annual caps**”), as well as the actual maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance (the “**historical figures**”) for each of the three years ended 31 December 2021 and the six months ended 30 June 2022 are set out as follows:

	<b>For the year ended 31 December</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
		<i>(RMB million)</i>		
Historical annual caps	100.00	75.00	45.00	36.00
Historical figures	99.00	74.90	44.98	34.68 <sup>note</sup>

*Note:* As at 30 June 2022, the actual maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance for 2022.

### 4.2.4 Proposed Maximum Daily Balance of the Deposits

The proposed maximum daily balance of the deposits (including accrued interest) to be placed by the Group with CRCC Finance for three years ending 31 December 2025 are as follows:

	<b>12 months ending 31 December 2023</b>	<b>12 months ending 31 December 2024</b>	<b>12 months ending 31 December 2025</b>
	<i>(RMB million)</i>		
Proposed maximum daily balance of the deposits (including accrued interest) to be placed by the Group with CRCC Finance	220	220	220

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### **4.2.5 Basis of Proposed Maximum Daily Balance of the Deposits**

In arriving at the above proposed maximum daily balance of the deposits, the Company has considered the following principal factors:

- (i) for the sales of products and services transactions that the Company enters into with CRCC, a large proportion of the payment is expected to be made through (a) credit certificates issued by a member of the CRCC Group, or (b) acceptance bills drawn by CRCC Finance. Payments through both methods will be made to the Company's account at CRCC Finance. Such payment methods have relevantly shorter collection period, and are more efficient and reliable, especially between members of the CRCC Group. To better enjoy the efficiency and reliability of such credit certificates and acceptance bills, the Company is expected to receive payment from members of the CRCC Group through such payment methods to a greater extent as much as possible. For the three years ended 31 December 2021, the payment made through such payment methods amounted to RMB166 million, RMB195 million and RMB250 million, respectively. It is expected that the maximum amount of the payment made through such methods will further increase to approximately RMB400 million on average for the three years ending 31 December 2025;
- (ii) the Company is expected to make payments to its suppliers through acceptance bills drawn by CRCC Finance, which provides more efficient services at relevantly lower costs, as compared to independent commercial banks (for example, the commission fee rate charged by CRCC Finance is 0.03% with a minimum charge of RMB200 for each transaction, while the average commission fee rate charged by independent commercial banks amounts to approximately 0.05% with a minimum charge of RMB500 for each transaction). To better enjoy the efficiency and lower costs of acceptance bills drawn by CRCC Finance, the Company is expected to make payment through such payment methods to a greater extent as much as possible. For the years ended 31 December 2020 and 2021, since the annual caps were relatively low, the Company limited the amount of acceptance bills drawn by CRCC Finance in between on purpose, while the amount of payment made by the Company through the acceptance bills amounted to RMB1,030 million in 2021. Given the benefits of such payment method and taking into account the interests of shareholders and the expansion plan of low-cost services of the Company, it is expected that the maximum amount of the payment made by the Company through the acceptance bills drawn by CRCC Finance will amount to approximately RMB200 million on average for the three years ending 31 December 2025;
- (iii) the interest rate of deposits from CRCC Finance is more competitive than that from general commercial banks. The latest benchmark interest rates for deposits as announced by the PBOC for 6-month deposit, one-year deposit and two-year deposit are 1.30%, 1.50% and 2.10%, respectively. However, the interest rate of 6-month deposit, one-year deposit and two-year deposit offered by CRCC Finance to the Group are 1.89%, 2.10%, 2.75%, respectively;



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- (iv) taking into account macro-economic conditions, such as the latest policies adopted by the PRC government to boost economy and increase infrastructure construction after the outbreak of the COVID-19 pandemic, the machine depot repair business and the overseas business of the Company are expected to recover steadily for the three years ending 31 December 2025. The metro railway business, the engineering construction business, together with the sand aggregates and steelwork businesses newly expanded by the Company are also expected to bring growth to the Company's cash flow, which will lead to the necessity to increase the deposit amounts;
- (v) with the continuous implementation of financial industry reform in the PRC, the limit for commercial bank deposit interest rate which used to be agreed on by participants of the industry is now being gradually lifted. In light of this general industry trend, the Company anticipates that it will be more likely to obtain greater interest income for its deposits placed with commercial banks generally. In the meantime, the Company still wants to retain certain flexibility for deposits with CRCC Finance given the clear benefits for cooperation with CRCC Finance as discussed in section 4.2.6 below and in case of any changes of financial industry and market conditions. Through the stringent internal control measures discussed in section 4.2.7 below, the Company will ensure that the interest rates of deposits with CRCC Finance, if to be carried out, be not lower, and thus no less favorable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature.

Accordingly, taking into consideration the expected maximum amount of payment of RMB400 million made to Company's account at CRCC Finance and the expected amount of payment of RMB200 million made by the Company through the acceptance bills drawn by CRCC Finance on average for the three years ending 31 December 2025, the maximum daily balance of the deposits to be placed by the Group with CRCC Finance is estimated to be 50% of the payment made to Company's account at CRCC Finance (RMB400 million), which covers the payments made by the Company through the acceptance bills drawn by CRCC Finance (RMB200 million) and the historical frequency of dealing under such account. Moreover, additional 10% is measured as well to generate certain flexibility on top of the estimated amount of maximum daily balance of the deposits.

#### ***4.2.6 Reasons for and Benefits of the Continuing Connected Transactions under the Financial Services Framework Agreement***

The Group is expected to benefit from CRCC Finance's familiarity of our industry and the Group's operations. Through years of cooperation, CRCC Finance has become familiar with the Group's capital structure, business operations, funding needs, cash flow pattern, cash management and our overall financial management system, which may enable CRCC Finance to render more expedient, efficient and flexible deposit services to the Group than other commercial banks and independent financial institutions in the PRC. The terms of the Financial Services Framework Agreement were negotiated on an arm's length basis and in the ordinary and usual course of business of the Group.

With respect to deposits placed by the Group with CRCC Finance, the Group will be able to receive interest at rates not lower, and thus no less favorable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature.

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## LETTER FROM THE BOARD

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For the avoidance of doubt, the Group is not prohibited or restricted in any way to use deposit services provided by other commercial banks or independent financial institutions in the open market, and we retain discretion to make our selection according to business needs as well as the fees and quality of such deposit services. The Group may (but is not obliged to) utilize the deposit services provided by CRCC Finance so as to deploy and manage our financial resources flexibly and efficiently.

The Board (including the independent non-executive Directors) is of the view that: (i) the transactions under the Financial Services Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed maximum daily balance of the deposits to be placed under the Financial Services Framework Agreement from 1 January 2023 to 31 December 2025 is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As Mr. Sha Mingyuan, being a non-executive Director of the Company, concurrently serves as the chief mechanical engineer (corresponding to the level of the department principal) of the Equipment and Material Department and professor-level senior engineer of CRCC, he has abstained from voting on the Board resolution with respect to the transactions. Save as disclosed above, none of the Directors has material interest in the transactions under the Financial Services Framework Agreement and therefore, none of the other Director has abstained from voting on such Board resolution.

#### ***4.2.7 Internal Control Measures to Ensure Safety of the Funds of the Group Deposited with CRCC Finance***

The Company has adopted the following monitoring and internal control measures to ensure that the terms of the Financial Services Framework Agreement are fair and reasonable and such transactions are on normal commercial terms:

- (i) CRCC Finance shall set up and maintain, or procure the setting up and maintenance of, a secured and stable on-line system through which the Company and the relevant subsidiary of the Company, which deposits money with them, can view the balance of such deposits at any time on any day;
- (ii) CRCC Finance shall, in taking the deposits from the Group, not affect the normal use of the deposits by the Group; CRCC Finance shall ensure that their deployment of the funds will not inhibit or restrict the ability of the Group from utilizing our deposits, and if the funding needs of the Group do not exceed the total deposits placed by the Group with CRCC Finance, CRCC Finance shall ensure that there will be sufficient funds for the Group's timely withdrawal to meet the funding needs of the Group;
- (iii) CRCC Finance shall facilitate any annual inspection by the Group of the management of the deposits placed by the Group with CRCC Finance, including inspection of records of fund flows, interest rates and payments provided to our deposits, the balance of our deposits placed, and other information and records that may be required by our auditors for the purpose of reporting on the relevant continuing connected transactions;

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- (iv) CRCC Finance will provide its annual financial report, the regulatory report submitted to CBIRC and other documents and information to the Company at request;
- (v) The Company will obtain benchmarks (deposit rate offered by the major PRC commercial banks (i.e. Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications), on a quarterly basis, during the term of the Financial Services Framework Agreement. All the benchmarks obtained by the Company will be kept in a database maintained by us, which will be used internally for, in addition to determining the interest rates and/or exchange rates under the Financial Services Framework Agreement, monitoring the market trend and allowing the Company to better formulate our funds management strategy. With all the benchmarks mentioned above collected, the Company will negotiate with CRCC Finance on the best interest rates most favourable that can be obtained. The benchmarks will set the bottom line for us in the negotiation process; and
- (vi) The audit and risk management committee considered and approved to proceed the continuing connected transactions contemplated under Financial Services Framework Agreement. Additionally, the finance department is responsible for conducting reviews on a monthly basis upon execution and reporting relevant information to the management and operation departments of the Company.

### **4.2.8 Implications under the Listing Rules**

CRCC is a controlling Shareholder, which directly and indirectly holds approximately 65% of the total issued share capital of the Company as at the Latest Practicable Date. CRCC Finance is a subsidiary of CRCC, which is owned as to 94% by CRCC as at the Latest Practicable Date, and thus is a connected person of the Company under the Listing Rules. Therefore, the transactions under the Financial Services Framework Agreement constitute continuing connected transactions of the Company.

Since the highest applicable percentage ratio in respect of the highest annual caps under the Financial Services Framework Agreement is more than 5% but less than 25%, such transaction is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. It also constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **4.2.9 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 Finance is a non-banking financial institution incorporated in the PRC on 28 March 2012 and is subject to the Administrative Measures on Finance Companies within Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by PBOC and CBIRC. The establishment of such non-banking financial institutions is subject to approval by CBIRC and its operation is subject to the ongoing supervision of CBIRC. Non-banking financial institutions shall comply with applicable regulations relating to interest rates issued by PBOC and CBIRC.

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## LETTER FROM THE BOARD

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In the PRC, finance companies within group enterprises are only permitted under applicable PRC laws and regulations to provide financial services to enterprises within the same parent group. Therefore, CRCC Finance only provides financial services to members of the CRCC Group, including the Group.

### 5. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND PROPOSED AMENDMENTS TO THE RULES OF PROCEDURE FOR GENERAL MEETINGS

Reference is made to the announcement of the Company dated 29 July 2022 in relation to the proposed amendments to the Articles of Association and proposed amendments to the Rules of Procedure for General Meetings.

Due to the proposed change to the scope of business, the Company intends to make corresponding amendment to the provisions concerning the scope of business in the Articles of Association currently in force. In addition, according to the requirements of the Reply of the State Council on the Adjustment to the Notice Period for General Meetings and Other Matters Applicable to Overseas Listed Companies (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函 [2019] 97 號)), the Company intends to make corresponding amendment to the provisions concerning the notice period for general meetings in the Articles of Association and the Rules of Procedure for General Meetings.

Given that the amendments involve the interests of class shareholders, the proposed amendments to the Articles of Association and the Rules of Procedure for General Meetings are divided into four proposals according to whether the interests of class shareholders are involved. On 29 July 2022, the board of directors considered and approved the Resolution on Amendments to the Articles of Association of CRCC High-Tech Equipment Corporation Limited (I) (“**Appendix I**”) and the Resolution on Amendments to the Rules of Procedure for General Meetings of CRCC High-Tech Equipment Corporation Limited (I) (“**Appendix II**”), which do not involve the interests of class shareholders; and the Resolution on Amendments to the Articles of Association of CRCC High-Tech Equipment Corporation Limited (II) (“**Appendix III**”) and the Resolution on Amendments to the Rules of Procedure for General Meetings of CRCC High-Tech Equipment Corporation Limited (II) (“**Appendix IV**”), which involve the interests of class shareholders.

The Board considers that the proposed amendments to the Articles of Association and the Rules of Procedure for General Meetings are in the interests of the Company and its shareholders as a whole.

The Board has considered and agreed to submit the proposed amendments in Appendix I and Appendix III (by way of special resolutions) and the proposed amendments in Appendix II and Appendix IV (by way of ordinary resolutions) to the EGM for consideration and approval, and the proposed amendments in Appendix I and Appendix II will become effective from the date of being considered and approved at the EGM. The Board has considered and agreed to submit the proposed amendments in Appendix III and Appendix IV to the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting for consideration and approval by way of special resolutions, and the proposed amendments in Appendix III and Appendix IV will become effective from the date of being considered and approved at the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting.

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## LETTER FROM THE BOARD

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### 6. EGM AND CLASS MEETINGS

At the EGM, the following ordinary resolutions and special resolutions, among other things, will be put forward for the Independent Shareholders or Shareholders (as the case may be) to consider and, if appropriate, to approve: (i) the proposed election of Directors for the third session of the Board; (ii) the proposed election of shareholder representative Supervisors of the third session of the Supervisory Committee; (iii) continuing connected transactions in relation to the Machinery Equipment and Accessories Sales Framework Agreement and the relevant annual caps; (iv) continuing connected transactions in relation to the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits; (v) proposed amendments to the Articles of Association (I); (vi) proposed amendments to the Articles of Association (II); (vii) proposed amendments to the Rules of Procedure for General Meetings (I); and (viii) proposed amendments to the Rules of Procedure for General Meetings (II).

At the Class Meetings, the following special resolutions, among other things, will be put forward for the H shareholders and Domestic Shareholders to consider and, if appropriate, to approve: (i) proposed amendments to the Articles of Association (II); and (ii) proposed amendments to the Rules of Procedure for General Meetings (II).

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Machinery Equipment and Accessories Sales Framework Agreement and the Financial Services Framework Agreement, and their respective proposed annual caps and proposed maximum daily balance of the deposits. 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 wholly-owned subsidiaries, namely China Railway Construction Investment Group, CRCC International Group, China Civil Engineering Construction and CRCC China-Africa Company, which directly and indirectly hold 987,984,000 Domestic Shares, representing approximately 65% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the resolutions at the EGM with respect to the transactions under the Machinery Equipment and Accessories Sales Framework Agreement and the Financial Services Framework Agreement, and their respective proposed annual caps and proposed maximum daily balance of the deposits.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, no other Shareholder has any material interest in the resolutions to be proposed at the EGM and the Class Meetings and therefore will be required to abstain from voting to approve the relevant resolutions at the EGM and the Class Meetings.

The EGM will be held 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 Friday, 21 October 2022. Please refer to the notice of the EGM dated 12 August 2022 and the announcement relating to the postponement of the EGM dated 8 September 2022 published on the Stock Exchange's website and the Company's website. Reply slips and proxy forms to be used at the EGM are also published on the Stock Exchange's website and the Company's website. If you are eligible and intend to attend the EGM, please complete the reply slip for attending the EGM and return the same to the office of the Board not later than 20 days before the date of the EGM, i.e. on or prior to Saturday, 1 October 2022.

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## LETTER FROM THE BOARD

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The H Shareholders Class Meeting will be held at the office building of the Company at No. 384, Yangfangwang, Jinma Town, Kunming City, Yunnan Province, the PRC on Friday, 21 October 2022 immediately after the conclusion or adjournment of the EGM which will be held at the same place and on the same date. Please refer to the notice of the H Shareholders Class Meeting dated 12 August 2022 and the announcement relating to the postponement of the H Shareholders Class Meeting dated 8 September 2022 published on the Stock Exchange's website and the Company's website. Reply slips and proxy forms to be used at the H Shareholders Class Meeting are also published on the Stock Exchange's website and the Company's website. If you are eligible and intend to attend the H Shareholders Class Meeting, please complete the reply slip for attending the H Shareholders Class Meeting and return the same to the office of the Board not later than 20 days before the date of the H Shareholders Class Meeting, i.e. on or prior to Saturday, 1 October 2022.

The Domestic Shareholders Class Meeting will be held at the office building of the Company at No. 384, Yangfangwang, Jinma Town, Kunming City, Yunnan Province, the PRC on Friday, 21 October 2022 immediately after the conclusion or adjournment of the H Shareholders Class Meeting which will be held at the same place and on the same date. Please refer to the notice of the Domestic Shareholders Class Meeting dated 12 August 2022 and the announcement relating to the postponement of the Domestic Shareholders Class Meeting dated 8 September 2022 published on the Stock Exchange's website and the Company's website. Reply slips and proxy forms to be used at the Domestic Shareholders Class Meeting are also published on the Stock Exchange's website and the Company's website. If you are eligible and intend to attend the Domestic Shareholders Class Meeting, please complete the reply slip for attending the Domestic Shareholders Class Meeting and return the same to the office of the Board not later than 20 days before the date of the Domestic Shareholders Class Meeting, i.e. on or prior to Saturday, 1 October 2022.

Shareholders who intend to appoint a proxy to attend the EGM and the Class Meetings shall complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM and the Class Meetings or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and the Class Meetings or any adjourned meeting and voting in person if you so wish.

The H Share register of members of the Company will be closed from Saturday, 27 August 2022 to Friday, 21 October 2022 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Any holders of H Shares and Domestic Shares, whose names appear on the Company's register of members on Friday, 21 October 2022, are entitled to attend and vote at the EGM and the Class Meetings after completing the registration procedures for attending the EGM and the Class Meetings.

The resolutions set out in the notice convening the EGM and the Class Meetings will be voted by poll.

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## LETTER FROM THE BOARD

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### 7. RECOMMENDATION

The Directors, including independent non-executive Directors, are of the view that the transactions under the Machinery Equipment and Accessories Sales Framework Agreement and the Financial Services Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions at the EGM so as to approve the Machinery Equipment and Accessories Sales Framework Agreement and the Financial Services Framework Agreement and their respective proposed annual caps and proposed maximum daily balance of the deposits.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 30 to 31 of this circular and the letter of advice from Messis Capital Limited to the Independent Board Committee and the Independent Shareholders set out on pages 32 to 59 of this circular.

The Directors, including independent non-executive Directors, are of the view that the other resolutions set out in the notice of the EGM and Class Meetings are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the other resolutions to be proposed at the EGM and/or the Class Meetings (as the case may be).

### 8. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board  
**CRCC High-Tech Equipment Corporation Limited**  
**Liu Feixiang**  
*Chairman*

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

5 October 2022

*To the Independent Shareholders,*

Dear Sir or Madam,

## **CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 5 October 2022 issued by the Company (the “**Circular**”), of which this letter forms a part. Terms defined in the Circular shall have the same meaning when used herein, unless the context requires otherwise.

We have been appointed as the members of the Independent Board Committee to advise you as to whether in our opinion, the Machinery Equipment and Accessories Sales Framework Agreement, the Financial Services Framework Agreement, and their respective proposed annual caps and proposed maximum daily balance of the deposits, details of which are set out in the letter from the Board, are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

Messis Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders on the fairness and reasonableness of the Machinery Equipment and Accessories Sales Framework Agreement, the Financial Services Framework Agreement, and their respective proposed annual caps and proposed maximum daily balance of the deposits. Details of the advice from Mesis Capital Limited, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 32 to 59 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 29 of the Circular.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms and conditions of the Machinery Equipment and Accessories Sales Framework Agreement, the Financial Services Framework Agreement, and their respective proposed annual caps and proposed maximum daily balance of the deposits, the interests of the Independent Shareholders and the advice and recommendation of Messis Capital Limited, we are of the view that: (i) the transactions under the Machinery Equipment and Accessories Sales Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; (ii) the transactions under the Financial Services Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; (iii) the proposed annual caps under the Machinery Equipment and Accessories Sales Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (iv) the proposed maximum daily balance of the deposits under the Financial Services Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions at the EGM so as to approve Machinery Equipment and Accessories Sales Framework Agreement, the Financial Services Framework Agreement, and their respective proposed annual caps and proposed maximum daily balance of the deposits.

Yours faithfully,

For and on behalf of

Independent Board Committee

**Mr. Sun Linfu**, *Independent non-executive Director*

**Mr. Yu Jiahe**, *Independent non-executive Director*

**Mr. Wong Hin Wing**, *Independent non-executive Director*

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*

**MESSIS** 大有融資

5 October 2022

*To: The Independent Board Committee and the Independent Shareholders  
of CRCC High-Tech Equipment Corporation Limited*

Dear Sir/Madam,

## CONTINUING CONNECTED TRANSACTIONS

### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions in relation to (i) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits; and (ii) the Machinery Equipment and Accessories Sales Framework Agreement and the relevant annual caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 5 October 2022 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Reference is made to the announcements of the Company dated 29 July 2022, 21 December 2021 and 26 April 2019 and the circular of the Company dated 13 June 2019, in relation to (i) the Previous Financial Services Framework Agreement with CRCC Finance and the proposed maximum daily balance of the deposits; and (ii) the renewal of the Previous Machinery Equipment and Accessories Sales Framework Agreement with CRCC and the relevant annual caps for the transactions thereunder.

As at the Latest Practicable Date, CRCC is a controlling Shareholder and CRCC Finance is a subsidiary of CRCC, and thus each of CRCC and CRCC Finance is a connected person of the Company under the Listing Rules. Therefore, the transactions under the Financial Services Framework Agreement and the Machinery Equipment and Accessories Sales Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules, respectively.

Since the highest applicable percentage ratios in respect of the highest annual caps under the Financial Services Framework Agreement is more than 5% but less than 25%, such transaction is subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. It also constitute a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Since the highest applicable percentage ratios in respect of the highest annual caps under the Machinery Equipment and Accessories Sales Framework Agreement is more than 5%, such transaction is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of such continuing connected transactions.

We, Messis Capital Limited, have been appointed by the Company as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to (i) whether the continuing connected transactions contemplated thereunder are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve (a) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits; and (b) the Machinery Equipment and Accessories Sales Framework Agreement and the proposed annual caps at the EGM.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company for the following transactions (the "**Previous Appointments**"):

<b>Date of the relevant circular and our letter of advice</b>	<b>Nature of the transaction</b>
7 June 2018	Continuing connected transactions
13 June 2019	Continuing connected transactions
9 September 2020	Continuing connected transactions

With regard to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the Previous Appointments as well as the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence; (ii) we have maintained our independence from the Company during the Previous Appointments; (iii) the service fees received separately or aggregately from the Previous Appointments and the current appointment do not constitute a significant portion of our total revenue; and (iv) our independence from the Company has not been compromised because of the Previous Appointments. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Company, the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

We have not carried out any independent investigation into the business and affairs of the Company. However, we have taken the steps pursuant to the Listing Rules which include the following:

- (a) obtained all the information and documents relevant to an assessment of the fairness and reasonableness of the transactions, including but not limited to, the Financial Services Framework Agreement, the Machinery Equipment and Accessories Sales Framework Agreement, the contract of sales of products and provision of services by the CRCC to each of the Group and its independent third parties, the annual reports of the Company for the two years ended 31 December 2021 (collectively the “**Annual Reports**”) and the announcements dated 29 July 2022, 21 December 2021 and 26 April 2019 and the circular of the Company dated 13 June 2019;
- (b) reviewed the background of, the reasons for and benefits of the transactions under each of the Financial Services Framework Agreement and the Machinery Equipment and Accessories Sales Framework Agreement; and
- (c) reviewed the fairness, reasonableness and completeness of any assumptions or projections relevant to the transactions.

Our opinion is based on the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the transactions and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of whether the transactions are in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as the Independent Shareholders are concerned, we have considered the individual factors and reasons in relation to the transactions set out below:

## FINANCIAL SERVICES FRAMEWORK AGREEMENT

### 1. Background of, reasons for and benefits of the entering into the Financial Services Framework Agreement

Reference is made to the announcements of the Company dated 21 December 2021 in relation to the Previous Financial Services Framework Agreement.

On 21 December 2021, the Company entered into the Previous Financial Services Framework Agreement with CRCC Finance, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from 1 January 2022 and ending on 31 December 2022.

As the Previous Financial Services Framework Agreement is expected to expire on 31 December 2022, the Company entered into the Financial Services Framework Agreement with CRCC Finance on 29 July 2022 to renew the Previous Financial Services Framework Agreement, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from 1 January 2023 and ending on 31 December 2025. Other than the above change, all existing terms and conditions of the Previous Financial Services Framework Agreement have remained unchanged.

CRCC Finance is a non-banking financial institution incorporated in the PRC on 28 March 2012 and is subject to the Administrative Measures on Finance Companies within Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by PBOC and CBIRC. The establishment of such non-banking financial institutions is subject to approval by CBIRC and its operation is subject to the ongoing supervision of CBIRC. Non-banking financial institutions shall comply with applicable regulations relating to interest rates issued by PBOC and CBIRC.

In the PRC, finance companies within group enterprises are only permitted under applicable PRC laws and regulations to provide financial services to enterprises within the same parent group. Therefore, CRCC Finance only provides financial services to members of the CRCC Group, including the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With reference to the Board Letter, the Board is of the view that the transactions are beneficial to the Group for the following reasons:

- (i) the Group is expected to benefit from CRCC Finance's familiarity of the industry and operations of the Group. Through years of cooperation, CRCC Finance has become familiar with the Group's capital structure, business operations, funding needs, cash flow pattern, cash management and the overall financial management system, which may enable CRCC Finance to render more expedient, efficient and flexible deposit services to the Group than other commercial banks and independent financial institutions in the PRC. The terms of the Financial Services Framework Agreement were negotiated on an arm's length basis, and the capital flows under the Financial Services Framework Agreement were in relation to the Group's daily operations, and the revenue generated from the Financial Services Framework Agreement will be applied to the development of the Group's usual businesses. Based on the above, the Board is of the view that transactions under the Financial Services Framework Agreement are in the ordinary and usual course of business of the Group;
- (ii) with respect to deposits place by the Group with CRCC Finance, the Group will be able to receive interest at rates not lower, and thus no less favourable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature; and
- (iii) as the Group is not prohibited or restricted in any way to use deposit services provided by other commercial banks or independent financial institutions in the open market, the Group retains discretion to make its selection according to business needs as well as the fees and quality of such deposit services. The Group may (but is not obliged to) utilise the deposit services provided by CRCC Finance so as to deploy and manage the financial resources flexibly and efficiently.

Having considered that (i) there is commercial need of the Group to deploy and manage its financial resources through deposit services; (ii) the financial resources used in and generated from the Financial Services Framework Agreement were in relation to the Group's daily operations and will be used for the Group's usual business purposes; (iii) the Group may, but is not obliged to, utilise the deposit services provided by CRCC Finance if the interest rates are not lower, and thus no less favourable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature; and (iv) the Group and CRCC Finance have established a long-term relationship, we are of the view that the entering into the Financial Services Framework Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Principal terms of the Financial Services Framework Agreement

Details of the Financial Services Framework Agreement are set out as follows:

**Date:** 29 July 2022

**Parties:** The Company (as the service recipient); and  
CRCC Finance (as the service provider).

**Nature of transactions:** CRCC Finance agreed to provide deposit services to the Group.

**Term:** The term of the Financial Services Framework Agreement will commence from 1 January 2023 and end on 31 December 2025, subject to early termination by either party giving at least three months' prior written notice to the other party.

Parties can extend or renew such terms by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

**Pricing policy:** Pursuant to the Financial Services Framework Agreement, CRCC Finance shall accept deposits from the Group at interest rates not lower, and thus no less favourable, than the prevailing rates (by taking into consideration the rates for current deposit, lump deposit for lump withdrawal, agreed deposit and deposit at call) offered by the major PRC commercial banks (i.e. Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications) for deposits of similar nature.

**Other major terms:** The Group and CRCC Finance will enter into specific agreement to set out specific terms with respect to the financial services contemplated under the Financial Services Framework Agreement in accordance with the aforementioned principal terms thereunder.

**Conditions precedent:** The Financial Services Framework Agreement is conditional upon the resolution regarding the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits being approved by the Independent Shareholders at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have, on a sampling basis, obtained and reviewed two sets of transactions regarding the interest income received by the Company in relation to the historical deposit services provided by each of CRCC Finance and other independent financial institutions with similar type of deposit services conducted for the year ended 31 December 2021. Samples were selected randomly with one set of samples (comparing both the historical deposit services provided by each of CRCC Finance and other independent financial institutions with similar type of deposit services) for each of the year ended 31 December 2021. It is noted that the interest rate provided by CRCC Finance was not lower, and thus no less favourable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature. Having reviewed the abovementioned historical deposit services of the Company, we are of the view that the transactions under the Financial Services Framework Agreement are fair and reasonable, on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole.

### 3. Historical transaction amounts

As set out in the Annual Reports, the historical maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance for each of the three years ended 31 December 2021 (the “**historical annual caps**”), as well as the actual maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance (the “**historical figures**”) for each of the three years ended 31 December 2021 are set out as follows: Pursuant to the financial services framework agreements entered into between the Company and CRCC Finance in December 2018, December 2019, December 2020, and December 2021, the historical maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance (the “**historical annual caps**”), as well as the actual maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance (the “**historical figures**”) for each of the three years ended 31 December 2021 and the six months ended 30 June 2022 are set out as follows:

	For the year ended 31 December			
	2019	2020	2021	2022
	<i>(RMB million)</i>			
Historical annual caps	100.00	75.00	45.00	36.00
Historical figures	99.00	74.90	44.98	34.68 <sup>note</sup>

*Note:* As at 30 June 2022, the actual maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance for 2022.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The historical maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance has shown a decreasing trend for the three years ended 31 December 2021 and the six months ended 30 June 2022. Such decrease was mainly due to the difference in maximum daily balance of deposits (including accrued interest) under the relevant agreements, in which (i) the renewal of the previous financial services framework agreement dated 20 March 2016 at the Company's board meeting on 29 June 2018 was not approved, under which the proposed maximum daily balance of deposits to be placed by the Group with CRCC Finance for each of the three years ending 31 December 2021 to be RMB450 million, the Company resorted to convene another board meeting on 28 December 2018, on which it considered and approved the resolution on the lowered maximum daily balance of deposits to be placed by the Group with CRCC Finance for the year ended 31 December 2019 to be RMB100 million; (ii) while the renewal of the previous financial services framework agreement dated 22 December 2020 further lowered the maximum daily balance of deposits to be placed by the Group with CRCC Finance for the year ended 31 December 2021 to be RMB45 million; and (iii) the renewal of the previous financial services framework agreement dated 21 December 2022 (the "**Existing Maximum Cap**") further lowered the maximum daily balance of deposits to be placed by the Group with CRCC Finance for the year ended 31 December 2022 to be RMB36 million. Such decreasing trend could be explained by the limit for commercial bank deposit interest rate was lifted and the Company chose to obtain greater interest income for its deposits placed with commercial banks generally.

#### 4. Proposed maximum daily balances of the deposits under the Financial Services Framework Agreement

The proposed maximum daily balance of the deposits (including accrued interest) to be placed by our Group with CRCC Finance for three years ending 31 December 2025 (the "**Proposed Maximum Caps**") are as follows:

	<b>12 months ending 31 December 2023 (RMB million)</b>	<b>12 months ending 31 December 2024 (RMB million)</b>	<b>12 months ending 31 December 2025 (RMB million)</b>
Proposed maximum daily balance of the deposits (including accrued interest) to be placed by our Group with CRCC Finance	220	220	220

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As noted from the Board Letter, the Proposed Maximum Caps have been determined by the Company based on the following principal factors:

- (i) for the sales of products and services transactions that the Company enters into with CRCC, a large proportion of the payment is expected to be made through (a) credit certificates issued by a member of the CRCC Group, or (b) acceptance bills drawn by CRCC Finance. Payments through both methods will be made to the Company's account at CRCC Finance. Such payment methods have relevantly shorter collection period, and are more efficient and reliable, especially between members of the CRCC Group. To better enjoy the efficiency and reliability of such credit certificates and acceptance bills, the Company is expected to receive payment from members of the CRCC Group through such payment methods to a greater extent as much as possible. For the three years ended 2021, the payment made through such payment methods amounted to RMB166 million, RMB195 million and RMB250 million, respectively. It is expected that the maximum amount of the payment made through such methods will further increase to approximately RMB400 million on average for the three years ending 31 December 2025;
- (ii) the Company is expected to make payments to its suppliers through acceptance bills drawn by CRCC Finance, which provides more efficient services at relevantly lower costs, as compared to independent commercial banks (for example, the commission fee rate charged by CRCC Finance is 0.03% with a minimum charge of RMB200 for each transaction, while the average commission fee rate charged by independent commercial banks amounts to approximately 0.05% with a minimum charge of RMB500 for each transaction). To better enjoy the efficiency and lower costs of acceptance bills drawn by CRCC Finance, the Company is expected to make payment through such payment methods to a greater extent as much as possible. For the years ended December 31, 2020 and 2021, since the annual caps were relative low, the Company limited the amount of payment made to its suppliers through such payment methods on purpose, while the amount of payment made by the Company through the acceptance bills amounted to RMB1,030 million in 2021. Given the benefits of such payment method and taking into account the interests of shareholders and the expansion plan of low-cost services of the Company, it is expected that the maximum amount of the payment made by the Company through the acceptance bills drawn by CRCC Finance will amount to approximately RMB200 million on average for the three years ending 31 December 2025;
- (iii) the interest rate of deposits from CRCC Finance is more competitive than that from general commercial banks. The latest benchmark interest rates for deposits as announced by the PBOC for 6-month deposit, one-year deposit and two-year deposit are 1.30%, 1.50% and 2.10%, respectively. However, the interest rate of 6-month deposit, one-year deposit and two-year deposit offered by CRCC Finance to the Group are 1.89%, 2.10% and 2.75%, respectively;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) taking into account macro-economic conditions, such as the latest policies adopted by the PRC government to boost economy and increase infrastructure construction after the outbreak of the COVID-19 pandemic, the machine depot repair business and the overseas business of the Company are expected to recover steadily for the three years ending 31 December 2025. The metro railway business, the engineering construction business, together with the sand aggregates and steelwork businesses newly expanded by the Company are also expected to bring growth to the Company's cash flow, which will lead to the necessity to increase the deposit amounts;
- (v) with the continuous implementation of financial industry reform in the PRC, the limit for commercial bank deposit interest rate which used to be agreed on by participants of the industry is now being gradually lifted. In light of this general industry trend, the Company anticipates that it will be more likely to obtain greater interest income for its deposits placed with commercial banks generally. In the meantime, the Company still wants to retain certain flexibility for deposits with CRCC Finance given the clear benefits for cooperation with CRCC Finance as discussed above and in case of any changes of financial industry and market conditions, and therefore has set a relatively moderate cap for deposits with CRCC Finance for the upcoming year. Through the stringent internal control measures discussed below, the Company will ensure that the interest rates of deposits with CRCC Finance, if to be carried out, be not lower, and thus no less favorable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature.

Accordingly, taking into consideration the expected maximum amount of payment of RMB400 million made to Company's account at CRCC Finance and the expected amount of payment of RMB200 million made by the Company through the acceptance bills drawn by CRCC Finance on average for the three years ending 31 December 2025, the maximum daily balance of the deposits to be placed by the Group with CRCC Finance is estimated to be 50% of the payment made to Company's account at CRCC Finance (RMB400 million), which covers the payments made by the Company through the acceptance bills drawn by CRCC Finance (RMB200 million) and the historical frequency of dealing under such account. Moreover, additional 10% is measured as well to generate certain flexibility on top of the estimated amount of maximum daily balance of the deposits.

The abovementioned competitive interest rate is also the main consideration of the Company for increasing the maximum daily balance of the deposits for the three years ending 31 December 2025 from the Existing Maximum Cap to the Proposed Maximum Caps. As compared to the mainstream commercial banks with which the Company cooperates, CRCC Finance provides higher interest rates in service fields including, among others, current deposits, short-term deposits and agreement savings (especially the current deposits). Such favoured interest rates would result in a higher return of the Company's investment capital.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have enquired with the management of the Company regarding the underlying reasons and basis for the significant increase of the Proposed Maximum Caps as compared to the Existing Maximum Cap, and we were given to understand that regarding the expected maximum amount of payments to be made by the Company to its suppliers through acceptance bills drawn by CRCC Finance, reference was made to the historical aggregate amount of payments made through acceptance bills drawn by independent commercial banks of approximately RMB1,030 million for the year ended 31 December 2021. Due to the limitation of the maximum cap for daily balance of deposits to be placed by the Group with CRCC Finance for the year ended 31 December 2022 of RMB36 million, the Company had to limited the amount of payment made to its suppliers through such payment methods on purpose which in turn increased the Company's financial burden in higher commission rate charged therein. It is also noted that the Group expected to make payments through credit certificates and acceptance bills using CRCC Finance's services of RMB200 million on average for the three years ending 31 December 2025. Accordingly, the Company endeavours to increase the proportion of payments to be made through CRCC Finance in order to enjoy a lower commission rate and higher efficiency of payment cycle. We have reviewed and compared the commission rate charged by CRCC Finance and independent commercial banks and noted that the commission rate charged by CRCC Finance is lower than that of independent commercial banks. It is also noted from the management that as a member of the CRCC Group, CRCC Finance is familiar with the Company's operations and requirement on the products and services, therefore, the Company will be subjected to simpler due diligence process. CRCC Finance also will be able to respond more quickly to the requirements that the Group may have as compared with other financial institutions unrelated to CRCC Group, CRCC Finance also provides with the Company special authorization in payment clearance as well as payment deposit and withdraw, the Company may therefore enjoy higher efficiency of payment. We have reviewed and compared the payment process of the Company through CRCC Finance and an independent commercial bank, we noted that CRCC Finance could provide the Company with bulk transfer function, which facilitates the Company to make multiple payment in one go, as well as less limitations on payment or transfer recipients, which the Company could enjoy higher flexibility and shorter clearance procedures, while independent commercial banks are unable to offer such function and flexibility. We are of the view that increasing the proportion of payments to be made through CRCC Finance will benefit the Group and Shareholders as a whole by enjoying lower commission rate and higher efficiency of payment cycle.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the fairness and reasonableness of the Proposed Maximum Caps, we have (i) reviewed the historical maximum daily balance of deposits (including accrued interest) placed by the Group with CRCC Finance for each of the three years ended 31 December 2021 and the six months ended 30 June 2022 (as discussed in the above section headed “3. Historical transaction amounts”) and noted that the utilisation rate of the Existing Maximum Cap for each of the three years ended 31 December 2021 are over 99%, while the utilisation rate of the Existing Maximum Cap for the six months ended 30 June 2022 is over 95%; (ii) reviewed samples of transactions for the year ended 31 December 2021 and six months ended 30 June 2022 (as discussed in the above section headed “2. Principal terms of the Financial Services Framework Agreement”) and noted that the interest rate of deposits from CRCC Finance is more competitive than that from general commercial banks; and (iii) discussed and understood from the management of the Company in relation to the underlying reasons and basis for the significant increase of the Proposed Maximum Caps as compared to the Existing Maximum Cap as mentioned in the above paragraph. Considering the significantly high utilisation rate of the Existing Maximum Cap, we are of the view that the Company is in imminent need of increase in the annual caps, we are also of the view that given that the interest rate of deposits from CRCC Finance is more competitive than that from general commercial banks, it is in the interest of the Company and the Shareholders as a whole for the Company to deposit more capital in CRCC Finance. It is also noted from the management that it is the latest policies adopted by the PRC government to boost economy and increase infrastructure construction after the outbreak of the COVID-19 pandemic, the Company is expecting growth in cash flow. We have further research on the policy announced by the PRC government, according to the “14th Five-Year Plan” released by the State Council of the PRC, by 2025, the comprehensive transportation system will see integrated development with an improved facility network, more effective transportation services, and more advanced technical equipment. As noted from the plan, one of the main focus of the PRC government’s initiatives would be supporting new infrastructure construction and thus this may impose a positive impact to the infrastructure construction industry in the PRC market in the near future. We concur with the management that cash flow is expected to grow due to the increase in infrastructure construction. Given the basis of determining the Proposed Maximum Caps as discussed above, we consider that the Proposed Maximum Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **5. Internal control procedures**

As set out in the Board Letter, the following internal control procedures have been implemented by the Company in order to ensure and safeguard that the transactions contemplated under the Financial Services Framework Agreement will not be prejudicial to the interests of the Company and the Shareholders as a whole:

- (i) CRCC Finance shall set up and maintain, or procure the setting up and maintenance of, a secured and stable on-line system through which the relevant subsidiary of the Company, which deposits money with them, can check the balance of such deposits at any time on any day;
- (ii) CRCC Finance shall, in taking the deposits from the Group, not affect the normal use of the deposits by the Group; CRCC Finance shall ensure that their deployment of the funds will not inhibit or restrict the ability of the Group from utilizing deposits, and if the funding needs of the Group do not exceed the total deposits placed by the Group with CRCC Finance, CRCC Finance shall ensure that there will be sufficient funds for the Group’s timely withdrawal to meet the funding needs of the Group;

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- (iii) CRCC Finance shall facilitate any annual inspection by the Group of the management of the deposits placed by the Group with CRCC Finance, including inspection of records of fund flows, interest rates and payments provided to the Group's deposits, the balance of the Group's deposits placed, and other information and records that may be required by the Company's auditors for the purpose of reporting on the relevant continuing connected transactions;
- (iv) CRCC Finance will provide its annual financial report and other documents and information to the Company at request;
- (v) The Company will obtain benchmarks (deposit rate offered by the major PRC commercial banks (i.e. Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications), on a quarterly basis, during the term of the Financial Services Framework Agreement. All the benchmarks obtained by the Company will be kept in a database maintained by the Company, which will be used internally for, in addition to determining the interest rates and/or exchange rates under the Financial Services Framework Agreement, monitoring the market trend and allowing the Company to better formulate their funds management strategy. With all the benchmarks mentioned above collected, the Company will negotiate with CRCC Finance on the best interest rates most favourable that can be obtained. The benchmarks will set the bottom line for the Company in the negotiation process; and
- (vi) The audit and risk management committee considered and approved to proceed the continuing connected transactions contemplated under Financial Services Framework Agreement. Additionally, the finance department is responsible for conducting reviews on a monthly basis upon execution and reporting relevant information to the management and operation departments of the Company.

As set out in the annual report for the year ended 31 December 2021, the Directors (including independent non-executive Directors) reviewed and the external auditor issued an unqualified letter pursuant to Rule 14A.56 of the Listing Rules, in relation to the Company's continuing connected transactions for the year ended 31 December 2021.

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In light of the above, we have obtained and reviewed three samples of transactions for the year ended 31 December 2021 and the six months ended 30 June 2022 (as discussed in the above section headed “2. Principal terms of the Financial Services Framework Agreement”) and benchmarks obtained from independent financial institutions, it is noted that the interest rates provided by CRCC Finance are in better terms than the benchmarks obtained from other independent financial institutions. Based on our review, the benchmark interest rates for deposit offered by three renowned commercial banks in the PRC for 6-month deposit, one-year deposit, and two-year deposit are 1.55%, 1.75% and 2.25%, respectively. However, the interest rate of 6-month deposit, one-year deposit and two-year deposit offered by CRCC Finance to the Group are 1.89%, 2.10% and 2.75%, respectively. As the Company will continue to update the benchmarks from renowned and large-scale commercial banks and the benchmarks will be used as bottom lines for negotiation with CRCC Finance, we are of the view that there are sufficient internal control procedures to ensure that the transactions under the Financial Services Framework Agreement will be conducted on normal commercial terms or better. We are of the view that the internal control procedures are sufficient to ensure that the transactions under the Financial Services Framework Agreement will not be prejudicial to the interest of the Company and the Shareholders.

### **MACHINERY EQUIPMENT AND ACCESSORIES SALES FRAMEWORK AGREEMENT**

#### **1. Background of, reasons for and benefits of the entering into the Machinery Equipment and Accessories Sales Framework Agreement**

The Group is principally engaged in (i) the research, development, manufacture and sales of large railway track maintenance machines; (ii) the manufacture and sales of parts and components; and (iii) the provision of overhaul services, railway line maintenance services, railway locomotive and vehicle engineering services and technical services.

CRCC and its subsidiaries (excluding the Group) are primarily engaged in (i) the engineering contracting businesses; (ii) the provision of survey, design and consultancy services; (iii) manufacturing operations (except the business of the Group); (iv) the real estate development business; and (v) the logistics and materials trading business.

Reference is made to the announcement of the Company dated 26 April 2019 and the circular of the Company dated 13 June 2019 in relation to the Previous Machinery Equipment and Accessories Sales Framework Agreement. As the Previous Machinery Equipment and Accessories Sales Framework Agreement is expected to expire on 31 December 2022, the Company entered into the Machinery Equipment and Accessories Sales Framework Agreement with CRCC on 29 July 2022 to renew the Previous Machinery Equipment and Accessories Sales Framework Agreement, pursuant to which the Company agreed to (i) sell various kinds of large railway track maintenance machines comprising all products of our Group; (ii) sell machinery and track equipment, facilities and materials; and (iii) provide other related or ancillary products and services, to CRCC and/or its associates, commencing from 1 January 2023 to 31 December 2025.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With reference to the Board Letter, the Group procures products and services from CRCC and/or its associates, including (i) materials required by the Company and/or its subsidiaries in their production and sales; (ii) construction services; (iii) assets and equipment leasing services; (iv) railway line usage services; (v) maintenance services; and (vi) other paid services, in the ordinary and usual course of the Group's business. The Board is of the view that such transactions are beneficial to the Group for the following reasons:

- (i) in accordance with the relevant regulations of competent authorities for all constructions of new railway lines, railway line maintenance (such as tamping, formation and rehabilitation) must be conducted before the inspection and acceptance of such railway lines; CRCC and/or its associates, which are primarily engaged in the railway construction operations, require such products for carrying out railway track maintenance work before the inspection and acceptance of the new railway lines they have constructed;
- (ii) the Company and CRCC and/or its associates have established a long-term relationship, and understand respective planning of operations, quality control as well as certain specific requirements of both parties;
- (iii) the prices and terms for the sales of large railway track maintenance machinery and accessories, machinery and track equipment, facilities and materials, and the provision of other related or ancillary services by the Company to CRCC and/or its associates would be no less favourable to our Company than those we offer to any Independent Third Party; and
- (iv) CRCC is one of the top-tier large-scale comprehensive construction groups in the PRC. By entering into Machinery Equipment and Accessories Sales Framework Agreement, the Group will better maintain its stable income sources and develop its expertise as well as promote the comprehensive competitiveness in the industry.

Given that (i) the Group's principal business is manufacturing and sale of large railway track maintenance machinery, parts and components; (ii) the Group has a demand of products for carrying out rail testing and over-the-rail delivery of overhaul products in the daily productions and operation processes of the Company; (iii) certain key parts and components required cannot be easily substituted and purchased from independent third-party suppliers; and (iv) the pricing terms and payment terms for the transactions entered into by the Company and CRCC and/or its associates will be no less favourable to the Company than the normal commercial terms available from Independent Third Parties, we are of the view that the entering into the Machinery Equipment and Accessories Sales Framework Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.



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### 2. Principal terms of the Machinery Equipment and Accessories Sales Framework Agreement

Details of the Machinery Equipment and Accessories Sales Framework Agreement are set out as follows:

**Date:** 29 July 2022

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

**Nature of transactions:** The Company and/or its subsidiaries agreed to: (i) sell various kinds of large railway track maintenance machines comprising all products of our Group, which are categorized into seven major series based on functions, namely, tamping machine series, stabilization machine series, ballast cleaning machine series, ballast regulator series, materials logistics machine series, rail processing machine series and other machinery; (ii) sell machinery and track equipment, facilities and materials; and (iii) provide other related or ancillary products and services, mainly including the sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates.

**Term:** The term of the Machinery Equipment and Accessories Sales Framework Agreement will commence from 1 January 2023 and end on 31 December 2025, subject to early termination by either party giving at least three months' prior written notice to the other party.

Parties can extend or renew such terms by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

**Pricing policy:** In line with the general pricing policy of fairness and reasonableness set out in the Machinery Equipment and Accessories Sales Framework Agreement, the prices for products and services under such agreement shall be determined based on the following pricing principles:

where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices at which the same type of products and services provided by us to an Independent Third Party customer on normal commercial terms; and

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where there are no market prices for the relevant products which are applicable to new types of machinery equipment to be tailor-made for the specifications required by the CRCC Group for its specific business needs, the price shall be determined according to the price to be agreed between the parties; the agreed price will be calculated based on the actual costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance, incurred in providing such products plus reasonable profits; we will charge a mark-up rate, taking into consideration of the specific types of products, for the transactions on a cost-plus basis. Such mark-up rate charged to the CRCC Group is not lower than 15% for all cases, 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 price and the method of payment shall be determined based on the principles, instructions, conditions and terms of the Machinery Equipment and Accessories Sales Framework Agreement and set out in the specific agreements or order forms 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:**

To implement the transactions contemplated under the Machinery Equipment and Accessories Sales Framework Agreement, the parties will enter into specific agreements or order forms which specify and record the specific terms (such as the types of large maintenance machinery and accessories, machinery and track equipment, facilities and materials, the prices and the payment and delivery terms) and operative provisions of those transactions to be determined in accordance with the terms under the Machinery Equipment and Accessories Sales Framework Agreement.

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**Internal control  
procedures for  
pricing policy:**

In order to ensure that (i) the sales of large railway track maintenance machinery and accessories; (ii) the sales of machinery and track equipment, facilities and materials; and (iii) the provision of other related or ancillary products and services from the Group to CRCC and/or its associates will not be prejudicial to the interests of the Company and our minority Shareholders, the Company adopts the following measures in negotiating the prices and terms of the transactions to be carried out under the Machinery Equipment and Accessories Sales Framework Agreement:

1. the prices will generally be agreed following arm's length negotiation between the parties with reference to the prevailing market prices; a large portion of the Company's purchase orders is won through public tenders with their largest customer group (i.e. CRC and its affiliated enterprises), local railway operators and railway construction companies (including the CRCC Group).

In order to determine the prevailing market prices, the Company will make reference to the prices they offer to at least two independent third party customers for the same or similar products or services; the Company will also primarily take into account the following factors to determine the market prices, to ensure that the prices will be no less favourable to the Company than those of the same type of products and services the Company provide to the independent third party customers:

- (1) in respect of large railway track maintenance machines and machinery and track equipment, facilities and materials, the Company takes into account the costs and market condition to determine the prices of products. The Company adjusts their prices with reference to various factors, such as the prevailing market condition, market prospect and competition;
- (2) in respect of parts and components, the Company determines the prices of their parts and components primarily based on the cost, and adjust the prices with reference to market conditions, logistic requirements, expected profit margins and safety of rails operations;
- (3) in respect of railway line maintenance services, the Company primarily takes into account their costs, timeline, operation quality requirements and operation environment (such as the climate and topographical requirements) to determine the prices of their services;

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- (4) in respect of overhaul services, the Company determines their prices primarily based on the condition of the machines to be overhauled;
2. in respect of the principle of the cost plus a reasonable profit margin, the Company will take into account all relevant factors in determining the underlying costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance; and

in the unlikely event that no comparable market prices can be taken which are applicable to new types of machinery equipment to be tailor-made for the specifications required by CRCC and/or its associates for specific business needs, experts in the Group with sufficient industry experience could opine on the fairness and reasonableness of the prices to ensure that the prices would be fair and reasonable to the Company and no less favourable to the Company than the prices the Group offers to the independent third party customers. Such experts in the Group are the overall project consultant of the Company's research center with senior engineer certificate, head of the Company's cost management department with the qualification of certified public accountant, head of the Company's procurement center and head of the Company's marketing department. These experts have adopted a comprehensive evaluation model to determine the prices with reference to the historical transaction prices of the most similar types of machines and also take into account other factors, which include technical specifications, actual costs, payment terms, product quality and geographical areas where the Company provide products, etc. The prices of such new types of machinery equipment will be submitted to the Company's general manager for approval.

**Conditions precedent:** The transactions contemplated under the Machinery Equipment and Accessories Sales Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Machinery Equipment and Accessories Sales Framework Agreement is conditional upon the resolution regarding the transactions under such agreement and the relevant annual caps having been approved by the Independent Shareholders at the EGM.

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As mentioned above, the Company has designed and implemented internal control procedures in relation to its pricing policy under the Machinery Equipment and Accessories Sales Framework Agreement. We have obtained and reviewed (i) the Machinery Equipment and Accessories Sales Framework Agreement; (ii) the relevant procedure manual in relation to the pricing policy; (iii) on a sampling basis, three sets of purchase agreements for the purchase of products and services, entered into between the CRCC Group and each of the Company under the Previous Machinery Equipment and Accessories Sales Framework Agreement and independent third-party customers under separate agreements. We noted that the prices and terms of the products and services offered by CRCC Group to the Company were similar and no less favourable than those offered to independent third parties.

As mentioned in the Board Letter, it is unlikely that there are no comparable market prices can be taken when providing new types of machinery equipment to be tailor-made for the specifications required by CRCC and/or its associates for specific business needs, we have reviewed the only sample of agreement that covers the purchase of tailor-made products as required by the CRCC Group from the Company for the three years and six months ended 30 June 2022. It is noted that in the event that no comparable market prices can be taken which are applicable to new types of machinery equipment, a number of senior personnel from different aspects including engineering, procurement, finance and marketing will have to opine on the fairness and reasonableness of the prices to ensure that the prices would be fair and reasonable to the Company and no less favourable to the Company than the prices the Group offers to the independent third party customers. We also noted from the sample contract that a detailed cost and pricing breakdown was included in order to ensure the transparency and fairness of the price. We are of the view that these experts opinion together with the transparent pricing schedule with reference to the historical transaction prices of the most similar types of machines and also take into account other factors, which include technical specifications, actual costs, payment terms, product quality and geographical areas where the Company provide products, etc., makes a fair and reasonable pricing model. It is also noted that the mark-up rate charged to the CRCC Group is not lower than 15% for all cases, which is the same mark-up rate charged to an independent third party customer. We have (i) noted that the mark-up rate of no less than 15% will be set as the bottom line in the negotiation of pricing charged to the CRCC Group; (ii) compared the mark-up rates of the sample agreement that covers the purchase of tailor-made products as required by the CRCC Group from the Company and another sample agreement that covers the sale of similar products to independent third parties and noted that the mark-up rates set for CRCC Group is 26.52%, which is higher than the mark-up rate of 26.46% for independent third party, we are of the view that the price charged to the CRCC Group for new types of machinery equipment to be tailor-made will be in normal commercial terms or better. Therefore, we are of the view that the terms of the Machinery Equipment and Accessories Sales Framework Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

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### 3. Historical transaction amounts

The aggregate amounts of transactions with respect to (i) the sales of various kinds of large railway track maintenance machines; (ii) the sales of machinery and track equipment, facilities and materials; and (iii) the provision of other related or ancillary products and services by the Group to CRCC and its associates for the three years ended 31 December 2021 and the six months ended 30 June 2022 are set out as follows:

	For the year ended 31 December			
	2019	2020	2021	2022
		<i>(RMB million)</i>		
Historical annual caps	1,100	1,100	1,100	1,100
Historical figures	303	298.77	364.67	158.79 <i>note</i>
Utilization rate (%)	27.5	27.2	33.2	14.4 <i>note</i>

*Note:* As at 30 June 2022, the actual transaction amount and the corresponding utilization rate under the Previous Machinery Equipment and Accessories Sales Framework Agreement.

The utilization rates of the historic annual caps in respect of the years ended 31 December 2019, 2020 and 2021 were relatively low. The main reason was that large fraction of the historical annual caps were determined pursuant to the potential demand for construction and maintenance; however, under the persistent rage of the COVID-19 pandemic across the domestic and international markets, the volume and progress of construction projects got decelerated and impacts on the railway transportation industry were exerted, which in turn led to a significant decrease in demand under the Previous Machinery Equipment and Accessories Sales Framework Agreement.

As of 30 June 2022, the utilization rate of the historical annual cap for the year ending 31 December 2022 was relatively low, which was mainly due to the payment schedule (i.e. payment in instalments with rather large portion of payment scheduled to be paid upon completion or settlement by the end of the year) of our contracts under the Previous Machinery Equipment and Accessories Sales Framework Agreement, which is in line with the market practice of the industry.

As discussed with the management of the Company, the historical aggregate amount of transactions for the year ended 31 December 2021 increased for approximately 22% as compared to the amount for the year ended 31 December 2020 due to the implementation of strategies of the PRC government to speed up the construction of new infrastructure and transportation system as stated in the “13th Five-Year Plan” and “14th Five-Year Plan”. Under the needs of national infrastructure construction, while the demand of ordinary trains and high-speed railways has grown steadily, the rail market is also developing rapidly. Based on this, as the largest railway machinery maintenance enterprise in PRC, and as an internal unit of CRCC Group, the Company’s railway maintenance machinery turnover to CRCC Group and its associates is also increasing. Since 2020, the transaction amount to CRCC Group has been on the rise. In 2022, a larger part of the service is expected to be delivered in the second half of the year. It is expected that by the end of 2022, the transaction value will show an upward trend as compared to 2021. We have reviewed the summary of signed contracts between the CRCC Group and the Company, and we concur with the management that the transaction amount is expected to show an increase by the end of 2022 as compared to 2021.

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#### 4. Proposed annual caps under the Machinery Equipment and Accessories Sales Framework Agreement

The existing annual caps for the three years ending 31 December 2022 for the transactions under the Previous Machinery Equipment and Accessories Sales Framework Agreement are RMB1,100 million, RMB1,100 million and RMB1,100 million, respectively. The Board proposed the annual caps for the three years ending 31 December 2025 for the transactions under the Machinery Equipment and Accessories Sales Framework Agreement (the “**Proposed Annual Caps**”) as follows:

	Year ending 31 December		
	2023	2024	2025
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed Annual Caps	1,100	1,100	1,100

As noted from the Board Letter, in arriving at the above proposed annual caps, the Company has considered the following principal factors:

- (1) Based on currently available market data, the relevant procurement plan and intention as well as taken into account the sustainable growth trend in the aggregate amounts of transactions, the transaction amount of the Company’s products and services under the Machinery Equipment and Accessories Sales Framework Agreement is expected to reach RMB600 million for each of the three years ending 31 December 2025, representing an increase of 20% comparing to the estimated RMB500 million in 2022. Specifically, the Company expects more potential for growth in the future based on:
  - 1) Pursuant to the 14th Five-Year Railway Standardization Development Plan issued by the National Railway Administration of the PRC and 14th Five-Year development strategic plan of CRCC, it is expected that the revenue of CRCC will keep increasing for the five years from 2021 to 2025, therefore raises the potential for increase in the transaction amount under the Machinery Equipment and Accessories Sales Framework Agreement.
  - 2) Taking into account macro-economic conditions, such as the “One Belt, One Road” initiative adopted by the PRC government, we are expected to maintain a steady growth in such sales of large railway track maintenance machines as well as parts and components and provision of overhaul services to the CRCC Group for the three years ending 31 December 2025.
  - 3) Given the rising vaccination rates of COVID-19 pandemic in the PRC and around the world and the various and continuous measures taken by the PRC government to boost the economy, the volume and progress of construction projects has restored gradually and it is expected to pick up further for the three years ending 31 December 2025. Therefore, the demand under the Machinery Equipment and Accessories Sales Framework Agreement is expected to increase accordingly.

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- 4) According to the regulations enacted by National Railway Administration of the PRC and relevant competent authorities, the large railway track maintenance machinery would be due for overhaul after being used for 10 to 13 years, or achieving certain level of workload. As such, the CRCC Group's demand for the Company's overhaul services is expected to increase in the three years ending 31 December 2025 as more railway track maintenance machines supplied to the CRCC Group are expected to be due for overhaul. Moreover, considering that the construction of engineering projects lasts for several years after signing the contract, the demand of the large railway track maintenance machines of CRCC is sustainable.
- 5) As of 31 December 2021, 23 categories of machines and 121 types of machinery equipment of the Company, e.g., sewage suction and sand removal machinery, cleaning machinery and stone ballast treatment machinery, were recognized into the requisite list of supplies of CRCC, for the first time, and therefore contribute to future growth in sales of the Company's products and services under the Machinery Equipment and Accessories Sales Framework Agreement.
- 6) Pursuant to the strategic arrangement of the Company, it is implementing the development strategy highlighting "strengthening major operation and related sectors and achieving diversified development". In particular, the Company has established strategic alliance with certain subsidiaries of the CRCC Group to drive forward rapid development of the related diversified industries of the Company. The Company also proactively acquaints itself on CRCC's projects progress and demands, and keeps in touch with CRCC on projects.
- 7) The amount of transaction under the Previous Machinery Equipment and Accessories Sales Framework Agreement remain relatively stable at RMB298.77 million in 2020 comparing to RMB303 million in 2019, and reached RMB364.67 million in 2021, and is expected to reach RMB500 million in 2022. Such transaction amounts represented an increase of approximately 22% from 2020 to 2021, and an increase of approximately 37% from 2021 to 2022. The reason is that the Company has established solid reputation in the market and maintained steady growth in its market share. Therefore, based on the above and our historical experience, the future growth of sales of the Company's products and services under the Machinery Equipment and Accessories Sales Framework Agreement is estimated to be 20%.



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- (2) In arriving at the proposed annual caps under the Machinery Equipment and Accessories Sales Framework Agreement, the Company has also taken into consideration the amount of RMB500 million for the integrated supply of rail transit machinery and equipment from third parties, with respect to (i) various kinds of large railway track maintenance machines; (ii) machinery and track equipment, facilities and materials; and (iii) other related or ancillary products and services, for each of the three years ending 31 December 2025.
- 1) In 2022, the Company received the preliminary notice of engagement which delegated the Company as the integrated contractor for a construction project undertaken by CRCC, which involves procurement of machinery and services from third parties through the Company. The project is roughly middle-size with a transaction value of approximately RMB200 million.
  - 2) In general, the supply management of such construction projects is highly sophisticated which involves professional and systematical skills in dealing with hundreds or even thousands of machinery, equipment, and related products and services, of different types, and their corresponding suppliers. As such, in most projects, an integrated supplier with professional skills and industry familiarity would be engaged as a contractor for efficient coordination and management. Therefore, given the history of dealing and business relationship with CRCC, the experience of acting as the integrated supplier for market projects and the well-established reputation of the Company, the Company is expected to receive further delegation from CRCC under the Machinery Equipment and Accessories Sales Framework Agreement for the years ending 31 December 2025.
  - 3) Accordingly, considering the prospective projects delegated by CRCC of similar nature, the size of projects in the market (ranging from RMB100 million to RMB400 million) and the capacity of the Company in handling such projects, it is expected that the Company could derive approximately RMB500 million from such projects for each of the three years ending 31 December 2025 while each project could generate approximately RMB250 million.

We noted from the annual report for the year ended 31 December 2021 that the Company recorded net profit attributable to the shareholders of parent company of RMB50 million, representing a year-on-year increase of 127% as compared to the corresponding period in 2020, which was showing signs of recovery from the COVID-19 pandemic. However, such level of net profit is still far from that of the two years prior to the COVID-19 pandemic. According to the Directors, the low utilisation rate of the Existing Annual Caps was mainly caused by the economic slowdown due to the COVID-19 pandemic, the Company is endeavoured in recovering the business opportunities in the second half of 2022 and onwards as the pandemic has been gradually under control in the PRC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the fairness and reasonableness of the Proposed Annual Caps, we have (i) performed independent research on the statistics and prospect of the industry in which the Company is operating in. We noted from the statistics issued by the National Bureau of Statistics (國家統計局), the growth rate of infrastructure investment for the six months ended 30 June 2022 amounted to approximately 6.1%. According to the “14th Five-Year Plan” released by the State Council of the PRC, by 2025, the comprehensive transportation system will see integrated development with an improved facility network, more effective transportation services, and more advanced technical equipment. As noted from the plan, one of the main focus of the PRC government’s initiatives would be supporting new infrastructure construction and thus this may impose a positive impact to the infrastructure construction industry in the PRC market in the near future; (ii) obtained and reviewed the historical transaction amount under the Machinery Equipment and Accessories Sales Framework Agreement and noted an increase of 22% from RMB298.77 million in for the year ended 31 December 2020 to RMB364.67 million for the year ended 31 December 2021; (iii) obtained and reviewed the proposed list of machines to be sold by the Company to CRCC Group for the three years ended 31 December 2025 and noted that the aggregated value of machines to be sold by the Company to CRCC Group amounted to approximately RMB1,800 million, according to the proposed list of machines to be sold by the Company to CRCC Group, the amount to be derived for the three years ended 31 December 2025 are RMB605 million, RMB610 million and RMB620 million respectively, it is noted that such amounts are derived with the consideration of the recurring orders of machinery equipment from CRCC Group and the products recognized into CRCC Group’s requisite list of supplies, and an anticipated growth of 20% in sales from CRCC Group from 2022 to 2023, while assuming the amount of sales CRCC Group to be maintained from 2023 to 2025; (iv) understood from the management that as of 31 December 2021, 23 categories of machines and 121 types of machinery equipment of the Company, e.g., sewage suction and sand removal machinery, cleaning machinery and stone ballast treatment machinery, were recognized into the requisite list of supplies, for the first time. Pursuant to the Company’s deep participation in CRCC’s railway engineering projects and CRCC’s purchase intention which the Company knows; and (v) discussed with and understood from the management of the Company that pursuant to the 14th Five-Year development strategic plan of CRCC, it is expected that the revenue of CRCC will keep increasing during the five years from 2021 to 2025. We are of the view that based on (i) the Company is likely to enjoy the benefits from the PRC government’s initiatives to boost the infrastructure industry in the PRC; (ii) the historical growth of transaction amount under the Machinery Equipment and Accessories Sales Framework Agreement; (iii) the expected sales amount to CRCC Group by the Company based on the proposed list of machines to be sold by the Company to CRCC Group for the three years ended 31 December 2025 which we are of the view that the assumptions of the list are fair and reasonable; and (iv) the strategic plan of CRCC, which will be ultimately beneficial to the Group, besides, considering that the construction of engineering projects lasts for several years after signing the contract, the demand of the large railway track maintenance machines of CRCC is sustainable, the expected transaction amount of RMB600 million under the Machinery Equipment and Accessories Sales Framework Agreement for each of the three years ending 31 December 2025 is fair and reasonable. In particular, we have discussed with the management regarding the assumptions adopted by the management in preparing the list of proposed list of machines to be sold by the Company to CRCC, it is noted that the list is built based on (i) historical transaction; (ii) current on-going projects; (iii) contracts to be delivered; and (iv) preliminary delegation of projects by CRCC. We are of the view that the basis and assumptions of building such list is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the fairness of the amount of RMB500 million under the Machinery Equipment and Accessories Sales Framework Agreement for the integrated supply of rail transit machinery and equipment from third parties, with respect to (i) machinery and track equipment, facilities and materials; and (ii) other related or ancillary products and services, for each of the three years ending 31 December 2025, we have (i) obtained and reviewed the preliminary notice of engagement which delegated the Company as the overall contractor for a construction project undertaken by CRCC, which involves procurement of machinery and services from third parties through the Company. The project is roughly middle-size with a transaction value of approximately RMB200 million; (ii) discussed with the management and noted that although the delegation of acting as the overall supplier or contractor is in a rather preliminary stage, based on the prospective projects delegated by CRCC of similar nature, the size of projects in the market (ranging from RMB100 million to RMB400 million); (iii) noted from the management that the supply management of such construction projects is highly sophisticated which involves professional and systematical skills in dealing with hundreds or even thousands of machinery, equipment, and related products and services, of different types, and their corresponding suppliers. As such, in most projects, an integrated supplier with professional skills and industry familiarity would be engaged as a contractor for efficient coordination and management. Therefore, given the history of dealing and business relationship with CRCC, the experience of acting as the integrated supplier for market projects and the well-established reputation of the Company, the Company is expected to receive further delegation from CRCC under the Machinery Equipment and Accessories Sales Framework Agreement for the years ending 31 December 2025; and (iv) obtained and reviewed a set of sample contract between independent third parties and the Company acting as the integrated supplier.

Considering (i) our review of the preliminary notice of engagement which delegated the Company as the integrated contractor for a construction project undertaken by CRCC; (ii) our understanding from the management that considering the project nature, an integrated supplier with professional skills and industry familiarity would be engaged as a contractor for efficient coordination and management; (iii) our review of historical contracts between CRCC Group and noted that the Company has well-established business relationship with the CRCC Group; (iv) our discussion with the management and noted that based on their expertise, such integrated supplier contracts normally ranged from RMB100 million to RMB400 million; (v) our review on the sample contract between independent third parties and the Company acting as the integrated supplier and noted that the Company is competent in acting as integrated supplier and the contract amount is within the range of RMB100 million and RMB400 million; and (vi) our discussion with the management and noted that based on their preliminary negotiation with CRCC Group, it is expected that two integrated supplier contracts will be delegated by CRCC Group to the Company for each of the three years ending 31 December 2025, therefore the Company could derive approximately RMB500 million from such projects for each of the three years ending 31 December 2025 while each project could generate approximately RMB250 million, we are of the view that the amount of RMB500 million under the Machinery Equipment and Accessories Sales Framework Agreement for the integrated supply of rail transit machinery and equipment from third parties, with respect to (i) machinery and track equipment, facilities and materials; and (ii) other related or ancillary products and services, for each of the three years ending 31 December 2025 is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that (i) the Proposed Annual Caps remain stable as compared to the existing annual caps for the three years ending 31 December 2022; (ii) the Group's improvement in revenue and net profit for the year ended 31 December 2021; (iii) the expected growth brought by the delegation as integrated supplier for the large railway track maintenance machines construction projects undertaken by CRCC; (iv) the expected growth brought by the expected sales by the Company to CRCC Group; and (v) the expected growth from the participation in CRCC's railway engineering projects, which is also supported by the industry statistics of market recovery in the infrastructure sector in the PRC, we consider that the Proposed Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### 5. Internal control procedures

As set out in the Board Letter, the Company has adopted the following internal control measures to ensure that the terms of the Machinery Equipment and Accessories Sales Framework Agreement are fair and reasonable and such transactions are on normal commercial terms:

- (a) the Company has adopted and implemented a management system on connected transactions. Under the relevant system, our finance department is responsible for organizing the draft agreement and conducting reviews, including reviews before closing and monthly reviews upon execution of the agreement, on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the Machinery Equipment and Accessories Sales Framework Agreement. In addition, drafting agreement is subject to internal review of the office of the Board, legal affairs department and management of the Company on the clauses (including but not limited to comparison with clauses with independent third parties and previous agreements), counterparty and type of transaction and the external review of outside legal counsels of the Company from compliance perspective. Afterwards, the Party committee and the office of the general manager may issue the clearance for proceeding the agreement upon final internal review and approval. All relevant operation departments of the Company are jointly responsible for evaluating the transaction terms under such agreement, in particular, the fairness of the pricing terms under such agreement;
- (b) the independent non-executive Directors have also reviewed and will continue to review the continuing connected transactions to ensure that the transactions have been entered into on normal commercial terms and according to the Machinery Equipment and Accessories Sales Framework Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in their annual report; and
- (c) the auditor of the Company will also conduct an annual review on the pricing policies and annual caps of such agreement, and provide confirmation in their annual report.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of the above and we have obtained and reviewed samples of transactions conducted under the Previous Machinery Equipment and Accessories Sales Framework Agreement (as discussed in the above section headed “2. Principal terms of the Machinery Equipment and Accessories Sales Framework Agreement”), we are of the view that are sufficient internal control procedures to ensure that the transactions under the Machinery Equipment and Accessories Sales Framework Agreement will be conducted on normal commercial terms which are no less favourable to those conducted with Independent Third Parties, and will not be prejudicial to the interests of the Company and the Shareholders.

### RECOMMENDATION

We are of the view that (i) the Financial Services Framework Agreement and the Machinery Equipment and Accessories Sales Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole; and (ii) the Proposed Maximum Caps and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions at the EGM so as to approve the relevant continuing connected transactions.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Thomas Lai**  
*Director*

*Mr. Thomas Lai is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulatory activity under the SFO and has over 28 years of experience in corporate finance industry.*

Articles of Association		
No.	Original Article	Amended Article
1.	<p><b>Article 14</b> The scope of business of the Company shall be the scope of business as approved by administration department for industry and commerce and shall include:</p> <p>(1) Railway equipment, components and parts manufacturing; metal structures and components manufacturing; (2) Railway transportation equipment manufacturing; (3) Export business of self-produced mechanical and electrical products, complete sets of equipment and related technology; (4) Import business of raw materials, machinery and equipment, instruments and - 4 - meters, spare parts and technology that are required by production and scientific research of the Company (other than the 14 types of import commodities operated by companies under approval of the State); (5) The commencement of “Three-Plus-One” business of the Company; (6) Domestic trading and materials supplies and distribution; (7) Railway equipment leasing; (8) Production, processing, mining and sale of railway gravel ballast and construction gravel, production, processing and sale of various types of precast concrete components; (9) Design, manufacturing and installation of structural steelwork, bridge and structural steel for buildings; manufacturing of pressure vessels; export of equipment and materials required for the above mentioned projects to be carried out overseas.</p>	<p><b>Article 14</b> The scope of business of the Company shall be the scope of business as approved by administration department for industry and commerce and shall include:</p> <p><u>(1) Railway rolling stock design, railway rolling stock manufacturing, railway rolling stock maintenance, railway rolling stock sales, railway rolling stock parts manufacturing, railway rolling stock parts sales; urban rail transit equipment manufacturing, rail transit operation and management system development, rail transit special equipment, key systems and components sales, rail transit engineering machinery and components sales; (2) Metal products research and development, metal materials manufacturing, metal structures manufacturing, metal products repair, metal structures sales; (3) Railway transportation infrastructure equipment manufacturing, railway transportation infrastructure equipment sales, railway transportation equipment sales; (4) Import and export of goods and technologies; (5) Mining of mineral resources (excluding coal mine), mineral washing and processing, concrete structural components manufacturing, processing of stone for construction, construction materials sales; (6) Construction project design, construction project construction, construction labour subcontracting, construction professional work, earthwork construction, external contracting works; (7) Special equipment design, special equipment manufacturing, special equipment sales, special equipment installation, transformation and repair; (8) General machinery and equipment installation services, machinery and equipment leasing; (9) Inspection and testing services, labour services (excluding labour dispatch), technical consultation, technical services, business training (excluding educational training, vocational skills training and other training that requires a permit).</u></p>

Articles of Association		
No.	Original Article	Amended Article
2.	<p><b>Article 49</b> No changes resulting from share transfers may be made to the register of shareholders within 30 days prior to a general meeting or 5 days prior to the date of record set by the Company for the purpose of distribution of dividends.</p>	<p><b>Article 49</b> No changes resulting from share transfers may be made to the register of shareholders within 30 days prior to a general meeting or 5 days prior to the date of record set by the Company for the purpose of distribution of dividends.</p> <p><u>Where otherwise required by laws, administrative regulations, departmental rules, regulatory documents and the relevant stock exchange or regulatory authority of the place where the Company’s shares are listed, such requirements shall apply.</u></p>
3.	<p><b>Article 78</b> When the Company is to hold a general meeting, it shall <del>issue a written notice 45 days prior to the meeting informing all the registered shareholders of the matters to be considered at and the date and place of the meeting.</del> Shareholders that intend to attend the general meeting shall, within 20 days prior the day on which the meeting is to be held, revert the form of proxy to the Company stating that they will attend the meeting. Regarding the calculation of the notice period, the date of the meeting shall not be included. For notices given under this article, the date posted shall be the date of delivering the relevant notice to post office by the Company or the share registrar appointed by the Company.</p>	<p><b>Article 78</b> When the Company is to hold <u>an annual</u> general meeting, it shall <u>notify the shareholders of the time and venue of the meeting and the matters to be considered twenty days prior to the meeting; for an extraordinary general meeting, it shall notify the shareholders fifteen days prior to the meeting.</u> Shareholders that intend to attend the general meeting shall, within <u>the period specified in the notice of the meeting</u>, revert the form of proxy to the Company stating that they will attend the meeting. Regarding the calculation of the notice period, the date of the meeting shall not be included. For notices given under this article, the date posted shall be the date of delivering the relevant notice to post office by the Company or the share registrar appointed by the Company.</p>
4.	<p><b>Article 80</b> When the Company is to hold <del>an annual</del> general meeting, the Board of Directors, the Supervisory Committee and a shareholder alone or shareholders together holding at least 3 percent of the Company’s shares shall be entitled to propose motions to the Company.</p> <p>.....</p>	<p><b>Article 80</b> When the Company is to hold <u>a</u> general meeting, the Board of Directors, the Supervisory Committee and a shareholder alone or shareholders together holding at least 3 percent of the Company’s shares shall be entitled to propose motions to the Company.</p> <p>.....</p>

Articles of Association		
No.	Original Article	Amended Article
5.	<p><b>Article 81</b> Based on the written replies received <del>20 days before the general meeting is to be held</del>, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the general meeting.</p>	<p><b>Article 81</b> Based on the written replies received <b><u>within the period specified in Article 78 of the Articles of Association</u></b>, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the general meeting.</p>



Articles of Association		
No.	Original Article	Amended Article
6.	<p><b>Article 84</b> Notice of a general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by hand or prepaid mail at the recipient's address shown in the register of shareholders, <del>or</del> given by way of a public announcement.</p> <p>The "public announcement" referred to in the preceding paragraph shall, for holders of domestic investment shares, be published in one or more newspapers or periodicals designated by the CSRC and the regulator of the place of listing, and on the Company's website and the website of the stock exchange <del>during the period between 45 and 50 days</del> before the meeting is to be held. Once the announcement is made, all holders of domestic investment shares shall be deemed to have received notice of the relevant general meeting.</p> <p>For holders of H shares, subject to the laws, regulations, the listing rules of the place where the shares of the Company are listed and these Articles, the notice of a general meeting, circular of shareholders and relevant documents may be published on the website of the Company and the Hong Kong Stock Exchange.</p>	<p><b>Article 84</b> Notice of a general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by hand or prepaid mail at the recipient's address shown in the register of shareholders. <u>For domestic shareholders, the notice of a general meeting may also be</u> given by way of a public announcement.</p> <p>The "public announcement" referred to in the preceding paragraph shall, for holders of domestic investment shares, be published in one or more newspapers or periodicals designated by the CSRC and the regulator of the place of listing, and on the Company's website and the website of the stock exchange before the meeting is to be held. Once the announcement is made, all holders of domestic investment shares shall be deemed to have received notice of the relevant general meeting.</p> <p>For holders of H shares, subject to the laws, regulations, the listing rules of the place where the shares of the Company are listed and these Articles, the notice of a general meeting, circular of shareholders and relevant documents may be published on the website of the Company and the Hong Kong Stock Exchange.</p>

Articles of Association		
No.	Original Article	Amended Article
7.	<p><b>Article 146</b> The Company shall establish an independent non-executive director system. The term “independent non-executive director of the Company” means a director who does not hold any position in the Company other than director and who has no relationship with the Company or its major shareholder(s) (only provided under this Article that major shareholder are those shareholders individually or jointly holding more than 5% of total number of the Company’s shares with voting rights) that could hinder his or her making independent and objective judgments, and who is in compliance with independence provisions of the rules of the stock exchange in the place where Company shares are listed. The term of office for independent non-executive directors shall be three years, and renewable upon re-election and re-appointment, but shall not exceed <del>six</del> years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where the Company’s shares are listed.</p>	<p><b>Article 146</b> The Company shall establish an independent non-executive director system. The term “independent non-executive director of the Company” means a director who does not hold any position in the Company other than director and who has no relationship with the Company or its major shareholder(s) (only provided under this Article that major shareholder are those shareholders individually or jointly holding more than 5% of total number of the Company’s shares with voting rights) that could hinder his or her making independent and objective judgments, and who is in compliance with independence provisions of the rules of the stock exchange in the place where Company shares are listed. The term of office for independent non-executive directors shall be three years, and renewable upon re-election and re-appointment, but shall not exceed <u>nines</u><del>ix</del> years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where the Company’s shares are listed.</p>

Articles of Association		
No.	Original Article	Amended Article
8.	<p><b>Article 233</b> Dividends and other payments by the Company to holders of domestic investment shares shall be distributed and paid in Renminbi, whereas those to holders of overseas listed foreign investment shares shall be denominated and declared in Renminbi and paid in foreign currency. The foreign currency for the cash dividends and other payments by the Company to holders of overseas listed foreign investment shares and other holders of foreign investment shares shall be handled in accordance with state regulations on foreign exchange control.</p> <p>Unless otherwise provided in relevant laws, where cash dividends and other amounts are paid in a foreign currency, the <del>average selling price</del> of the relevant foreign exchange posted by the People's Bank of China for the Gregorian calendar week immediately preceding the date of declaration of the dividends or other payment shall be used as the exchange rate.</p>	<p><b>Article 233</b> Dividends and other payments by the Company to holders of domestic investment shares shall be distributed and paid in Renminbi, whereas those to holders of overseas listed foreign investment shares shall be denominated and declared in Renminbi and paid in foreign currency. The foreign currency for the cash dividends and other payments by the Company to holders of overseas listed foreign investment shares and other holders of foreign investment shares shall be handled in accordance with state regulations on foreign exchange control.</p> <p>Unless otherwise provided in relevant laws, where cash dividends and other amounts are paid in a foreign currency, the <b><u>average of central parity rate</u></b> of the relevant foreign exchange posted by the People's Bank of China for the Gregorian calendar week immediately preceding the date of declaration of the dividends or other payment shall be used as the exchange rate.</p>

**APPENDIX II                      PROPOSED AMENDMENTS TO THE RULES OF  
PROCEDURE FOR GENERAL MEETINGS (I)**

<b>The Rules of Procedure for General Meetings</b>		
<b>No.</b>	<b>Original Article</b>	<b>Amended Article</b>
1.	<p><del>Article 23 Prior to the listing of the Company, the convener shall give notice of the annual general meeting twenty days prior to the meeting and fifteen days prior to the extraordinary general meeting, and shall specify in such notice the date, time and venue of the meeting and the matters to be considered.</del></p> <p><del>After the listing of the Company, the convener shall issue a written notice forty- five days (excluding the day of the meeting) before the general meeting to inform all shareholders whose names are on the register of members of the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who intend to attend the general meeting shall send their written replies for attending the meeting to the Company no later than twenty days prior to the meeting.</del></p>	<p><b>Article 23 <u>When the Company is to hold an annual general meeting, it shall notify the shareholders of the time and venue of the meeting and the matters to be considered twenty days prior to the meeting; for an extraordinary general meeting, it shall notify the shareholders fifteen days prior to the meeting. Shareholders that intend to attend the general meeting shall, within the period specified in the notice of the meeting, revert the form of proxy to the Company stating that they will attend the meeting. Regarding the calculation of the notice period, the date of the meeting shall not be included. For notices given under this article, the date posted shall be the date of delivering the relevant notice to post office by the Company or the share registrar appointed by the Company.</u></b></p>
2.	<p><del>Article 24 Based on the written replies received 20 days before the general meeting is to be held, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company’s voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the general meeting.</del></p>	<p><b>Article 24 Based on the written replies received <u>within the period specified in Article 23 of the rules</u>, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company’s voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the general meeting.</b></p>

**APPENDIX II                      PROPOSED AMENDMENTS TO THE RULES OF  
PROCEDURE FOR GENERAL MEETINGS (I)**

<b>The Rules of Procedure for General Meetings</b>		
<b>No.</b>	<b>Original Article</b>	<b>Amended Article</b>
3.	<p><b>Article 25</b> Notice of a general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by hand or prepaid mail at the recipient’s address shown in the register of shareholders. For domestic shareholders, the notice of a general meeting may also be given by way of a public announcement.</p> <p>The “public announcement” referred to in the preceding paragraph shall, for holders of domestic investment shares, be published in one or more newspapers or periodicals designated by the securities regulatory authorities under the State Council, and on the Company’s website and the website of the stock exchange <del>during the period between 45 and 50 days</del> before the meeting is to be held. Once the announcement is made, all holders of domestic investment shares shall be deemed to have received notice of the relevant general meeting.</p> <p>For holders of H shares, subject to the laws, regulations, the listing rules of the place where the shares of the Company are listed and these Articles, the notice of a general meeting, circular of shareholders and relevant documents may be published on the website of the Company and the Hong Kong Stock Exchange.</p> <p>Notice of class shareholders’ meeting need to be delivered only to the shareholders entitled to vote thereat.</p>	<p><b>Article 25</b> Notice of a general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by hand or prepaid mail at the recipient’s address shown in the register of shareholders. For domestic shareholders, the notice of a general meeting may also be given by way of a public announcement.</p> <p>The “public announcement” referred to in the preceding paragraph shall, for holders of domestic investment shares, be published in one or more newspapers or periodicals designated by the securities regulatory authorities under the State Council, and on the Company’s website and the website of the stock exchange before the meeting is to be held. Once the announcement is made, all holders of domestic investment shares shall be deemed to have received notice of the relevant general meeting.</p> <p>For holders of H shares, subject to the laws, regulations, the listing rules of the place where the shares of the Company are listed and these Articles, the notice of a general meeting, circular of shareholders and relevant documents may be published on the website of the Company and the Hong Kong Stock Exchange.</p> <p>Notice of class shareholders’ meeting need to be delivered only to the shareholders entitled to vote thereat.</p>

**APPENDIX II                      PROPOSED AMENDMENTS TO THE RULES OF  
PROCEDURE FOR GENERAL MEETINGS (I)**

<b>The Rules of Procedure for General Meetings</b>		
<b>No.</b>	<b>Original Article</b>	<b>Amended Article</b>
	<p>Unless otherwise require by these rules, the procedure according to which class shareholders’ meetings are held shall, to the extent possible, be identical to the procedure according to which general meetings are held. Provisions of these rules relevant to procedures for the holding of general meetings shall be applicable to class shareholders’ meetings.</p>	<p>Unless otherwise require by these rules, the procedure according to which class shareholders’ meetings are held shall, to the extent possible, be identical to the procedure according to which general meetings are held. Provisions of these rules relevant to procedures for the holding of general meetings shall be applicable to class shareholders’ meetings.</p>
4.	<p><b>Article 74</b> When the Company is to hold a class shareholders’ meeting, it shall issue a written notice <del>45 days prior to the meeting informing</del> all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, within <del>20 days prior the day on which the meeting is to be held</del>, serve a written reply on the Company stating that they will attend the meeting.</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders’ meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders’ meeting.</p> <p>Where otherwise specifically required by the Listing Rules of the Company, such requirements shall apply.</p>	<p><b>Article 74</b> When the Company is to hold a class shareholders’ meeting, it shall issue a written notice <b><u>with reference to the requirements of notice period for general meetings as set out in Article 23 of the rules. Such written notice shall inform</u></b> all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, within <b><u>the period specified in the notice of the meeting</u></b>, serve a written reply on the Company stating that they will attend the meeting.</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders’ meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders’ meeting.</p> <p>Where otherwise specifically required by the Listing Rules of the Company, such requirements shall apply.</p>

Articles of Association		
No.	Original Article	Amended Article
1.	<p><b>Article 135</b> When the Company is to hold a class shareholders' meeting, it shall issue a written notice <del>45 days prior to the meeting informing</del> all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, within <del>20 days prior the day on which the meeting is to be held</del>, serve a written reply on the Company stating that they will attend the meeting.</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders' meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders' meeting.</p>	<p><b>Article 135</b> When the Company is to hold a class shareholders' meeting, it shall issue a written notice <b><u>with reference to the requirements of notice period for general meetings as set out in Article 78 of the Articles of Association. Such written notice shall inform</u></b> all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, within <b><u>the period specified in the notice of the meeting</u></b>, serve a written reply on the Company stating that they will attend the meeting.</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders' meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders' meeting.</p>

**APPENDIX IV      PROPOSED AMENDMENTS TO THE RULES OF  
PROCEDURE FOR GENERAL MEETINGS (II)**

<b>The Rules of Procedure for General Meetings</b>		
<b>No.</b>	<b>Original Article</b>	<b>Amended Article</b>
1.	<p><b>Article 74</b> When the Company is to hold a class shareholders’ meeting, it shall issue a written notice <del>45 days prior to the meeting informing</del> all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, within <del>20 days prior the day on which the meeting is to be held</del>, serve a written reply on the Company stating that they will attend the meeting.</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders’ meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders’ meeting.</p> <p>Where otherwise specifically required by the Listing Rules of the Company, such requirements shall apply.</p>	<p><b>Article 74</b> When the Company is to hold a class shareholders’ meeting, it shall issue a written notice <u>with reference to the requirements of notice period for general meetings as set out in Article 23 of these rules. Such written notice shall inform</u> all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, within <u>the period specified in the notice of the meeting</u>, serve a written reply on the Company stating that they will attend the meeting.</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders’ meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders’ meeting.</p> <p>Where otherwise specifically required by the Listing Rules of the Company, such requirements shall apply.</p>



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## APPENDIX V                      BIOGRAPHICAL DETAILS OF CANDIDATES FOR DIRECTORS OF THE THIRD SESSION OF THE BOARD

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Biographical details of candidates for Directors of the third session of the Board are as follows:

**Liu Feixiang (劉飛香)**, aged 59, graduated from the department of mechanics of Southwest Jiaotong University with a bachelor's degree of engineering in August 1983, majoring in engineering machinery. He is a professor level senior engineer who has 37 years of experience in research, development and manufacturing of high-end equipment in China. From August 1983 to February 1996, he worked as a trainee, assistant engineer and engineer of Zhuzhou Bridge Factory (株洲橋樑廠) under the Ministry of Railways. From February 1996 to May 1997, he served as deputy general manager of Zhuzhou Bridge Factory Nanjian Corporation\* (株洲橋樑廠南箭總公司) and manager and engineer of Rail Welding Engineering Company\* (軌道焊接工程公司) at the same time. From May 1997 to July 2000, he served as deputy factory manager, engineer and senior engineer of Zhuzhou Bridge Factory under the Ministry of Railways. From July 2000 to November 2001, he served as factory manager, deputy secretary of the Communist Party Committee, senior engineer of Zhuzhou Bridge Factory of China Railway Construction Corporation Factory Bureau. From November 2001 to March 2003, he served as factory manager, deputy secretary of the Communist Party Committee and senior engineer of Zhuzhou Bridge Factory of China Railway 11th Bureau Group Co., Ltd. From March 2003 to April 2005, he served as chairman, general manager, deputy secretary of the Communist Party Committee, equity representative and senior engineer of China Railway Zhuzhou Bridge Company\* (中鐵株洲橋樑公司) under China Railway 11th Bureau Group Co., Ltd. From April 2005 to May 2007, he served as deputy general manager and professor level senior engineer of China Railway 11th Bureau Group Co., Ltd. From May 2007 to July 2011, he was appointed as director, chairman, general manager, deputy secretary of the Communist Party Committee and professor level senior engineer of China Railway Track System Group Co., Ltd. Since July 2011, he served as chairman, general manager, deputy secretary of the Party committee and professor-level senior engineer of China Railway Construction Heavy Industry Co., Ltd.\* (中國鐵建重工集團股份有限公司) (“CRCHI”). Since September 2017, he concurrently served as the chairman and an executive Director of the Company.

**Tong Pujiang (童普江)**, aged 44, graduated from the Central Party School in June 2014 and obtained a master's degree in economic management. He is an engineer who has 22 years of experience in manufacturing and repair of railway track maintenance machinery. From August 2005 to February 2011, he worked in Kunming China Railway Large Maintenance Machinery Group Co., Ltd. as secretary, deputy director, director of the office and engineer. From February 2011 to January 2013, he served as assistant to general manager, head of human resource department and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From January 2013 to January 2015, he served as assistant to general manager, factory manager of manufacturing general factory and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. He worked as deputy general manager of the Company from June 2015 to July 2017. From July 2017 to April 2022, he served as general manager of the Company and since September 2017, he has served as an executive Director of the Company.

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## APPENDIX V                      BIOGRAPHICAL DETAILS OF CANDIDATES FOR DIRECTORS OF THE THIRD SESSION OF THE BOARD

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**Chen Yongxiang (陳永祥)**, aged 56, obtained a master's degree in international economic and trade relations jointly set up by Nankai University and Flinders University, Australia in June 2013. He is an engineer who has 32 years of experience in manufacturing and repair of railway track maintenance machinery. From November 1998 to December 2004, he served as the deputy director and engineer at the production preparation workshop of Kunming Machinery Factory under the engineering headquarters of the Ministry of Railway. From December 2004 to May 2005, he worked as the manager and engineer at the metal materials processing company of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From May 2005 to January 2010, he worked as the manager and engineer at the machining company of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From January 2010 to June 2015, he served as a vice general manager and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. He served as deputy general manager of the Company from June 2015 to April 2021 and since June 2017, he has served as an executive Director of the Company.

**Luo Jianli (羅建利)**, aged 48, obtained a doctorate in Computer Science and Technology from Tsinghua University in July 2010, a senior engineer. From July 2010 to December 2013, he served as deputy general manager of technology, directors of key technology research institute and pump truck electric control technology research institute and engineer of electrical ancillary branch office of Zoomlion Heavy Industry Science and Technology Development Co., Ltd.\* (中聯重科技股份發展有限公司). From December 2013 to July 2015, he served as deputy general manager of technology, directors of key technology research institute and pump truck electric control technology research institute and senior engineer of electrical ancillary branch office of Zoomlion Heavy Industry Science and Technology Development Co., Ltd. Since July 2015, he has successively served as chief researcher, deputy dean of Central Research Institute, dean of research management institute, director of experimental center, researcher of special grade, deputy commander of the R&D and operation system, dean of new transportation equipment research and design institute of the R&D and operation system and senior engineer of electrical branch institute of Central Research Institute of CRCHI. He served as a standing deputy general manager of the Company from February 2020 to April 2022. He has been serving as the senior engineer of the Company since February 2020 and the general manager of the Company since April 2022.

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## APPENDIX V                      BIOGRAPHICAL DETAILS OF CANDIDATES FOR DIRECTORS OF THE THIRD SESSION OF THE BOARD

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**Zhao Hui (趙暉)**, aged 49, graduated from the department of environmental engineering in Lanzhou Railway University with a bachelor's degree of engineering in July 1995, majoring in water supply and drainage engineering. He is a senior engineer who has 25 years of experience in research, development and manufacturing of high-end equipment in China. From July 1995 to November 2000, he worked in Zhuzhou Bridge Factory under the Ministry of Railways as a trainee, assistant engineer, and assistant member of league committee and league officer. From November 2000 to May 2002, he served as assistant engineer, engineer and salesman of sales office of Zhuzhou Bridge Factory of China Railway Construction Corporation Factory Bureau. From May 2002 to September 2005, he served as salesman of sales office, director of sales office, head of general marketing department (deputy level), deputy chief of marketing department, head of marketing department, and engineer of Zhuzhou Bridge Factory of China Railway 11th Bureau Group Co., Ltd. From September 2005 to June 2007, he served as assistant to general manager and deputy general manager and senior engineer of China Railway Zhuzhou Bridge Company under China Railway 11th Bureau Group Co., Ltd. From June 2007 to January 2008, he served as head of marketing department and senior engineer of China Railway Track System Group Co., Ltd. From January 2008 to July 2011, he served as assistant to general manager, head of marketing department and senior engineer of China Railway Track System Group Co., Ltd. From July 2011 to April 2013, he served as assistant to general manager of CRCHI, general manager and senior engineer of the turnout company. From April 2013 to January 2015, he served as director of marketing and senior engineer of CRCHI. From January 2015 to June 2017, he served as deputy general manager, member of the Communist Party Committee and senior engineer of CRCHI. Since June 2017, he served as deputy secretary of the Communist Party Committee, director, deputy general manager and senior engineer of CRCHI. From September 2017 to July 2019, he concurrently served as an executive Director and secretary of the Communist Party Committee of the Company. Since August 2019, he served as the secretary of the Communist Party Committee, a non-executive Director and senior engineer of the Company.

**Bai Yunfei (白雲飛)**, aged 52, served as the director of engineering management department of China Railway Construction Corporation from December 2005 to March 2008. From March 2008 to June 2009, he served as the director of engineering management department of China Railway Construction Corporation Limited. From June 2009 to June 2019, he served as the deputy director of the equipment and material department of China Railway Construction Corporation Limited. He has been the deputy general manager of the development planning department of China Railway Construction Corporation Limited since July 2019; and the director of CRCHI since 25 April 2019.

**Wu Yuntian (吳雲天)**, aged 63, has a Master's degree of engineering. From 1983 to 2003, he successively served as a trainee, assistant engineer, engineer and director of the department of engineering of Shenyang Railway Bureau. From 2003 to 2004, he successively served as the assistant to the director of the safety supervision department and deputy director of the basic department of the transport command center (transport bureau) of the Ministry of Railways. He also successively served as the deputy director and director of Lanzhou Railway Bureau from 2004 to 2014, and the general manager and chairman of the board of directors of China Railway Container Transportation Co., Ltd. from 2014 to 2019.

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## APPENDIX V                      BIOGRAPHICAL DETAILS OF CANDIDATES FOR DIRECTORS OF THE THIRD SESSION OF THE BOARD

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**Na Pengjie (納鵬傑)**, aged 57, has a doctor's degree and is a professor and doctoral supervisor of Yunnan University of Finance and Economics. From 2000 to 2014, he successively served as the deputy director of the Investment Research Institute of Yunnan Institute of Finance and Trade, the director of the Investment Research Institute, the dean of the MBA Education School and the secretary of the party committee of the Business School of Yunnan University of Finance and Economics. He served as an independent director and chairman of audit committee of Yunnan Tin Company Limited and a director of Yunnan Baiyao Group Co., Ltd. He currently serves as an independent director of Sino-platinum Metal Co., Ltd., an external director of Kunming Water Supply Group Co., Ltd. and an independent director of Yunnan Copper Co., Ltd.

**Chu Ching (朱 晴)**, aged 46, has a master's degree in business administration (MBA) and is a CFA Charter holder. From 2002 to 2019, she served as a technology analyst in IC design sector in the equity research department of J.P. Morgan, a director, head of Asia data services in the equity research department of Citigroup, and a senior manager of data management in the research department of Fidelity International. She has been the research director of eFusion Capital since 2019.

Biographical details of candidates for Supervisors of the third session of the Supervisory Committee are as follows:

**Wang Huaming (王華明)**, aged 53, served as the representative Supervisor of Shareholders since June 2015. Mr. Wang has 28 years of experience in corporate economic management. From June 2002 to July 2004, he was a member of the finance department and a deputy director of the investment audit department under Anhui Engineering Co., Ltd. of Shanghai Railway Construction Group. From August 2004 to December 2012, he served as the chief accountant of Anhui Engineering Company of Shanghai Railway Construction Group (renamed as Anhui Engineering Co., Ltd. of China Railway 24th Bureau). From July 2011 to December 2012, he concurrently served as the general counsel of Anhui Engineering Co., Ltd. of China Railway 24th Bureau. From January 2013 to August 2014, he served as the financial director and general counsel of China Railway Zhanjiang Development Co., Ltd. From September 2014 to November 2018, he served as the general manager of the supervision and audit department of China Railway Construction Investment Group. In December 2018, he served as the general manager of the finance and capital department of China Railway Construction Investment Group. He obtained a master's degree from the Party University under Anhui Provincial Communist Party Committee in July 2011, majoring in economic management.

**Zhong Xiangjun (鍾祥軍)**, aged 42, currently serves as the office director of the committee for discipline inspection and deputy director of the inspection office of the Communist Party Committee of CRCHI. He is a senior political engineer and has 17 years of work experience in corporate management and disciplinary inspection and supervision. From September 1999 to July 2003, he studies in the School of Humanities and Social Sciences of Southwest Jiaotong University, majoring in political science and public administration, and graduated with a bachelor's degree in July 2003. From July 2003 to July 2009, he served as a trainee, secretary, office director and assistant political engineer of the project department of China Railway 17th Bureau Yuantong Engineering Co., Ltd.\* (中鐵十七局遠通工程有限公 司). From July 2009 to July 2012, he served as the deputy secretary of party working committee of the fundamental project department of China Railway 17th Bureau 6th Engineering Co., Ltd.\* (中鐵十七局 六公司), the secretary of party working committee, deputy manager, office director, deputy head of the human resource department, assistant political engineer and political engineer of the project department of Section II of Phase 1 of Civil Engineering Work of Line II of Changsha Rail Transit\* (長沙軌道交通 II號線一期土木工程II標段項目部). Since July 2012, he has served as the principal staff member of the working department under the Communist Party Committee, deputy office director and director of the committee for discipline inspection, deputy director, political engineer and senior political engineer of the inspection office of the Communist Party Committee of CRCHI.

**Liang Zhijian (梁智堅)**, aged 53, has a bachelor's degree in economic management. From 2005 to 2011, he served as assistant economist and economist in CRCC Zhuzhou Bridge Co., Ltd. (中鐵株洲橋 梁有限公司). From 2011 to 2021, he served as principal staff of human resource department, principal staff of labor union department, secretary of committee for discipline inspection of special equipment division, secretary of committee for discipline inspection of turnout branch and chairman of labor union in CRCHI. He has been the secretary of committee for discipline inspection of the Company since 2021.

\* According to the Articles of Association, employee representative Supervisor of the third session of the Supervisory Committee will be democratically elected by the staff and is not subject to the election at the Shareholders' general meeting.

**1. RESPONSIBILITY STATEMENTS**

This circular, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

**2. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

**3. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTEREST IN SHARES OF THE COMPANY**

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company and their respective associates had any interests and/or short positions in the shares, underlying shares and debentures of the Company and its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they have taken or which they are deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules.

As at the Latest Practicable Date, Mr. Sha Mingyuan, being a non-executive Director of the Company, concurrently holds positions in CRCC. Save as disclosed above, none of the other Directors, Supervisors and chief executive was a director, supervisor or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**4. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates (as defined in the Listing Rules) was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling Shareholder).

**5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

**6. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the date of this circular, which is significant in relation to the business of the Group.

**7. EXPERT'S QUALIFICATION AND CONSENT**

- (a) The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Messis Capital Limited	a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, the expert mentioned in paragraph (a) above did not have any shareholding in the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group.
- (c) The expert has on 5 October 2022 given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion dated 5 October 2022 and reference to its name in the form and context in which they appear.
- (d) The letter and recommendation given by MESSIS Capital Limited are given as of the date of this circular for incorporation herein.
- (e) The expert has no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**8. DOCUMENTS ON DISPLAY**

The following documents are available on display (i) on the website of the Company at <http://www.crcce.com.cn/> and (ii) on the website of the Stock Exchange at [www.hkexnews.com.hk](http://www.hkexnews.com.hk) for 14 days from the date of this circular:

- (a) the Machinery Equipment and Accessories Sales Framework Agreement; and
- (b) the Financial Services Framework Agreement.