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**株洲中车时代电气股份有限公司**  
ZHUSHOU CRRC TIMES ELECTRIC CO., LTD.

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

**(Stock Code: 3898)**

## **ANNOUNCEMENT**

### **CONTINUING CONNECTED TRANSACTIONS UNDER 2024-2027 CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 23 August 2024 in relation to, among other things, the 2024-2025 CRRC Financial Services Framework Agreement. On 23 August 2024, the Company and CRRC Finance entered into the 2024-2025 CRRC Financial Services Framework Agreement for a term of one year commencing from 1 September 2024 to 31 August 2025.

#### **2024-2027 CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Owing to the business development needs, in order to further improve the efficiency of the use of funds, capital operation and allocation capabilities of the Company, prevent capital risks, reduce financing costs and financing risks, improve the Company's capital return, maximize capital benefits, and obtain safe and efficient financial management services, on 30 October 2024 (after trading hours), the Company and CRRC Finance entered into the 2024-2027 CRRC Financial Services Framework Agreement, pursuant to which, CRRC Finance has agreed to provide the Group with deposit services, credit services, settlement services and other financial services, for a term of three years commencing from the date of approval of the 2024-2027 CRRC Financial Services Framework Agreement at the EGM, which upon effective, will replace the 2024-2025 CRRC Financial Services Framework Agreement.

#### **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

As at the date of this announcement, CRRC Group directly and indirectly holds approximately 51.45% equity interest in CRRC in aggregate. CRRC directly holds the entire equity interest in the Parent Company. The Parent Company is a controlling shareholder of the Company. CRRC Finance is held as to approximately 91.36% by CRRC and approximately 8.64% by CRRC Group and is therefore a connected person of the Company as defined under the Hong Kong Listing Rules. Therefore, the transactions contemplated under the 2024-2027 CRRC Financial Services Framework Agreement constitute continuing connected transactions of the Company.

The placing of deposits by the Group with CRRC Finance constitutes a financial assistance to be provided by the Group to its connected person. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) in respect of the proposed Annual Cap for deposit services under the 2024-2027 CRRC Financial Services Framework Agreement is more than 0.1% but are all less than 5%, the deposit services to be provided by CRRC Finance to the Group constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Company will disclose the relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Hong Kong Listing Rules.

The provision of credit services by CRRC Finance to the Group on normal commercial terms on an unsecured basis under the 2024-2027 CRRC Financial Services Framework Agreement constitute financial assistance by a connected person for the benefit of the Group which is exempt from reporting, announcement, independent shareholders' approval and annual review requirements under Rule 14A.90 of the Hong Kong Listing Rules.

As the settlement services to be provided by CRRC Finance to the Group under the 2024-2027 CRRC Financial Services Framework Agreement will be free of handling charge, it is exempt from reporting, announcement, independent shareholders' approval and annual review requirements under Rule 14A.76 of the Hong Kong Listing Rules.

As all of the applicable percentage ratios in respect of the proposed Annual Caps for the other financial services under the 2024-2027 CRRC Financial Services Framework Agreement are less than 0.1%, the other financial services to be provided by CRRC Finance to the Group are therefore fully exempted from the reporting, announcement, independent shareholders' approval and annual review requirements pursuant to Rule 14A.76 of the Hong Kong Listing Rules.

#### **IMPLICATIONS UNDER THE SSE SCI-TECH LISTING RULES**

Under the SSE Sci-Tech Listing Rules, as CRRC Group is the same indirect controlling shareholder of the Company and CRRC Finance, CRRC Finance is a related party of the Company. Therefore, the transactions contemplated under the 2024-2027 CRRC Financial Services Framework Agreement constitute related party transactions under the SSE Sci-Tech Listing Rules and are required to be approved at a general meeting of the Company.

## **INDEPENDENT FINANCIAL ADVISER**

As disclosed above, although the transactions contemplated under the 2024-2027 CRRC Financial Services Framework Agreement (i.e. deposit services) constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, in order to strengthen compliance management and enhance the transaction approval transparency, the Company has established an Independent Board Committee, comprised of all independent non-executive Directors (including Mr. Lam Siu Fung, Mr. Li Kaiguo, Mr. Zhong Ninghua, and Ms. Feng Xiaoyun), to advise the Independent Shareholders on, among others, the 2024-2027 CRRC Financial Services Framework Agreement, and appointed VBG Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to thereof. The letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the 2024-2027 CRRC Financial Services Framework Agreement is set out in Appendix I.

## **GENERAL**

The Company will convene the EGM regarding the 2024-2027 CRRC Financial Services Framework Agreement. A circular containing, among other things, (i) details of the 2024-2027 CRRC Financial Services Framework Agreement; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the 2024-2027 CRRC Financial Services Framework Agreement; and (iii) the recommendation of the Independent Board Committee regarding the 2024-2027 CRRC Financial Services Framework Agreement to the Independent Shareholders and the notice of the EGM, will be despatched to the Shareholders in due course.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 23 August 2024 in relation to, among other things, the 2024-2025 CRRC Financial Services Framework Agreement. On 23 August 2024, the Company and CRRC Finance entered into the 2024-2025 CRRC Financial Services Framework Agreement for a term of one year commencing from 1 September 2024 to 31 August 2025.

Owing to the business development needs, in order to further improve the efficiency of the use of funds, capital operation and allocation capabilities of the Company, prevent capital risks, reduce financing costs and financing risks, improve the Company's capital return, maximize capital benefits, and obtain safe and efficient financial management services, on 30 October 2024, the Company and CRRC Finance entered into the 2024-2027 CRRC Financial Services Framework Agreement, pursuant to which, CRRC Finance has agreed to provide the Group with deposit services, credit services, settlement services and other financial services, for a term of three years commencing from the date of approval of the 2024-2027 CRRC Financial Services Framework Agreement at the EGM, which upon effective, will replace the 2024-2025 CRRC Financial Services Framework Agreement.

## **PRINCIPAL TERMS OF THE 2024-2027 CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT**

The principal terms of the 2024-2027 CRRC Financial Services Framework Agreement are set out below:

### **Date:**

30 October 2024 (after trading hours)

### **Parties:**

- (a) The Company (for itself and on behalf of other members of the Group); and
- (b) CRRC Finance

### **Term:**

A term of three years commencing from the date of approval of the 2024-2027 CRRC Financial Services Framework Agreement at the EGM (the “**Term**”).

### **Material terms:**

Pursuant to the 2024-2027 CRRC Financial Services Framework Agreement, the services to be provided by CRRC Finance to the Group include deposit services, credit services, settlement services and other financial services as described below.

- (a) Deposit services: the Group shall open deposit account in CRRC Finance and deposit funds in such account based on the principle of free access to the funds. The deposit can be in the form of current deposit, fixed term deposit, call deposit, agreement deposit or others.
- (b) Credit services: CRRC Finance shall provide credit services to the Group, including but not limited to working capital loans, fixed asset loans, accounts receivable factoring, bill discounting, bill acceptance, letter of guarantee and others.
- (c) Settlement services: CRRC Finance shall provide the Group settlement services and real-time queries and statistical functions for account balances and transaction details.
- (d) Other financial services: Subject to compliance with the relevant laws and regulations and in accordance with the Group’s instructions and requests, CRRC Finance shall provide other financial services within its business scope to the Group, including but not limited to financial consultancy, credit worthiness verification and related consultation and agency services; the arrangement of entrusted loans and bond underwriting; spot and forward foreign exchange settlement and sale as well as spot and forward foreign exchange trading and others.

CRRC Finance will ensure the stable operation of the capital management system to safeguard the funds and to control the asset and liability risks, so as to satisfy the payment needs of the Group, and CRRC Finance undertakes that the Group’s deposit funds will be prioritized for the Group’s funding needs.

The parties have agreed to enter into separate agreements for each service provided under the 2024-2027 CRRC Financial Services Framework Agreement and the terms of such agreements shall be in compliance with the principle and terms stipulated in the 2024-2027 CRRC Financial Services Framework Agreement.

**Pricing policy:**

***Deposit services***

The interest rate for the Group's deposits with CRRC Finance will (i) not be lower than the interest rate of principal commercial banks in the PRC offered to the Group for the same type of deposit services; (ii) not be lower than the interest rate determined by CRRC Finance to absorb the same type of deposits of each member of the CRRC Group of Companies; and (iii) without violating the mandatory provisions of the regulatory authorities, higher than the benchmark interest rates for the same period and type of deposits promulgated by the PBOC by a range of 15%-50% (not applicable to RMB three-year fixed deposits and foreign currency deposit products).

The commercial terms (including fees and charges) of the deposits and other daily transactions offered by CRRC Finance to the Group will not be less favourable than: (i) the terms offered by principal commercial banks in the PRC when providing similar services to the Group; and (ii) the terms offered by CRRC Finance to other members of the CRRC Group of Companies.

***Credit services***

The credit services to be obtained by the Group from CRRC Finance shall adhere to the relevant requirements of self-discipline mechanism for market interest rate pricing. Based on the quoted interest rate of the loan market, the interest rate for loans shall not be higher than (i) the rate for similar types of loans offered by principal independent commercial banks in the Company's locality, and (ii) the rate offered by CRRC Finance to other members of the CRRC Group of Companies with the same creditworthiness, whichever is lower. When CRRC Finance provides loan services for the Company, the interest rate shall be made with reference to the loan prime rate (LPR) published by the National Interbank Funding Center authorized by the PBOC, and in compliance with relevant laws and regulations, the interest rate may be reduced by a certain percentage.

The bill acceptance service to be provided by CRRC Finance to the Company is free of handling fee, and if it meets the credit processing conditions, no security deposit is required. The rate at which CRRC Finance provides guarantees for the Group shall not be higher than the rate set by principal commercial banks in the PRC to provide the same types of credit services to the Group.

**Settlement services**

CRRC Finance shall provide the Group with free settlement services.

**Other financial services**

The fees to be charged by CRRC Finance for the provision of other financial services to the Group will comply with the charge standards published by the PBOC and NFRA for such type of financial services and will not be higher than (i) the fees charged by principal commercial banks in the PRC for the same type of financial services; and (ii) the fees charged by CRRC Finance to other members of the CRRC Group of Companies for the same type of financial services.

## Historical Transaction Records

Set out below is a summary of the historical transaction records under the 2023-2024 CRRC Financial Services Framework Agreement for the year ended 31 August 2024 and the 2024-2025 CRRC Financial Services Framework Agreement for the one month ended 30 September 2024:

	<b>For the year ended 31 August 2024 under the 2023-2024 CRRC Financial Services Framework Agreement (RMB millions)</b>	<b>For the one month ended 30 September 2024 under the 2024-2025 CRRC Financial Services Framework Agreement (RMB millions)</b>
Maximum daily deposit balance (aggregating deposits denominated in RMB and foreign currencies (equivalent to RMB), including any interest accrued thereon) placed by the Group with CRRC Finance	294.30	322.48
Fees charged annually by CRRC Finance to the Group for other financial services provided	0	0

The historical transaction amounts under the 2023-2024 CRRC Financial Services Framework Agreement for the year ended 31 August 2024 and the 2024-2025 CRRC Financial Services Framework Agreement for the one month ended 30 September 2024 did not exceed the annual caps for the one year commenced from 1 September 2023 to 31 August 2024, and the one year commenced from 1 September 2024 to 31 August 2025, respectively.

The Company confirms that as at the date of this announcement, the actual transaction amounts under the 2024-2025 CRRC Financial Services Framework Agreement have not exceeded the annual caps for the one year commenced from 1 September 2024 to 31 August 2025.

## ***Annual Caps and Basis of Annual Caps***

The proposed Annual Caps under the 2024-2027 CRRC Financial Services Framework Agreement for the Term are as follows:

### ***Deposit services***

The proposed Annual Cap for the deposit services, being the maximum daily deposit balance aggregating deposits denominated in RMB and foreign currencies (equivalent to RMB) (including any interest accrued thereon) to be placed by the Group with CRRC Finance for the Term shall be RMB2,000 million, which is determined after taking into account: (i) without violating the mandatory provisions of the regulatory authorities, the interest rate for the Group's deposits with CRRC Finance will be higher than the benchmark interest rates for the same period and type of deposits promulgated by the PBOC by a range of 15%-50% (not applicable to RMB three-year fixed deposits and foreign currency deposit products), which is conducive to the Group to obtain higher capital returns; (ii) total cash and bank balances of the Group; (iii) the increasing total assets of the Group; (iv) the expectation that the Group would have increasing need for deposit services amid the promising growing momentum of its business; (v) the fact that CRRC Finance is under supervision of relevant competent financial authorities (such as NFRA) and it has been maintaining good risk control, well-regulated management and settlement systems comparable with principal commercial banks in the PRC; and (vi) the fact that the Group's cooperation with CRRC Finance will allow it to reduce financial costs and reduce settlement costs with good risk control.

### ***Credit services***

The proposed Annual Cap for the credit services, being the maximum daily credit limit to be obtained by the Group from CRRC Finance aggregating loans denominated in RMB and foreign currencies (including any interest accrued thereon) for the Term shall be RMB2,000 million, which is determined after taking into account: (i) the financial requirements and funding needs of the Group in the future; (ii) the business development plan of the Group, including the existing business contracts entered into, and the anticipated business contracts to be entered into; (iii) the historical loan amounts provided by other financial institutions to the Group; and (v) the cooperation between the Company and CRRC Finance which is beneficial to expanding the financing channels of the Company and reducing financing costs and risks.

### ***Settlement services***

The settlement services to be provided by CRRC Finance to the Group shall be free of handling charge.

### ***Other financial services***

The proposed Annual Cap for other financial services, being the fees payable by the Group to CRRC Finance for receiving other financial services for the Term shall be RMB10 million, which is determined after taking into account the expected business development of, and demand on other financial services by, the Group during the Term.

## **INFORMATION ON THE PARTIES**

### **The Group**

The Group is mainly engaged in the research, development, design, manufacture and sale of railway transportation equipment products, as well as provision of relevant services. The Group has an industrial structure of “components + systems + complete machines”. The products primarily include rail transit electrical equipment, rail engineering machinery and communication signal systems with a focus on rail transit traction converter systems. Meanwhile, the Group also actively expands into industries other than rail transit and carries out business operations in the fields of power semiconductor device, industrial converter products, electric drive system of new energy vehicles, sensor device and marine equipment.

### **CRRC Group**

CRRC Group is a large state-owned enterprise approved by the State Council of the PRC and its principal scope of business is the authorized state-owned asset management and state-owned equity management, capital operation, investment and investment management, asset management and trust management; research and development, sale, leasing and technological services of transportation and urban infrastructure, new energy, energy conservation and environmental protection equipment; design, manufacture and repair of locomotive trains, urban railway transport trains, railway hoisting machinery, various mechanical and electrical equipment and parts, electronic equipment, environmental protection equipment and products; import and export of goods, technology and agency. (The market entity selects its operating projects and carries out operating activities at its own discretion in accordance with the laws; for projects subject to approval in accordance with the laws, operating activities shall be carried out in accordance with the approved content after the approval is obtained from relevant authorities; operating activities in relation to projects prohibited and restricted by the national and municipal industrial policies shall not be carried out).

### **CRRC Finance**

CRRC Finance is a non-banking financial institution established under the laws of the PRC in November 2012 with the approval of the former China Banking and Insurance Regulatory Commission (which has been incorporated into NFRA) and is subject to the supervision of NFRA and PBOC. CRRC Finance is principally engaged in providing deposit services, settlement services, credit services, financial advisory services and other financial services to the members of the CRRC Group of Companies (and the Group as contemplated under the 2024-2025 CRRC Financial Services Framework Agreement and 2024-2027 CRRC Financial Services Framework Agreement).

As at 30 June 2024, CRRC Finance’s total assets were RMB36,344,049,100, including deposits with banks of RMB22,990,441,000, and loans granted and advances of RMB10,759,409,700; total liabilities were RMB31,864,016,300, including absorption of deposits and interbank deposits of RMB31,794,867,300; shareholders’ equity was RMB4,480,032,800; operating revenue was RMB429,603,100; and net profit was RMB115,443,000 (the above financial data is unaudited).

CRRC Finance operates in strict accordance with the “Measures for the Supervision and Rating of Enterprise Group Financial Companies” (《企業集團財務公司監管評級辦法》) issued by the NFRA to ensure that major regulatory indicators such as capital adequacy ratio, liquidity ratio and loan balance comply with the provisions of the NFRA and other relevant laws and regulations. As at 30 June 2024, CRRC Finance’s capital adequacy ratio was 22.61% and its liquidity ratio was 60.14%.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024-2027 CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Having considered that (i) the interest rates on deposits offered by CRRC Finance to the Group will be no less favourable than those offered by principal commercial banks in the PRC for the same type, and without violating the mandatory provisions of the regulatory authorities, higher than the benchmark interest rates for the same period and type of deposits promulgated by the PBOC by a range of 15%-50% (not applicable to RMB three-year fixed deposits and foreign currency deposit products); (ii) the interest rates on credit services to be provided by CRRC Finance to the Group is not higher than the rate for similar types of loans offered by principal independent commercial banks in the Group's locality, and the interest rate shall be made with reference to the loan prime rate (LPR) published by the National Interbank Funding Center authorized by the PBOC, and in compliance with relevant laws and regulations, the interest rate may be reduced by a certain percentage; (iii) CRRC Finance is regulated by the PBOC and NFRA and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities; (iv) the Group is expected to benefit from CRRC Finance's better understanding of operations of the Group which should allow more flexible, expedient and efficient service provision than those offered by principal commercial banks in the PRC (such as it is expected that CRRC Finance may provide better solutions in financial advisory consultation services and be more efficient in approving the loans); and (v) pursuant to the relevant regulations of PBOC and NFRA, the customers of CRRC Finance mainly limited to entities within the CRRC Group of Companies and the Group, thereby reducing the risks that CRRC Finance may otherwise be exposed to, the Directors consider that the 2024-2027 CRRC Financial Services Framework Agreement will provide a better utilisation of the Group's surplus cash with acceptable levels of risk and an efficient management of deposit, credit, settlement and other financial services for meeting the daily operation needs of the Group, and is beneficial to further improve the efficiency of the use of funds, capital operation and allocation capabilities of the Company, prevent capital risks, reduce financing costs and financing risks, improve the Company's capital return, maximize capital benefits, and obtain safe and efficient financial management services. The deposit transactions do not have any effect on the assets and liabilities of the Group. In addition, the interest earned out of the deposit transactions will provide satisfactory economic returns for the Group.

Mr. Li Donglin and Mr. Shang Jing have abstained from voting on the Board resolution approving the 2024-2027 CRRC Financial Services Framework Agreement due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the 2024-2027 CRRC Financial Services Framework Agreement and hence no other Director has abstained from voting on such Board resolution.

The Directors (excluding Mr. Li Donglin and Mr. Shang Jing but including the independent non-executive Directors, being members of the Independent Board Committee after considering the advice from the Independent Financial Adviser) consider that the terms of the 2024-2027 CRRC Financial Services Framework Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole. The Independent Board Committee also consider that the transactions contemplated under the 2024-2027 CRRC Financial Services Framework Agreements are conducted in the ordinary and usual course of business of the Group and on normal commercial terms or better and on terms which are no less favourable than those offered by Independent Third Parties to the Group.

## RISK MANAGEMENT AND INTERNAL CONTROL MEASURES

In order to ensure that the terms under the 2024-2027 CRRC Financial Services Framework Agreement are fair and reasonable, and the connected transactions are carried out on normal commercial terms or better and on terms which are no less favourable than those offered by Independent Third Parties to the Group, and to safeguard the interests of the Company and the Shareholders as a whole, the auditors and the independent non-executive Directors conduct annual review pursuant to the requirements of Chapter 14A of the Hong Kong Listing Rules, as well as quarterly review, and the Group has adopted the following risk management and internal control procedures:

- (i) before providing the deposit services to the Group, CRRC Finance shall provide its latest audited annual financial report and other necessary information (such as risk indicators) and provide financial statements and risk indicator information regularly in every six months;
- (ii) during the period of providing the financial services, CRRC Finance is obliged to cooperate with the Company in continuous dynamic supervision and risk assessment, cooperate with the issuance of and disclose the continuous risk assessment reports, as well as allow the Company's auditors to examine relevant accounting records so as to meet the requirements of the applicable listing rules and relevant regulations;
- (iii) CRRC Finance shall conduct internal control evaluation annually, set up an internal control system and risk monitoring indicators to ensure the safe operation of the fund settlement network, ensure the safe and stable operation of fund management, control fund risks, and meet the withdrawal needs of the funds deposited by the Group;
- (iv) the Group uses CRRC Finance's services on a voluntary and non-exclusive basis, and CRRC Finance is only one of the financial institutions providing services to the Group. The Group has discretionary control over deposits;
- (v) CRRC Finance undertakes that the Group's deposit funds will be prioritized for the Group's funding needs;
- (vi) CRRC Finance shall establish a risk prevention and management leading group (the "**Leading Group**"), which consists of a working group responsible for daily supervision of the financial business with CRRC Finance and keep track of the daily operation of CRRC Finance, and report abnormal risks to the Leading Group in a timely manner, in order for the Leading Group to prevent and manage the risks;
- (vii) CRRC Finance and its controlling shareholders shall strictly comply with relevant laws and regulations and regulations imposed by regulatory departments to ensure the safety of the Group's funds, including compliance with the provisions of the NFRA and other regulatory departments, among which, CRRC Group shall bear the main responsibility for preventing and resolving risks of CRRC Finance, shall establish an effective risk isolation mechanism to prevent risks from spilling over through CRRC Finance, and CRRC Group and CRRC should supplement capital to CRRC Finance when necessary;

- (viii) CRRC Finance shall notify the Company promptly and the Company shall immediately commence the prevention and response mechanism, if any of the following circumstances occurs:
- (1) any violation of certain provisions of the Administrative Measures on Finance Companies of Corporate Groups《(企業集團財務公司管理辦法)》by CRRC Finance, or any of the financial indicators of CRRC Finance does not meet the requirements stipulated therein;
  - (2) the occurrence of material events on CRRC Finance, such as bank runs, failure to repay due debts, material loans overdue or guaranteed advances, serious failure of transaction system, robbed or scammed, directors or senior management involved in serious disciplinary or criminal cases;
  - (3) the occurrence of major institutional changes, equity transactions or operational risks that may affect CRRC Finance's normal operation;
  - (4) the indebtedness owed to CRRC Finance by its shareholder(s) is overdue for more than one year;
  - (5) CRRC Finance suffers a serious payment crisis or has non-group (contingent) liability business such as interbank lending and bill acceptance is overdue for more than 5 working days;
  - (6) CRRC Finance has a loss of more than 30% of the registered capital for the current year or more than 10% of the registered capital for three consecutive years;
  - (7) the occurrence of material credit risk events (including but not limited to overdue of open market bonds for more than seven working days, payment of guarantee of large value etc.) on CRRC Finance, its controlling shareholder, ultimate beneficial owner and other related parties;
  - (8) CRRC Finance is subject to administrative penalties imposed by the NFRA and other regulatory authorities for violation of laws and regulations;
  - (9) CRRC Finance is ordered to carry out rectification by NFRA and other regulatory authorities; and
  - (10) any other matters that may pose security risks to the Company's deposited funds;
- (ix) the finance department of the Company will closely monitor the credit risk of CRRC Finance and keep track of any event that affect the safety of the Group's fund held by CRRC Finance, and report regularly to the management; the audit institution of the Company shall issue quarterly and annual reports on ongoing related party transactions with CRRC Finance, and issue specific business reports on related party transactions with CRRC Finance on an annual basis;

- (x) the finance department of the Company will closely monitor the financial and operating conditions of CRRC Finance. If the Company considers that there are material adverse changes in the financial position of CRRC Finance, the Company will take appropriate measures, including early withdrawal of deposit and suspension of further deposits, to protect the Group's financial position. The Company will, from time to time, at its sole discretion, request that the deposits with CRRC Finance be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of its deposits;
- (xi) the subsidiaries of the Company are required to obtain internal approval from the Company before entering into any separate agreements in relation to each service provided under the 2024-2027 CRRC Financial Services Framework Agreement, which will set out the specific terms and conditions of the relevant service, and are in the ordinary and usual course of business, after arm's length negotiation, on normal commercial terms or better and on terms which are no less favourable than those offered by independent third parties to the Group;
- (xii) the finance department of the Company has a designated person to record the execution of the separate agreements in relation to the services provided under the 2024-2027 CRRC Financial Services Framework Agreement; and
- (xiii) in respect of the deposit services, the finance department of the Company will visit the websites of at least two principal commercial banks in the PRC to check their offers of comparable deposit of the same tenure and type and other financial services (including interest rates and fees) and check and compare the benchmark deposit interest rates as promulgated by the PBOC, the deposit interest rates offered by CRRC Finance to the CRRC Group of Companies and those offered by CRRC Finance to the Group on a monthly basis and prior to placing deposits with CRRC Finance, to ensure strict compliance with the relevant interest rate terms of the 2024-2027 CRRC Financial Services Framework Agreement, and in the event that the deposit interest rates offered by CRRC Finance to the Group are lower than any of the above comparable rates, the Group will negotiate and seek compensation from CRRC Finance (where applicable).

In addition, the Company will endeavour to conduct adequate monitoring of the Annual Caps corresponding to the transaction amounts under the 2024-2027 CRRC Financial Services Framework Agreement to ensure that necessary measures and reasonable actions are taken in a timely manner to comply with the applicable requirements of the Hong Kong Listing Rules and the SSE Sci-Tech Listing Rules. To control the risks in relation to the loans from CRRC Finance and deposits placed by the Group with CRRC Finance, so as to ensure that the applicable Annual Cap are not exceeded, the finance department of the Company will monitor the daily loan balance with CRRC Finance and daily deposits placed by the Group with CRRC Finance, so as to monitor its accounts and ensure that relevant transaction amounts will not exceed the Annual Caps under the 2024-2027 CRRC Financial Services Framework Agreement, and conduct periodic risk assessment of loans from CRRC Finance and deposits placed by the Group with CRRC Finance.

## **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

As at the date of this announcement, CRRC Group directly and indirectly holds approximately 51.45% equity interest in CRRC in aggregate. CRRC directly holds the entire equity interest in the Parent Company. The Parent Company is a controlling shareholder of the Company. CRRC Finance is held as to approximately 91.36% by CRRC and approximately 8.64% by CRRC Group and is therefore a connected person of the Company as defined under the Hong Kong Listing Rules. Therefore, the transactions contemplated under the 2024-2027 CRRC Financial Services Framework Agreement constitute continuing connected transactions of the Company.

The placing of deposits by the Group with CRRC Finance constitutes a financial assistance to be provided by the Group to its connected person. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) in respect of the proposed Annual Cap for deposit services under the 2024-2027 CRRC Financial Services Framework Agreement is more than 0.1% but are all less than 5%, the deposit services to be provided by CRRC Finance to the Group constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Company will disclose the relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Hong Kong Listing Rules.

The provision of credit services by CRRC Finance to the Group on normal commercial terms on an unsecured basis under the 2024-2027 CRRC Financial Services Framework Agreement constitute financial assistance by a connected person for the benefit of the Group which is exempt from reporting, announcement, independent shareholders' approval and annual review requirements under Rule 14A.90 of the Hong Kong Listing Rules.

As the settlement services to be provided by CRRC Finance to the Group under the 2024-2027 CRRC Financial Services Framework Agreement will be free of handling charge, it is exempt from reporting, announcement, independent shareholders' approval and annual review requirements under Rule 14A.76 of the Hong Kong Listing Rules.

As all of the applicable percentage ratios in respect of the proposed Annual Caps for the other financial services under the 2024-2027 CRRC Financial Services Framework Agreement are less than 0.1%, the other financial services to be provided by CRRC Finance to the Group are therefore fully exempted from the reporting, announcement, independent shareholders' approval and annual review requirements pursuant to Rule 14A.76 of the Hong Kong Listing Rules.

## **IMPLICATIONS UNDER THE SSE SCI-TECH LISTING RULES**

Under the SSE Sci-Tech Listing Rules, as CRRC Group is the same indirect controlling shareholder of the Company and CRRC Finance, CRRC Finance is a related party of the Company. Therefore, the transactions contemplated under the 2024-2027 CRRC Financial Services Framework Agreement constitute related party transactions under the SSE Sci-Tech Listing Rules and are required to be approved at a general meeting of the Company.

## INDEPENDENT FINANCIAL ADVISER

As disclosed above, although the transactions contemplated under the 2024-2027 CRRC Financial Services Framework Agreement (i.e. deposit services) constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, in order to strengthen compliance management and enhance the transaction approval transparency, the Company has established an Independent Board Committee, comprised of all independent non-executive Directors (including Mr. Lam Siu Fung, Mr. Li Kaiguo, Mr. Zhong Ninghua, and Ms. Feng Xiaoyun), to advise the Independent Shareholders on, among others, the 2024-2027 CRRC Financial Services Framework Agreement, and appointed VBG Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to thereof. The letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the 2024-2027 CRRC Financial Services Framework Agreement is set out in Appendix I.

## GENERAL

The Company will convene the EGM regarding the 2024-2027 CRRC Financial Services Framework Agreement. A circular containing, among other things, (i) details of the 2024-2027 CRRC Financial Services Framework Agreement; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the 2024-2027 CRRC Financial Services Framework Agreement; and (iii) the recommendation of the Independent Board Committee regarding the 2024-2027 CRRC Financial Services Framework Agreement to the Independent Shareholders and the notice of the EGM, will be despatched to the Shareholders in due course.

## DEFINITIONS

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

“2023-2024 CRRC Financial Services Framework Agreement”	a financial services framework agreement entered into between CRRC Finance and the Company on 22 August 2023 for a term of one year commenced from 1 September 2023 to 31 August 2024. Please refer to the announcement of the Company dated 22 August 2023 for further details of the 2023-2024 CRRC Financial Services Framework Agreement
“2024-2025 CRRC Financial Services Framework Agreement”	a financial services framework agreement entered into between CRRC Finance and the Company on 23 August 2024 for a term of one year commencing from 1 September 2024 to 31 August 2025. Please refer to the announcement of the Company dated 23 August 2024 for further details of the 2024-2025 CRRC Financial Services Framework Agreement

“2024-2027 CRRC Financial Services Framework Agreement”	a conditional financial services framework agreement entered into between CRRC Finance and the Company on 30 October 2024 for a term of three years commencing from the date of approval at the EGM
“Annual Cap(s)”	the maximum annual cap(s) for the deposit services, credit services and/or other financial services under the 2024-2027 CRRC Financial Services Framework Agreement
“Board”	the board of Directors
“Company”	Zhuzhou CRRC Times Electric Co., Ltd. (株 洲 中 車 時 代 電 氣 股 份 有 限 公 司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3898) and the A Shares of which are listed on the Science and Technology Innovation Board of the SSE (stock code: 688187)
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CRRC”	CRRC Corporation Limited (中 國 中 車 股 份 有 限 公 司), a joint stock company established in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1766) and the A shares of which are listed on the SSE (stock code: 601766). CRRC is directly and indirectly held as to approximately 51.45% in aggregate by CRRC Group and holds the entire equity interest in the Parent Company
“CRRC Finance”	CRRC Finance Co., Ltd.* (中 車 財 務 有 限 公 司), a company established under the laws of the PRC with limited liability
“CRRC Group”	CRRC Group Co., Ltd.* (中 國 中 車 集 團 有 限 公 司), a state-owned enterprise of the PRC and the controlling shareholder of CRRC
“CRRC Group of Companies”	CRRC Group and its subsidiaries (excluding the Group)
“Director(s)”	the director(s) of the Company
“EGM”	the first extraordinary general meeting of the Company of 2024 to be held, the notice of which will be despatched to the Shareholders in due course
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Independent Board Committee”	the independent committee of the Board (which consists only of independent non-executive Directors) formed to advise the Independent Shareholders in relation to the 2024-2027 CRRC Financial Services Framework Agreement
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2024-2027 CRRC Financial Services Framework Agreement
“Independent Shareholders”	shareholders of the Company other than those who are required by the Hong Kong Listing Rules and SSE Sci-Tech Listing Rules to abstain from voting on the resolution to approve the 2024-2027 CRRC Financial Services Framework Agreement
“Independent Third Parties”	parties who are independent of, and not connected with the Company or any of its connected persons
“NFRA”	The National Financial Regulatory Administration (國家金融監督管理總局) of the PRC, which was officially established based on the China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會) on 18 May 2023
“Parent Company”	CRRC Zhuzhou Institute Co., Ltd.* (中車株洲電力機車研究所有限公司), a company established under the laws of the PRC with limited liability, a wholly-owned subsidiary of CRRC and the controlling shareholder of the Company
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of shares of the Company
“SSE”	the Shanghai Stock Exchange
“SSE Sci-Tech Listing Rules”	Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of the SSE

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

*The English names of the PRC entities mentioned in this announcement which are marked with “\*” are translation, or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency between the Chinese name of the PRC entities mentioned in this announcement and their English translation, the Chinese version shall prevail.*

By order of the Board  
**Zhuzhou CRRC Times Electric Co., Ltd.**  
**Li Donglin**  
Chairman

Zhuzhou, China, 30 October 2024

*As at the date of this announcement, our chairman of the Board and executive Director is Li Donglin, our vice chairman of the Board and executive Director is Shang Jing, our other executive Director is Xu Shaolong, and our independent non-executive Directors are Li Kaiguo, Zhong Ninghua, Lam Siu Fung and Feng Xiaoyun.*

## APPENDIX I

### Letter from the Independent Financial Adviser

*Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2024-2027 CRRC Financial Services Framework Agreement.*



建泉融資有限公司  
VBG Capital Limited

21/F., Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

30 October 2024

*To: The independent board committee and independent shareholders  
of Zhuzhou CRRC Times Electric Co., Ltd.*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTION UNDER THE 2024-2027 CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024-2027 CRRC Financial Services Framework Agreement, details of which are set out in the announcement of the Company published by the Company on 30 October 2024 (the “**Announcement**”). Capitalized terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Announcement unless the context requires otherwise.

Reference is made to the announcement of the Company dated 23 August 2024 in relation to, among other things, the 2024-2025 CRRC Financial Services Framework Agreement. On 23 August 2024, the Company and CRRC Finance entered into the 2024-2025 CRRC Financial Services Framework Agreement for a term of one year commencing from 1 September 2024 to 31 August 2025.

Owing to the business development needs of the Group and taking into account the possible benefits of the 2024-2027 CRRC Financial Services Framework Agreement, on 30 October 2024, the Company and CRRC Finance entered into the 2024-2027 CRRC Financial Services Framework Agreement, pursuant to which CRRC Finance has agreed to provide the Group with deposit services, credit services, settlement services and other financial services, for a term of three years commencing from the date of approval of the 2024-2027 CRRC Financial Services Framework Agreement at the EGM, which upon effective, will replace the 2024-2025 CRRC Financial Services Framework Agreement.

According to the Announcement, the placing of deposits by the Group with CRRC Finance constitutes a financial assistance to be provided by the Group to its connected person. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) in respect of the proposed Annual Caps for deposit services under the 2024-2027 CRRC Financial Services Framework Agreement is more than 0.1% but are all less than 5%, the deposit services to be provided by CRRC Finance to the Group constitute non-exempt continuing connected transactions for the Company which are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

On the other hand, the provision of credit services by CRRC Finance to the Group on normal commercial terms on an unsecured basis under the 2024-2027 CRRC Financial Services Framework Agreement constitutes a financial assistance by a connected person for the benefit of the Group which is exempt from the reporting, announcement, independent shareholders' approval and annual review requirements under Rule 14A.90 of the Hong Kong Listing Rules. As the settlement services to be provided by CRRC Finance to the Group under the 2024-2027 CRRC Financial Services Framework Agreement will be free of handling charge, it is exempt from the reporting, announcement, independent shareholders' approval and annual review requirements under Rule 14A.76 of the Hong Kong Listing Rules.

Lastly, as all of the applicable percentage ratios in respect of the proposed Annual Caps for the other financial services under the 2024-2027 CRRC Financial Services Framework Agreement are less than 0.1%, the other financial services to be provided by CRRC Finance to the Group are fully exempt from reporting, announcement, independent shareholders' approval and annual review requirements pursuant to Rule 14A.76 of the Hong Kong Listing Rules.

Although the 2024-2027 CRRC Financial Services Framework Agreement is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, in order to strengthen compliance management and enhance the transaction approval transparency, the Company has appointed us, VBG Capital Limited, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the 2024-2027 CRRC Financial Services Framework Agreement (including the Annual Caps) are fair and reasonable and are on normal commercial terms; and (ii) whether the entering into of the 2024-2027 CRRC Financial Services Framework Agreement is in the interests of the Company and the Shareholders as a whole.

## **OUR QUALIFICATIONS**

While we are a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, we do not hold any license and/or qualifications under the rules and/or regulations of the SSE and other relevant regulatory authorities. Accordingly, our opinion and/or advice is given solely within our licensed scopes of service in Hong Kong.

## **BASIS OF OUR OPINION**

In formulating our opinion with regard to the 2024-2027 CRRC Financial Services Framework Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group. We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of this letter of advice. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts made by the management of the Group or the reasonableness of the opinions expressed by the Group, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Announcement and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Announcement 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 in the Announcement or the Announcement misleading. We, as the independent financial adviser, take no responsibility for the contents of any part of the Announcement.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the CRRC Group, CRRC, CRRC Finance or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the 2024-2027 CRRC Financial Services Framework Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the date of this letter of advice. Subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update, revise or reaffirm this opinion to take into account events occurring after the date of this letter of advice. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent in-depth investigation into the accuracy and completeness of such information.

Shareholders should note that as the Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to the end of the term of the 2024-2027 CRRC Financial Services Framework Agreement, and they do not represent forecasts of revenue and/or cost to be recorded from the 2024-2027 CRRC Financial Services Framework Agreement. Consequently, we express no opinion as to how closely the actual revenue and/or cost to be recorded from the 2024-2027 CRRC Financial Services Framework Agreement will correspond with the Annual Caps.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the 2024-2027 CRRC Financial Services Framework Agreement, we have taken into consideration the following principal factors and reasons:

### **1. Background of and reasons for the 2024-2027 CRRC Financial Services Framework Agreement**

#### ***Business and financial overview of the Group***

The Group is mainly engaged in the research, development, design, manufacture and sale of railway transportation equipment products, as well as provision of relevant services. The Group has an industrial structure of “components + systems + complete machines”. The products primarily include rail transit electrical equipment, rail engineering machinery and communication signal systems with a focus on rail transit traction converter systems. Meanwhile, the Group also actively expands into industries other than rail transit and carries out business operations in the fields of power semiconductor device, industrial converter products, electric drive system of new energy vehicles, sensor device and marine equipment.

With reference to the Company’s annual report for the year ended 31 December 2023, the Group recorded revenue of approximately RMB21.8 billion for the year ended 31 December 2023, representing a significant increase of approximately 20.9% as compared to the prior year. During the same year, the Group’s net profit for the year was approximately RMB3.2 billion, representing a significant increase of approximately 21.5% as compared to the prior year. Both the revenue and net profit of the Group have hit a record high in 2023. In the first half of 2024, the Group succeeded in maintaining such promising growing momentum, with revenue and net profit amounting to approximately RMB10.3 billion and RMB1.6 billion, respectively, increasing by approximately 20.0% and 34.7%, respectively, as compared to the corresponding period in 2022.

#### ***Information on CRRC Finance***

According to the Company, CRRC Finance is a non-banking financial institution established under the laws of the PRC in November 2012 with the approval of the former China Banking and Insurance Regulatory Commission (which has been incorporated into NFRA) and is subject to the supervision of NFRA and PBOC. CRRC Finance is principally engaged in providing deposit services, settlement services, credit services, financial advisory services and other financial services to the CRRC Group of Companies as well as the Group.

Based on the financial information of CRRC Finance which we have requested from the Company, CRRC Finance recorded considerable revenue and net profit of approximately RMB711.0 million and RMB224.9 million, respectively, for the year ended 31 December 2023. As at 31 December 2023, the net asset value of CRRC Finance expanded slightly by approximately 2.0% to approximately RMB4.4 billion.

### ***Reasons for and possible benefits of the 2024-2027 CRRC Financial Services Framework Agreement***

As represented by the Directors, having considered that (i) the interest rates on deposits offered by CRRC Finance to the Group will be no less favourable than those offered by principal commercial banks in the PRC for the same type, and without violating the mandatory provisions of the regulatory authorities, higher than the benchmark interest rates for the same period and type of deposits promulgated by PBOC by a range of 15%-50% (not applicable to RMB three-year fixed deposits and foreign currency deposit products); (ii) the interest rates on credit services to be provided by CRRC Finance to the Group will not be higher than the rates for similar types of loans offered by principal independent commercial banks in the Group's locality, and the interest rate shall be made with reference to the loan prime rate (LPR) published by the National Interbank Funding Center authorized by PBOC, and in compliance with relevant laws and regulations, the interest rate may be reduced by a certain percentage; (iii) CRRC Finance is regulated by PBOC and NFRA and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities; (iv) the Group is expected to benefit from CRRC Finance's better understanding on the operations of the Group which should allow more flexible, expedient and efficient service provision than those offered by principal commercial banks in the PRC; and (v) pursuant to the relevant regulations of PBOC and NFRA, customers of CRRC Finance are mainly limited to entities within the CRRC Group of Companies and the Group, thereby reducing the risks that CRRC Finance may otherwise be exposed to, the Directors consider that the 2024-2027 CRRC Financial Services Framework Agreement will provide a better utilization of the surplus cash of the Group with acceptable levels of risk and an efficient management of deposits, credit, settlement and other financial services for meeting the daily operation needs of the Group, and is beneficial to further improve the efficiency of the use of funds, capital operation and allocation capabilities of the Company, prevent capital risks, reduce financing costs and financing risks, improve the Company's capital return, maximize capital benefits, and obtain safe and efficient financial management services.

We have discussed with the Directors in further depth regarding the reasons for and possible benefits of the 2024-2027 CRRC Financial Services Framework Agreement as highlighted above:

#### ***CRRC Finance as a centralized financial platform***

As further represented by the Directors, CRRC Finance has been established with a view to act as a centralized financial platform to facilitate treasury operations, control and operations within the CRRC Group of Companies and the Group. Members of the Group have the option to use CRRC Finance's financial services, which in turn facilitates the deployment of surplus funds from certain members of the Group to other members that may require cash.

Moreover, as CRRC Finance focuses on serving the CRRC Group of Companies and the Group, CRRC Finance is familiar with the operations and needs of the railway transportation industry, and thus it is expected that CRRC Finance would be able to provide more efficient and tailor-made services to the Group, which is beneficial to the Group from a customer's perspective.

### *Regulatory environment of CRRC Finance*

Based on our independent research, we noted that as a licensed financial institution and group finance company in the PRC, CRRC Finance is subject to stringent regulations and is regulated by PBOC and NFRA. NFRA's supervision includes regular examination of the audited financial statements and other relevant materials required to be filed by group finance companies as well as on-site inspections and interviews with the senior management of group finance companies. Furthermore, in accordance with the relevant requirements under the Measures for the Administration of Finance Companies of Enterprise Groups promulgated in 2022, group finance companies:

- (i) are not allowed to engage in non-financial services business, including property investment or trading; and
- (ii) must comply with the following ratio requirements: (1) the capital adequacy ratio shall not be lower than the minimum regulatory requirements of the China Banking and Insurance Regulatory Commission; (2) the liquidity ratio shall not be lower than 25%; (3) the loan balance shall not be higher than 80% of the sum of the deposit balance and paid-in capital; (4) the total amount of liabilities outside the group shall not exceed the net capital; (5) the balance of bill acceptance shall not exceed 15% of the total assets; (6) the balance of bill acceptance shall not exceed three times the balance deposited with banks; (7) the bill acceptance and the total amount of rediscount shall not exceed the net capital; (8) the security deposits of bank acceptances shall not exceed 10% of the total deposit; (9) the total investment shall not exceed 70% of the net capital; and (10) the net fixed assets shall not exceed 20% of the net capital.

As confirmed by the Directors, to their best knowledge, up to the date of the Announcement, there has been no record of non-compliance with relevant laws, rules and regulations of the PRC in relation to CRRC Finance.

### *Risk profile of CRRC Finance*

In assessing the possible credit risk involved in placing deposits with CRRC Finance, we have taken into consideration that:

- (i) as presented above, the operations of CRRC Finance are subject to stringent supervision of PBOC and NFRA and is regulated by the relevant PRC financial regulations and rules;
- (ii) as presented under the sub-section headed "Information on CRRC Finance" of this letter of advice, CRRC Finance has a sound financial position with total revenue and net profit of approximately RMB711.0 million and RMB224.9 million, respectively, for the year ended 31 December 2023, and net asset value of approximately RMB4.4 billion as at 31 December 2023;

- (iii) as confirmed by the Directors, to their best knowledge, up to the date of the Announcement, there has been no record of non-compliance with relevant laws, rules and regulations of the PRC in relation to CRRC Finance; and
- (iv) pursuant to the 2024-2027 CRRC Financial Services Framework Agreement, CRRC Finance shall guarantee the safety of the Group's deposits. In this relation, CRRC Finance undertakes that the Group's deposit funds will be prioritized for the Group's funding needs, and it shall repay the funds in full and in a timely manner to the Group upon receipt of the Group's request.

Having considered the foregoing, we concur with the Directors that the credit risk of CRRC Finance is likely to be low and manageable.

In light of the aforesaid reasons for and possible benefits of the 2024-2027 CRRC Financial Services Framework Agreement as represented by the Directors and that as concluded above the credit risk of CRRC Finance is likely to be low and manageable, we concur with the Directors that the entering into of the 2024-2027 CRRC Financial Services Framework Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

## **2. Principal terms of the 2024-2027 CRRC Financial Services Framework Agreement**

On 30 October 2024, the Company and CRRC Finance entered into the 2024-2027 CRRC Financial Services Framework Agreement, pursuant to which CRRC Finance has agreed to provide the Group with deposit services, credit services, settlement services and other financial services, for a term of three years commencing from the date of approval of the 2024-2027 CRRC Financial Services Framework Agreement at the EGM, which upon effective, will replace the 2024-2025 CRRC Financial Services Framework Agreement.

A summary of the principal terms of the 2024-2027 CRRC Financial Services Framework Agreement is set out below:

### ***Deposit services***

The interest rate for the Group's deposits with CRRC Finance (i) will not be lower than (a) the interest rate of principal commercial banks in the PRC offered to each member of the Group for the same type of deposit services and (b) the interest rate determined by CRRC Finance to absorb the same type of deposits of each member of the CRRC Group of Companies; and (ii) without violating the mandatory provisions of the regulatory authorities, will be higher than the benchmark interest rates for the same period and type of deposits promulgated by PBOC by a range of 15% to 50% (not applicable to RMB3-year fixed deposits and foreign currency deposit products).

The commercial terms (including fees and charges) of the deposits and other daily transactions offered by CRRC Finance to the Group will not be less favourable than: (i) the terms offered by principal commercial banks in the PRC when providing similar services to the Group; and (ii) the terms offered by CRRC Finance to other members of the CRRC Group of Companies.

Pursuant to the 2024-2027 CRRC Financial Services Framework Agreement, the interest rate for the Group's deposits with CRRC Finance (i) will not be lower than (a) the interest rate of principal commercial banks in the PRC offered to each member of the Group for the same type of deposit services and (b) the interest rate determined by CRRC Finance to absorb the same type of deposits of each member of the CRRC Group of Companies; and (ii) without violating the mandatory provisions of the regulatory authorities, will be higher than the benchmark interest rates for the same period and type of deposits promulgated by PBOC by a range of 15% to 50% (not applicable to RMB3-year fixed deposits and foreign currency deposit products). At the same time, the commercial terms (including fees and charges) of the deposits and other daily transactions offered by CRRC Finance to the Group will not be less favourable than: (i) the terms offered by principal commercial banks in the PRC when providing similar services to the Group; and (ii) the terms offered by CRRC Finance to other members of the CRRC Group of Companies. We are of the opinion that such pricing policy is favourable to the Company.

We have also compared the historical deposit rates offered by PBOC, other principal commercial banks in the PRC and CRRC Finance to the Group, and noted that the deposit rates offered by CRRC Finance to the Group are at premiums over the published PBOC rates and not lower than those offered by other principal commercial banks in the PRC.

In addition, we noted that pursuant to the 2024-2027 CRRC Financial Services Framework Agreement, CRRC Finance shall guarantee the safety of the Group's deposits. In this relation, CRRC Finance undertakes that the Group's deposit funds will be prioritized for the Group's funding needs, and it shall repay the funds in full and in a timely manner to the Group upon receipt of the Group's request. As further confirmed by the Directors, the Group is not restricted to approach, and in fact may choose, any bank or financial institution to satisfy its business and financial service needs. That is to say, the Group may, but is not obliged to, use the services provided by CRRC Finance. We consider that the above provisions may provide security to the funds of the Group and can allow flexibility for the Group to decide on which bank or financial institution(s) to place its surplus cash with depending on its own circumstances.

#### ***Credit services, settlement services and other financial services***

The credit services to be obtained by the Group from CRRC Finance shall adhere to the relevant requirements of self-discipline mechanism for market interest rate pricing. Based on the quoted interest rate of the loan market, the interest rate for loans shall not be higher than (i) the rate for similar types of loans offered by principal independent commercial banks in the Company's locality, and (ii) the rate offered by CRRC Finance to other members of the CRRC Group of Companies with the same creditworthiness, whichever is lower. When CRRC Finance provides credit services for the Company, the interest rate shall be made with reference to the LPR published by the National Interbank Funding Center authorized by PBOC, and in compliance with relevant laws and regulations, the interest rate may be reduced by a certain percentage.

The bill acceptance service to be provided by CRRC Finance to the Company is free of handling fee, and if it meets the credit processing conditions, no security deposit is required. The rate at which CRRC Finance provides guarantees for the Group shall not be higher than the rate set by principal commercial banks in the PRC to provide the same type of credit services to the Group.

CRRC Finance shall provide the Group with free settlement services.

The fees to be charged by CRRC Finance for the provision of other financial services to the Group will comply with the charge standards published by PBOC and NFRA for such type of financial services and will not be higher than (i) the fees charged by principal commercial banks in the PRC for the same type of financial services; and (ii) the fees charged by CRRC Finance to other members of the CRRC Group of Companies for the same type of financial services.

Taking into account of the above, we are of the opinion that the terms of the 2024-2027 CRRC Financial Services Framework Agreement are on normal commercial terms and are fair and reasonable.

### ***The Annual Caps***

For the two years ended 31 December 2022 and 2023, the Group did not accept other financial services that may be provided by CRRC Finance under the previous financial services framework agreements entered into between the two parties.

The table below illustrates (i) the actual historical maximum daily balance of the Group's deposits with CRRC Finance (including the interest accrued therefrom) under the previous financial services framework agreements entered into between the two parties; and (ii) the Annual Caps in respect of the maximum daily balance of the Group's deposits with CRRC Finance (including the interest accrued therefrom) under the 2024-2027 CRRC Financial Services Framework Agreement:

	<b>Actual historical balance</b>			<b>The relevant Annual Caps</b>		
	<b>2022</b>	<b>2023</b>	<b>For the nine months ended 30 September 2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
						<i>RMB million</i>
Total	291.6	294.3	322.5	2,000	2,000	2,000

Regarding the Annual Caps for the deposit services, we have considered the following factors:

- (i) during the three years from 2022 to 2024, the maximum daily balance of deposits (including accrued interest) placed by the Group with CRRC Finance was approximately RMB291.6 million, RMB294.3 million and RMB322.5 million, respectively, indicating that the Group has constant substantial demand for the deposit services provided by CRRC Finance;
- (ii) the Group recorded total revenue of approximately RMB21.8 billion in 2023; whereas its total cash and cash equivalent balances were approximately RMB9.1 billion as at 30 June 2024, which are approximately 10.9 times and 4.6 times, respectively, of the relevant Annual Caps of RMB2 billion;
- (iii) it is expected that the Group would have increasing need for deposit services amid the promising growing momentum of its business as demonstrated under the sub-section headed "Business and financial overview of the Group" of this letter of advice;

- (iv) the Group is expected to benefit from CRRC Finance's better understanding on the operations of the Group which should allow more flexible, expedient and efficient service provision than those offered by principal commercial banks in the PRC; and
- (v) the Group can select other bank of financial institutions for financial services at its discretion. Moreover, the interest rate for the Group's deposits with CRRC Finance (i) will not be lower than (a) the interest rate of principal commercial banks in the PRC offered to each member of the Group for the same type of deposit services and (b) the interest rate determined by CRRC Finance to absorb the same type of deposits of each member of the CRRC Group of Companies; and (ii) without violating the mandatory provisions of the regulatory authorities, will be higher than the benchmark interest rates for the same period and type of deposits promulgated by PBOC by a range of 15% to 50% (not applicable to RMB 3-year fixed deposits and foreign currency deposit products). The said arrangement can on one hand provides the Group with flexibility in selecting financial institutions for deposit services, and on the other hand allowing the Group to capture higher interest earnings from its surplus cash.

As such, we are of the view that the Annual Caps for the deposits services under the 2024-2027 CRRC Financial Services Framework Agreement are fair and reasonable.

### 3. Internal control and compliance with the Hong Kong Listing Rules

As confirmed by the Directors, the Company has established strict internal control measures to supervise the transactions under the 2024-2027 CRRC Financial Services Framework Agreement, including but not limited to the followings:

- (i) before providing the deposit services to the Group, CRRC Finance shall provide its latest audited annual financial report and other necessary information (such as risk indicators) and provide financial statements and risk indicator information regularly in every six months;
- (ii) during the period of providing the financial services, CRRC Finance is obliged to cooperate with the Company in continuous dynamic supervision and risk assessment, and cooperate with the issuance and disclose continuous risk assessment reports;
- (iii) the Company shall establish a risk prevention and management leading group (the "**Leading Group**"), which consists of a working group responsible for daily supervision of the financial business with CRRC Finance and keep track of the daily operations of CRRC Finance, and report abnormal risks to the Leading Group in a timely manner, in order for the Leading Group to prevent and manage the risks;
- (iv) the finance department of the Company will closely monitor the credit risk, financial and operating conditions of CRRC Finance, and keep track of any event that affect the safety of the Group's fund held by CRRC Finance, and report regularly to the management;
- (v) subsidiaries of the Company are required to obtain internal approval from the Company before entering into any separate agreements in relation to each service provided under the 2024-2027 CRRC Financial Services Framework Agreement; and

- (vi) the finance department of the Company has a designated person to record the execution of the separate agreements in relation to the deposit services and other financial services provided under the 2024-2027 CRRC Financial Services Framework Agreement.

Furthermore, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Hong Kong Listing Rules pursuant to which (i) the maximum amounts of financial services to be provided by CRRC Finance to the Group must be restricted by the Annual Caps during the term of the 2024-2027 CRRC Financial Services Framework Agreement; (ii) the terms of the 2024-2027 CRRC Financial Services Framework Agreement (together with the Annual Caps) must be reviewed by the independent non-executive Directors annually (and for enhanced disclosure, quarterly); and (iii) details of independent non-executive Directors' annual review on the terms of the 2024-2027 CRRC Financial Services Framework Agreement (together with the Annual Caps) must be included in the Company's subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Hong Kong Listing Rules, auditors of the Company must provide annually (and for enhanced disclosure, quarterly) a letter to the board of Directors confirming, among other things, that the 2024-2027 CRRC Financial Services Framework Agreement are carried out in accordance with the terms under relevant agreements and the pricing policies of the Company in all material respects, and the Annual Caps are not being exceeded. In the event that the maximum amounts of financial services to be provided by CRRC Finance to the Group exceed the Annual Caps, or that there is any material amendment to the terms of the 2024-2027 CRRC Financial Services Framework Agreement (together with the Annual Caps), the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction.

With the internal control measures of the Group as well as the stipulated requirements for continuing connected transactions of the Hong Kong Listing Rules in place, the transactions contemplated under the 2024-2027 CRRC Financial Services Framework Agreement will be monitored and hence the interest of the Shareholders may be safeguarded.

## **RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 2024-2027 CRRC Financial Services Framework Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable; and (ii) the entering into of the 2024-2027 CRRC Financial Services Framework Agreement is in the interests of the Company and the Shareholders as a whole.

Yours faithfully,  
For and on behalf of  
**VBG Capital Limited**  
**Doris Sing**  
*Managing Director*