
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **CRRC Corporation Limited**, you should at once hand this circular, the enclosed form of proxy and reply slip for attending the AGM to the purchaser or the transferee or to the bank, licensed dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中國中車股份有限公司
CRRC CORPORATION LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 1766)

ANNUAL GENERAL MEETING

**DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED
TRANSACTION – ENTERING INTO NEW FINANCIAL SERVICES
FRAMEWORK AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A notice convening the AGM of CRRC Corporation Limited to be held at Banquet Hall A, Four Points by Sheraton Beijing, Haidian Hotel, No. 25 Yuanda Road, Haidian District, Beijing, the PRC at 2:00 p.m. (registration will begin at 1:30 p.m.) on Friday, 18 June 2021 is set out on pages 48 to 51 of this circular.

If you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, on or before Friday, 28 May 2021.

Whether or not you are able to attend the AGM, you are advised to read the notice of the AGM. If you intend to attend the AGM by proxy, you are required to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, in person or by post not less than 24 hours before the time stipulated for convening the AGM or any adjourned meeting thereof in any event. Completion and return of the form of proxy will not preclude you from attending, and voting at, the AGM or at any adjourned meeting if you so wish.

18 May 2021

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DEFINITIONS

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

“A Share(s)”	domestic share(s) with a nominal value of RMB 1.00 each in the share capital of the Company which are listed on the Shanghai Stock Exchange (Stock Code: 601766)
“A Shareholder(s)”	holder(s) of A Share(s)
“AGM”	the annual general meeting of the Company to be held at Banquet Hall A, Four Points by Sheraton Beijing, Haidian Hotel, No. 25 Yuanda Road, Haidian District, Beijing, the PRC at 2:00 p.m. (registration will begin at 1:30 p.m.) on Friday, 18 June 2021
“Articles of Association”	the Articles of Association of CRRC Corporation Limited, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board”	the Board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“Company” or “CRRC”	CRRC Corporation Limited (中國中車股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares and the A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“Company Law”	the Company Law of the People’s Republic of China, as amended from time to time
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“CRRC GROUP”	CRRC GROUP Co., Ltd. (中國中車集團有限公司), a large-scale wholly state-owned enterprise and controlling Shareholder of the Company
“CSRC”	China Securities Regulatory Commission

DEFINITIONS

“Debenture(s)”	one or a portfolio of debt financing instruments proposed to be issued by the Company, including corporate bonds, enterprise bonds, ultra-short-term debentures, short-term debentures, medium-term notes, perpetual bonds, assets-backed debentures (including but not limited to ABN, ABCP and ABS), overseas bonds denominated in RMB, bonds denominated in USD, A Share convertible bonds, H Share convertible bonds or other new types of bonds issued in the PRC in one or multiple tranches, with the total outstanding balance of all types of debentures in issue not exceeding the equivalent of RMB75 billion
“Director(s)”	the director(s) of the Company
“Existing Financial Services Framework Agreement”	the Financial Services Framework Agreement entered into between the Finance Company and CRRC GROUP on 26 April 2018
“Finance Company”	CRRC Finance Co., Ltd. (中車財務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange and traded in HK dollars (Stock Code: 1766)
“H Shareholder(s)”	holder(s) of H Share(s)
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	a committee of the Board comprising all independent non-executive Directors established for the purpose of considering the New Financial Services Framework Agreement and the relevant annual caps for transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealings in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Financial Services Framework Agreement and the relevant annual caps for transactions contemplated thereunder
“Independent Non-executive Director(s)” or “Independent Director(s)”	the independent non-executive Director(s) of the Company
“Independent Shareholders”	Shareholder(s) who are not required to abstain from voting on the resolution to be proposed at the AGM regarding the New Financial Services Framework Agreement
“Independent Third Party(ies)”	an individual or company which is not a connected person of the Company
“Latest Practicable Date”	12 May 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Major Commercial Banks”	the major commercial banks in the PRC, including Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications and other major large-scale joint stock commercial banks established in the PRC (such as China CITIC Bank, China Merchants Bank and China Industrial Bank)
“New Financial Services Framework Agreement”	the Financial Services Framework Agreement entered into between the Finance Company and CRRC GROUP on 30 March 2021
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	A Shareholder(s) and H Shareholder(s)
“SSE”	the Shanghai Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

Note: In this circular, the English names of the PRC entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD

中國中車股份有限公司 CRRC CORPORATION LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 1766)

Executive Directors:

Mr. Sun Yongcai
Mr. Lou Qiliang

Independent Non-executive Directors:

Mr. Li Guo'an
Mr. Sun Patrick
Mr. Shi Jianzhong
Mr. Zhu Yuanchao

Registered Office:

No. 16, Central West Fourth Ring Road
Haidian District
Beijing, the PRC
Postal code: 100036

Place of Business in Hong Kong:

Unit H, 41/F.,
Office Tower, Convention Plaza,
No. 1 Harbour Road,
Hong Kong

18 May 2021

To the H Shareholders

Dear Sir or Madam,

ANNUAL GENERAL MEETING

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION – ENTERING INTO NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT

I. INTRODUCTION

On behalf of the Board, I hereby invite you to attend the AGM to be held at Banquet Hall A, Four Points by Sheraton Beijing, Haidian Hotel, No. 25 Yuanda Road, Haidian District, Beijing, the PRC at 2:00 p.m. (registration will begin at 1:30 p.m.) on Friday, 18 June 2021.

Reference is made to the announcement of the Company dated 30 March 2021 in relation to, among other things, the New Financial Services Framework Agreement.

The purpose of this circular is to provide you with the notice of the AGM and to provide you with all the information reasonably necessary to enable you to make informed decisions on whether to vote for or against the proposed resolutions at the AGM, including, among other things, (i) details of the New Financial Services Framework Agreement; (ii) the letter of advice from the Independent Financial Adviser and the recommendation from the Independent Board Committee; and (iii) the notice of the AGM.

LETTER FROM THE BOARD

II. MATTERS TO BE CONSIDERED AT THE AGM

The matters to be considered at the AGM are described in detail in the notice of the AGM set out in pages 48 to 51 of this circular. At the AGM, the following will be proposed for approval as ordinary resolutions: (1) the resolution in relation to the 2020 final financial accounts report of the Company; (2) the 2020 Work Report of the Board of the Company; (3) the 2020 Work Report of the Supervisory Committee of the Company; (4) the resolution in relation to the 2020 profit distribution plan of the Company; (5) the resolution in relation to the arrangement of guarantees by the Company for 2021; (6) the resolution in relation to the medium and long term shareholders' return plan of the Company; (7) the resolution in relation to the entering into of the related party transaction agreements; (8) the resolution in relation to the entering into of the Financial Services Framework Agreement; (9) the resolution in relation to the adjustment of the remuneration of certain Independent Directors of the Company; (10) the resolution in relation to the remuneration of the Directors of the Company for 2020; (11) the resolution in relation to the remuneration of the Supervisors of the Company for 2020; (12) the resolution in relation to the appointment of auditors of the Company for 2021, and special resolutions: (13) the resolution in relation to the grant of general mandate to the Board to issue additional A Shares and H Shares of the Company and (14) the resolution in relation to the issuance of debt financing instruments by the Company for 2021.

In order to enable you to have a better understanding on the resolutions to be proposed at the AGM and to make informed decisions thereof with sufficient and necessary information, save as disclosed in "III. DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION – ENTERING INTO NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT" below, we have provided the Shareholders with detailed information in Appendix II to this circular, including information and explanations of the resolutions to be proposed at the AGM for approval.

Pursuant to the requirements under the Rules for the Shareholders' Meetings of Listed Companies issued by the CSRC, each of the Independent Directors shall prepare a work report for the preceding year at the annual general meeting. Such report will be submitted to the Shareholders for consideration but not for approval at the AGM.

LETTER FROM THE BOARD

III. DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION – ENTERING INTO NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 26 April 2018 in relation to, among others, the continuing connected transaction for the provision of the financial services between the Finance Company and CRRC GROUP under the Existing Financial Services Framework Agreement.

The Existing Financial Services Framework Agreement

On 26 April 2018, the Finance Company entered into the Existing Financial Services Framework Agreement with CRRC GROUP for a term of three years commencing from 1 January 2019 to 31 December 2021. Please refer to the announcement of the Company dated 26 April 2018 for details of the Existing Financial Services Framework Agreement.

The New Financial Services Framework Agreement

On 30 March 2021, the Finance Company entered into the New Financial Services Framework Agreement with CRRC GROUP to regulate the continuing connected transaction for the provision of financial services between the Finance Company and CRRC GROUP.

Principal terms of the New Financial Services Framework Agreement

The principal terms of the New Financial Services Framework Agreement are summarized as follows:

- Date:** 30 March 2021
- Parties:** The Finance Company and CRRC GROUP
- Transaction details:** The Finance Company shall provide the following financial services to CRRC GROUP pursuant to the New Financial Services Framework Agreement (under the New Financial Services Framework Agreement, reference to CRRC GROUP shall include CRRC GROUP, its subsidiaries and its associates, but excluding the Group):
- (1) Deposit services: CRRC GROUP shall open domestic currency and foreign currency deposit account in the Finance Company 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.

LETTER FROM THE BOARD

- (2) Credit services: subject to relevant laws and regulations in the PRC and the risk control requirements of the Finance Company, depending on the operational and development needs of CRRC GROUP, the Finance Company shall provide domestic currency and foreign currency credit services approved by the regulatory authorities to CRRC GROUP, including loans, discounted bills, financial leasing, buyer's credit, accounts receivable factoring, various types of letter of guarantees and bill acceptances, etc.
- (3) Miscellaneous financial services: the Finance Company shall also provide miscellaneous financial services within its business scope to CRRC GROUP, including but not limited to, provision of services of consultancy, agency, settlement, transfer, foreign exchange settlement and sales, investment, financial leasing, letter of credit, online banking, entrusted loans, guarantees, bill acceptances and underwriting. For avoidance of any doubt, the "financial leasing, guarantees and bill acceptances" mentioned in miscellaneous financial services cover the service fees charged by the Finance Company in relation to such services.

The Finance Company and CRRC GROUP shall enter into separate agreements in respect of the transactions contemplated under the New Financial Services Framework Agreement and such agreements shall be in compliance with the terms and principles set out in the New Financial Services Framework Agreement and relevant laws and regulations.

Term: Effective from 1 January 2022 to 31 December 2024, subject to extension or renewal with consent of both parties provided that it is in compliance with the relevant laws and regulations and the listing rules of the places of listing of the Company.

LETTER FROM THE BOARD

Pricing policy:

(1) Deposit services:

- (i) The interest rate for CRRC GROUP's deposit with the Finance Company shall be made with reference to the benchmark interest rate for the same period promulgated by the People's Bank of China for the same type of deposit, and shall be no higher than the interest rate for the same period determined by banking financial institution for the same type of deposit from CRRC GROUP or the third parties of equal standing.

If the Finance Company also provides deposit services to Independent Third Parties, the interest rate offered by the Finance Company for CRRC GROUP's deposit shall be no higher than the interest rate for the same period for the same type of deposit offered by the Finance Company to such Independent Third Parties of equal standing with CRRC GROUP.

- (ii) The Finance Company shall ensure the capital safety in respect of CRRC GROUP's deposits, and timely and fully meet capital demands upon its withdrawal request. Where the Finance Company fails to make full and timely payment to CRRC GROUP at its request for withdrawal of deposits, CRRC GROUP has the right to terminate the New Financial Services Framework Agreement and may also offset the amount of deposits payable by the Finance Company against its loans provided by the Finance Company in accordance with the provisions of applicable laws.

LETTER FROM THE BOARD

(2) Credit services:

- (i) The interest rate or fee rate for credit services provided by the Finance Company to CRRC GROUP shall be determined with reference to the benchmark interest rate or fee rate for the same period promulgated by the People's Bank of China for the same type of business, and shall be no lower than the interest rate or fee rate for the same period determined by banking financial institution for the same type of credit business to CRRC GROUP or third parties of equal standing.

If the Finance Company also provides credit services to Independent Third Parties, the interest rate or fee rate quoted by the Finance Company to CRRC GROUP shall be no lower than the interest rate or fee rate for the same period for the same type of business quoted by the Finance Company to such Independent Third Parties of equal standing with CRRC GROUP.

- (ii) Where CRRC GROUP fails to repay the debts incurred from the abovementioned credit services provided by the Finance Company in full and in time, the Finance Company has the right to terminate the New Financial Services Framework Agreement and may also offset the amount of debts payable by CRRC GROUP against CRRC GROUP's deposits with the Finance Company in accordance with the provisions of applicable laws.

LETTER FROM THE BOARD

(3) Miscellaneous financial services:

- (i) The agency fees, handling fees or other service fees in domestic currency or foreign currency charged by the Finance Company for the provision of the miscellaneous financial services to CRRC GROUP shall comply with the relevant prescribed rates for such services as determined by the People's Bank of China or the CBIRC. In addition, such fees shall be determined with reference to those charged by Major Commercial Banks in the PRC for the provision of comparable financial services.

If the Finance Company also provides miscellaneous financial services to Independent Third Parties, the fees charged by the Finance Company to CRRC GROUP shall be no lower than those charged by the Finance Company for the same type of services to Independent Third Parties of equal standing with CRRC GROUP.

- (ii) Subject to compliance with the New Financial Services Framework Agreement, CRRC GROUP and the Finance Company shall enter into specific contracts/agreements to set out detailed transaction terms with regard to the relevant specific financial services. Such specific contracts/agreements shall comply with the principles and terms set out under the New Financial Services Framework Agreement and applicable laws.

Payment terms:

The relevant interests, fees and other expenses for the transactions contemplated under the New Financial Services Framework Agreement will be paid in accordance with the specific terms as agreed under separate agreements from time to time.

LETTER FROM THE BOARD

Historical amounts of the non-exempt continuing connected transactions under the Existing Financial Services Framework Agreement

Set out below are the historical amounts in respect of the provision of credit services and miscellaneous financial services by the Finance Company to CRRC GROUP and/or its associates under the Existing Financial Services Framework Agreement for the two financial years ended 31 December 2020 and the three months ended 31 March 2021:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the three months ended 31 March 2021
	<i>(RMB million)</i>		
Maximum daily balance of credit (including accrued interests) granted by the Finance Company to CRRC GROUP and/or its associates	8,340	10,233	10,946
Miscellaneous financial services provided by the Finance Company to CRRC GROUP and/or its associates	0.44	1.14	0.04

LETTER FROM THE BOARD

Proposed annual caps of the non-exempt continuing connected transactions under the New Financial Services Framework Agreement

Set out below are the annual caps for provision of credit services and miscellaneous financial services by the Finance Company to CRRC GROUP and/or its associates under the New Financial Services Framework Agreement for the three financial years ending 31 December 2024:

	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
	<i>(equivalent to RMB million)</i>		
Maximum daily balance of credit in domestic currency and foreign currency (including accrued interests) granted by the Finance Company to CRRC GROUP and/or its associates	15,000	16,000	17,000
Annual service fees in domestic currency and foreign currency charged for miscellaneous financial services provided by the Finance Company to CRRC GROUP and/or its associates	22	23	24

Basis of the proposed annual caps of the non-exempt continuing connected transactions under the New Financial Services Framework Agreement

(1) Credit services

- (i) The credit services provided by the Finance Company to CRRC GROUP experienced a substantial increase in terms of transaction amount for the previous years, with RMB8,340 million, RMB10,233 million and RMB10,946 million being the maximum daily balance of credit (including accrued interests) for each of the two financial years ended 31 December 2020 and the three months ended 31 March 2021, respectively, and the highest historical utilization rate for the caps of the maximum daily balance of credit (including accrued interests) under the Existing Financial Services Framework Agreement reaching 98.12%, and such increase is expected to continue for the three years ending 31 December 2024. With reference to such historical transaction amounts and taking into consideration CRRC GROUP's development plan for developing urban rail PPP business platform, new energy vehicle and other strategic emerging industries, it is expected that the proposed maximum daily balance of credit in domestic currency and foreign currency (including accrued interest) granted by the Finance Company to CRRC GROUP for the three years ending 31 December 2024 will be equivalent to RMB15,000 million, equivalent to RMB16,000 million and equivalent to RMB17,000 million, respectively.

LETTER FROM THE BOARD

- (ii) The national measures to accelerate the establishment of a new development pattern and build a strong transportation country will create a good opportunity for CRRC GROUP to maintain stable growth. The comprehensive deepening of reforms and the continuous deepening of the mixed-ownership reform will provide new vitality to the development of CRRC GROUP. Besides focusing on rail transportation equipment business, CRRC GROUP, through its other subsidiaries, also strives to develop strategic emerging industries such as urban rail PPP business platform, new energy vehicle industry, ecological and environmental protection industry and new materials industry, which will bring the Finance Company new business opportunities for its provision of credit services including loans, financial leasing, merger and acquisition loans, etc. The following new business development of CRRC GROUP and the corresponding estimated transaction amounts have been taken into consideration when the annual caps are set:
- (a) CRRC GROUP and its affiliated members have gradually established the urban rail PPP platforms and environmental engineering PPP platforms. Currently, CRRC GROUP has invested in an urban rail PPP project located in Jiangsu Province, the PRC, which requires a debt financing of approximately RMB8,500 million. In the future, CRRC GROUP and its affiliated members propose to further expand the investment in urban rail PPP business. Considering the current debt financing needs of urban rail PPP business and the future potential developments, it is estimated that the Finance Company will face great opportunities in term of providing credit services to CRRC GROUP and its associates for PPP business.
- (b) CRRC Electric Vehicle Co., Ltd.* (中車時代電動汽車股份有限公司) (“**CRRC Electric**”), a subsidiary of CRRC GROUP, is a leading manufacturer of new energy bus in the PRC, with the capability of being provider of components, system and whole car within the new energy bus industry. New energy bus industry is within the industries supported by the national environmental protection policy, and its industrial position is relatively stable. In recent years, the industry has begun to face a reshuffle, and the market share has gradually concentrated to industry-leading companies.

After the development for the past few years, CRRC Electric has steadily increased its market share. In 2020, its domestic market share was close to 9%, representing an increase of approximately 40% as compared to that of 2018. Currently, CRRC GROUP attaches much importance to the development of new energy vehicle business and strive to build better and stronger new energy vehicle business in the next three years. CRRC Electric has gradually planned to invest in the establishment of production bases in various cities to cultivate local electric bus market. As such, the business scale of CRRC Electric is

LETTER FROM THE BOARD

expected to grow rapidly. The development of CRRC GROUP's new energy vehicle business will provide great opportunities for the Finance Company to expand its loan and financial leasing businesses.

In addition to borrowing from the Finance Company, the balance of loans of CRRC Electric from other institutions as at 31 December 2019, 31 December 2020 and 31 March 2021 amounted to RMB1,044 million, RMB1,409 million and RMB1,904 million, respectively. In 2020, the maximum balance of loans of CRRC Electric amounted to approximately RMB3,700 million, representing a year-on-year increase of approximately 30%. With the development of the business of CRRC Electric, the Finance Company is expected to provide loans and financial leasing for CRRC GROUP's new energy vehicle business through the replacement of external bank loans for the three years ending 31 December 2024.

Considering the above factors, it is expected that the annual maximum balance of loans of CRRC Electric for the three years ending 31 December 2024 will amount to RMB4,500 million, RMB5,500 million, and RMB6,500 million, respectively.

- (c) The business growth and development of CRRC GROUP and its affiliated members in other emerging industries will also bring great opportunities for the Finance Company to develop working capital loans, fixed asset loans, merger and acquisition loans and other new forms of credit services.
 - (d) Taking into account of the historical transaction amounts and above future potential development of CRRC GROUP and its affiliated members, the Company considers it reasonable to set the annual cap for the year ending 31 December 2022 equivalent to RMB15,000 million, which is basically same as the annual cap for the year ending 31 December 2021 under the Existing Financial Framework Agreement, with a year-on-year increase of approximately 7% for each of the two years ending 31 December 2024.
- (iii) According to the relevant PRC laws, the Finance Company, as a non-banking financial institution, can only provide credit services to the Company, CRRC GROUP and its affiliated members. For the three years ended 31 December 2020, the Finance Company had total assets of RMB35,586 million, RMB45,100 million and RMB36,207 million respectively, with interbank fixed term deposit and current deposit of RMB17,796 million, RMB23,625 million and RMB13,578 million for the corresponding year. The Finance Company has sufficient funds to accommodate the development needs of CRRC GROUP while increasing its business volume, revenue and profit, and bringing economic benefits to the Group.

LETTER FROM THE BOARD

- (iv) The Company is of the view that, when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. However, same as the actual implementation of the continuing connected transactions historically, the Finance Company and CRRC GROUP will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that Finance Company and CRRC GROUP shall transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive Directors and auditors will give opinion on the continuing connected transactions to receive supervision of the independent Shareholders.

(2) *Miscellaneous financial services*

With the expansion of scale of its various principal businesses, CRRC GROUP is expected to record a steady growth in revenue in the next three years, which will result in a fast increase in capital settlement amount. In addition, due to the fact that CRRC GROUP is gradually establishing a diversified structure, resulting from the expansion in its scale of the existing businesses and the new businesses to be carried out, CRRC GROUP's demand for investment and financing as well as the relevant financial services is expected to rise rapidly in the next few years. Accordingly, based on the actual transaction amounts of this business for the past three years, the Finance Company and CRRC GROUP unanimously agreed to set the annual caps for miscellaneous financial services at the proposed amounts under the New Financial Services Framework Agreement, which amount to RMB22 million, RMB23 million and RMB24 million for the three years ending 31 December 2024, respectively.

- (i) Previously, the Finance Company mainly provided consultancy services to CRRC GROUP in its debt issuances. Since 8 January 2021, the Finance Company has obtained the qualification of underwriting business and had expanded its business to provide underwriting services for debt issuances. The debts issued by CRRC GROUP during 2019 and 2020 amounted to RMB2.5 billion and RMB3 billion respectively. The debt underwriting fee rate is determined with reference to the fee rates charged by major underwriters in the market. According to the development plan of CRRC GROUP and the mid-term and long-term demand for funds of its affiliated members, CRRC GROUP will have an increasing momentum to satisfy its demand for funds through direct financing, such as debt issuances, and the annual growth rate of such financing needs amounted to approximately 15%, which will result in an increase in its demand for financial consultancy services from the Finance Company accordingly. Therefore, it is expected that the financial consultancy services (including debt underwriting services) provided by the Finance Company to CRRC GROUP for the three years ending 31 December 2024 will amount to RMB6 million, RMB7 million and RMB8 million, respectively;

LETTER FROM THE BOARD

- (ii) In addition, the Finance Company has obtained the qualification of providing entrusted investment services on 8 January 2021 and expects to provide entrusted investment services to CRRC GROUP and receive respective service fees. The service fees charged for the entrusted investment services are determined with reference to the rates charged by major banks in the market, being approximately 0.1%-0.3%. CRRC GROUP aims to expand its investment business as it generates relatively high return and serves to strengthen its main business and expand its operation scale. Considering the estimated scale of entrusted investment business of CRRC GROUP in the next three years of approximately RMB2,000 million, it is expected that the respective service fees for entrusted investment services provided by the Finance Company to CRRC GROUP for the three years ending 31 December 2024 will amount to RMB3 million, RMB3.5 million and RMB4 million, respectively;
- (iii) For the two financial years ended 31 December 2020 and the three months ended 31 March 2021, the miscellaneous financial services provided by the Finance Company to CRRC GROUP in relation to the credit business mainly focus on the areas of entrusted loans, factoring and letter of guarantees. In consideration of the development of CRRC GROUP in strategic emerging industries, such as high-end equipment manufacturing industry, new energy vehicle industry and ecological and environmental protection and water treatment industries, as well as the increasing demand for the relevant financial services in such development, the Finance Company will expand the service scope and further provide financial services in buyer's credit, consumption credit and financial leasing services to CRRC GROUP and in respect of its products. As such, it is expected that the service charges from the financial services in relation to the credit business of the Finance Company to CRRC GROUP for the three years ending 31 December 2024 will amount to RMB10 million, RMB10 million and RMB10 million, respectively.

Reasons for and benefits of entering into the New Financial Services Framework Agreement

The Finance Company is a non-bank financial institution of the Group under the supervision of the relevant regulatory authorities and has a well-functioning internal control and risk management system. The Finance Company is also familiar with the operations of CRRC GROUP, which is advantageous for the Finance Company in providing CRRC GROUP with custom-made and efficient financial services. The entering into of the New Financial Services Framework Agreement is also beneficial for the Finance Company to expand its financing channels, enhance its efficiency of fund usage and reduce its financing cost. Furthermore, the interest rates for credit services under the New Financial Services Framework Agreement are set pursuant to the normal commercial terms and in the interests of the Company and the Shareholders. CRRC GROUP is a large state-owned enterprise under the direct management of the SASAC and holds a sound reputation in the financial market. Taking into account the creditworthiness of CRRC GROUP, and on the condition of strict risk control of the

LETTER FROM THE BOARD

Finance Company, the Company considers that providing credit services to CRRC GROUP through the Finance Company is a low-risk fund investment option and will generate a considerable return for the Group.

The Directors (including the Independent Non-executive Directors after considering the advice from the Independent Financial Adviser) believe that the New Financial Services Framework Agreement has been entered into on normal commercial terms and in the ordinary course of business of the Group carried out through the Finance Company, and the relevant terms of the transactions and annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Internal Control and Risk Management Function of the Finance Company

(1) A sound corporate governance structure

The Finance Company has established a sound corporate governance structure, consisting of the general meeting, the board of directors, the supervisory committee and the management. Under the board of directors, a strategic decision-making committee, an audit and risk management committee and an information technology management committee have been established. These committees consist of specialized personnel and adopt collective decision-making procedures to ensure the decisions to be scientific and reasonable. Under the management, the credit examination committee and investment decision-making committee have also been set up.

In order to ensure the compliance of operation, the Finance Company has also established nine functional departments based on its business development and internal control demands. These functional departments are namely, the capital management department, the corporate business department, the international business department, the settlement management department, the information technology department, the planning and finance department, the risk compliance department, the audit and accounting department and the comprehensive management department. Documents named “Letter of Duties of Departments” and “Letter of Responsibilities of Positions” have been formulated to explicitly divide the duties and responsibilities among various departments and positions. Furthermore, the Finance Company has established a system of rules and regulations which satisfies the requirements of internal management for financial institutions, with a total of 174 currently effective rules and regulations that cover three major controlling levels of the Finance Company, namely, the corporate level (i.e., governance structure, risk assessment, control activities, information and communication, as well as internal supervision), the business level (i.e., budget and finance, settlement business, credit business, capital business, international business and financial market business), and the comprehensive level (i.e., administrative management and information technology).

The Finance Company always adheres to the principle of managing and operating pursuant to the laws and regulations, and actively undertakes the corporate social responsibility. The CBIRC has not raised any major query concerning the Finance Company since its establishment.

LETTER FROM THE BOARD

(2) *Scientific compliance risk prevention and pricing mechanism for financial products and services*

(i) *Risk prevention and pricing mechanism for deposit services*

In order to prevent the risk of deposits, the Finance Company has established a management and control mechanism to ensure the liquidity, security and rationality of interest rate pricing of the funds. The Finance Company has also established a deposit reserve system to monitor the liquidity of funds on a daily basis, to prevent the liquidity risk of funds and to ensure the security of funds.

The Finance Company has established a deposit interest rate pricing decision-making panel. The leader of the panel is the general manager of the Finance Company. The other members of the panel include the heads and persons in charge of the settlement management department, the international business department, the fund management department, the corporate business department, and the risk compliance department. to collectively review the pricing strategies, rules, procedures and authorizations of deposit interest rates, and has set up the settlement management department and the international business department to take charge of the execution and implementation of the pricing policies for the deposits in Renminbi and foreign currencies, respectively. In addition, the risk compliance department is responsible for reviewing the compliance and legitimacy of the interest rate pricing plan, and the audit and accounting department and the planning and finance department are responsible for supervising and auditing the implementation of the interest rate pricing and management.

According to the “Administrative Measures on Deposit Interest Rate Pricing”, interest rate pricing of deposit services must follow the principles of marketization, differentiation and compliance. The interest rate pricing of deposit services of the Finance Company is determined based on the comprehensive consideration of the financial market environment and other factors, and with reference to the benchmark interest rate in the same period specified by the People’s Bank of China for deposits of the same type, and the interest rate determined by the banking financial institutions in the same period for the same type of deposits from third parties of equal standing.

The deposit interest rate pricing decision-making panel shall determine the posted deposit interest rate, and the actual implemented deposit interest rate will fluctuate within a certain ratio, which shall be reported to the general manager of the Finance Company for approval; if the fluctuation exceeds such ratio, it shall be reported to the deposit interest rate pricing decision-making panel for consideration and further implementation. If the deposit interest rate pricing decision-making panel becomes aware that the interest rate offered to CRRC GROUP are less favourable to the Finance Company than those offered to other Independent Third Parties (if available) on similar terms and conditions, the

LETTER FROM THE BOARD

Finance Company will negotiate with CRRC GROUP to re-determine the interest rate to a level that is similar with those offered to other Independent Third Parties.

(ii) Risk prevention and interest rate pricing mechanism for credit services

The Finance Company has formulated a series of rules and regulations such as “Working Rules for Credit Examination Committee”, “Administrative Measures for Self-Operated Loans Business” and “Operation Procedures for Revolving Line Loans”, and has established special departments and committees, including but not limited to the corporate business department, the risk compliance department and the credit examination committee, to maintain the risk management and internal control environment of credit services.

The credit examination committee is the examination and approval authority for the pricing of loan interest rates. The head of the business department serves as the chairman of the credit examination committee. The full-time members include the deputy general manager, and the persons in charge of the fund management department, the settlement management department, the planning and finance department, and the risk compliance department of the Finance Company.

The interest rate for each loan shall be determined based on the benchmark interest rate promulgated by the People’s Bank of China and with reference to the interest rate charged by the Major Commercial Banks to CRRC GROUP, and comprehensively considering the corporate credit rating, credit guarantees and other factors. If the credit examination committee becomes aware that the interest rate for the credit services offered to CRRC GROUP are less favourable to the Finance Company than those offered to other Independent Third Parties (if available) on similar terms and conditions, the Finance Company will negotiate with CRRC GROUP to re-determine the interest rate to a level that is similar with those offered to other Independent Third Parties.

The corporate business department is responsible for the credit investigation before granting credits. The borrower’s credit rating according to the regulations of the People’s Bank of China and the CBIRC, the borrowing purpose, the borrower’s repayment ability, the term and amount of the loan, the issues of connected transaction, etc. are all within the scope of review. After the investigation of the corporate business department, the risk compliance department will conduct a comprehensive investigation and analysis on whether the credit investigation report is appropriate and whether the risks of the proposed granting of the credit and the risk points have been fully revealed. The risk compliance department will submit to the credit examination committee after examination, and the credit examination committee will conduct an independent and objective analysis and collective deliberation on the credit applications and materials and provide opinions, on which the general manager of the Finance Company has a veto power.

LETTER FROM THE BOARD

The Finance Company conducts customer credit ratings every two years. The corporate business department organizes an initial evaluation of the credit ratings of members of the Group and CRRC GROUP every two years, and the risk compliance department is responsible for the review of credit ratings of such members and the credit examination committee is responsible for the final review and determination of the credit ratings.

Furthermore, the audit and accounting department supervises and inspects the implementation and compliance of the Finance Company's internal system, procedures and regulations regarding deposits and loans.

Through reviews of all the levels described above, the Finance Company ensures the safety of its funds and the interest rate pricing to be scientific and in compliance with the laws.

(iii) Risk prevention and pricing mechanism for miscellaneous financial services

The Finance Company has formulated rules and regulations such as "Administrative Measures for Bond Underwriting Business" to regulate the current miscellaneous financial services and the miscellaneous financial services that may be implemented after receiving the approval from regulatory authorities. According to such rules and regulations, the responsible departments, the business management procedures and the internal control mechanisms for the relevant businesses have also been established to prevent risks. The pricing of miscellaneous financial services shall be in compliance with the relevant regulations if the People's Bank of China or the CBIRC has set up standard of charges for the relevant type of services, and shall refer to the level of the fees charged by Major Commercial Banks for the financial services of the same type. The service fee rates charged for miscellaneous financial services are determined mainly with reference to the service fee rates charged to the affiliated members of CRRC GROUP for entrusted loans and letter of guarantees by the Major Commercial Banks, which shall be confirmed upon approval of the head of relevant departments or the general manager of the Finance Company. If the head of relevant departments or the general manager of the Finance Company becomes aware that the fees charged to CRRC GROUP are less favourable to the Finance Company than those charged to other Independent Third Parties (if available) on similar terms and conditions, the Finance Company will negotiate with CRRC GROUP to re-determine the relevant fees to a level that is similar with those charged to other Independent Third Parties.

(3) *Connected transaction management mechanism*

The Company will endeavour to carry out adequate supervision over the corresponding annual caps on the transaction amount of the agreements which involved the continuing connected transactions of the Company with a view of ensuring that necessary measures and appropriate actions for the compliance with applicable requirements under the Hong Kong Listing Rules will be promptly taken. In order to regulate the connected transaction management mechanism, the Finance Company has

LETTER FROM THE BOARD

formulated the “Measures for the Management of Connected Transaction”, according to which, the planning and finance department is responsible for the management and information disclosure of the connected transactions, and the corporate business department, the settlement management department and other relevant departments are responsible for the statistical summary of the connected transactions handled by the departments themselves and the verification with the planning and finance department. The Finance Company ensures to disclose the information of connected transactions in accordance with the provisions of “Connected Transaction Management Rules (H Shares) of CRRC Corporation Limited” and “Connected Transaction Management Rules (A Shares) of CRRC Corporation Limited” in a timely manner.

The corporate business department, the fund management department and other relevant departments of the Finance Company are responsible for daily supervision of the annual caps under the New Financial Services Framework Agreement. The planning and finance department of the Finance Company will collect statistics on the transaction amount on a quarterly basis. When the transaction amount reaches 80% of the annual cap, it will promptly warn and report to the management of the Finance Company and the Company.

The Directors (including independent non-executive Directors) will review the transactions contemplated under the New Financial Services Framework Agreement and their respective annual caps each year, to ensure that the transactions contemplated under the New Financial Services Framework Agreement are conducted in the ordinary and usual course of business of the Company on normal commercial terms and in the interests of the Company and its Shareholders as a whole. The auditor of the Company will perform annual reviews on the transactions contemplated under the New Financial Services Framework Agreement in compliance with the Hong Kong Listing Rules.

IV. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the Latest Practicable Date, CRRC GROUP is the controlling Shareholder directly holding 51.35% of the shares of the Company, and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the New Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The placing of deposits by CRRC GROUP with the Finance Company constitutes a financial assistance provided by the connected person to the Company. As the placing of deposits by CRRC GROUP with the Finance Company and the deposit services provided by the Finance Company to CRRC GROUP are on normal commercial terms which are no less favorable than those offered by Major Commercial Banks for the provision of comparable services in the PRC and are for the benefit of the Group, and no security over the assets of the Group is or will be granted in respect of the placing of deposits and the provision of such deposit services, the placing of deposits by CRRC GROUP with the Finance Company and the deposit services to be provided by the Finance Company to CRRC GROUP under the New Financial Services Framework Agreement are exempt from all Shareholders’ approval, annual reporting and announcement requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

The provision of loans and other credit services by the Finance Company to CRRC GROUP constitutes a financial assistance provided by the Company to its connected person, and therefore constitutes a connected transaction. As the highest applicable percentage ratio in respect of the provision of credit services under the New Financial Services Framework Agreement exceeds 5% on an annual basis, the credit services to be provided by the Finance Company to CRRC GROUP are therefore subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the provision of credit services under the New Financial Services Framework Agreement exceeds 5% but is less than 25%, the credit services to be provided by the Finance Company to CRRC GROUP also constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the provision of miscellaneous financial services under the New Financial Services Framework Agreement exceeds 0.1% but is less than 5%, the miscellaneous financial services to be provided by the Finance Company to CRRC GROUP are therefore subject to the annual reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Two Directors, namely Sun Yongcai and Lou Qiliang, who hold positions in CRRC GROUP, have abstained from voting on the Board resolution in respect of the New Financial Services Framework Agreement and the transactions contemplated thereunder. Save as stated above, none of the Directors have a material interest in the continuing connected transactions contemplated under the New Financial Services Framework Agreement and hence no other Directors have abstained from voting on the relevant Board resolution.

All Directors (including all Independent Non-executive Directors after considering the advice from the Independent Financial Adviser) consider that the New Financial Services Framework Agreement has been entered into after negotiations on an arm's length basis and on normal commercial terms, and the relevant terms and annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, CRRC GROUP is the controlling Shareholder directly holding 51.35% of the shares of the Company. Therefore, CRRC GROUP and its associates will abstain from voting at the AGM on the resolution approving the New Financial Services Framework Agreement, the transactions contemplated thereunder and the proposed annual caps as required under the Hong Kong Listing Rules.

V. INFORMATION OF THE COMPANY, CRRC GROUP AND THE FINANCE COMPANY

The Company

The Company is a joint stock limited company incorporated in the PRC. The Group is the largest rolling stock provider in the world, with the most diverse offerings and leading technologies. The main scope of business of the Company includes research and development, design, manufacturing, refurbishment, sales, leasing and

LETTER FROM THE BOARD

technical support of railway locomotives, MUs, urban rail transit vehicles, engineering machinery, various electromechanical equipment, electronic equipment and components, as well as electric devices and environmental protection equipment; information consultation; business investment and management; asset management; import and export businesses.

CRRC GROUP

CRRC GROUP is a large-scale wholly state-owned enterprise approved for establishment by the State Council of the PRC and the controlling Shareholder of the Company. The principal businesses of CRRC GROUP (through the Company) include research and development, manufacturing, sales, refurbishment and leasing of rolling stock and key components, and the extended businesses relying on the proprietary technology of rolling stock.

The Finance Company

The Finance Company, a subsidiary of the Company, is principally engaged in the provision of deposit services, settlement services, credit services, financial advice services and miscellaneous financial services to CRRC GROUP and its affiliated members at all levels (as described below), subject to the permitted scope of businesses and under the regulation of the CBIRC and the People's Bank of China. As at the Latest Practicable Date, the Finance Company is held by the Company and CRRC GROUP as to 91.36% and 8.64% respectively.

According to the relevant PRC laws such as the regulatory requirements of the CBIRC, the Finance Company, as a non-banking financial institution, is positioned to mainly provide financial services to the Group, CRRC GROUP and the affiliated members of CRRC GROUP (including subsidiaries of CRRC GROUP, companies individually or jointly held as to more than 20% by CRRC GROUP and its subsidiaries, and companies individually or jointly held as to less than 20% by CRRC GROUP and its subsidiaries but with the largest shareholder being CRRC GROUP or its subsidiaries). Currently, in addition to provide industrial chain extension financial services for the upstream suppliers of the Group's industrial chain as approved by China Banking and Insurance Regulatory Commission Beijing Office, the Finance Company does not provide financial services to any third party other than the Group, CRRC GROUP and the affiliated members of CRRC GROUP as mentioned above.

VI. AGM

If you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, on or before Friday, 28 May 2021.

If you intend to attend the AGM by proxy, you are required to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, in person or by post not less than 24 hours before the time stipulated for convening the AGM

LETTER FROM THE BOARD

or any adjourned meeting thereof in any event. The Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Telephone: (852) 2862 8555). Completion and return of the form of proxy will not preclude you from attending, and voting at, the AGM or any adjourned meeting if you so wish.

VII. VOTING BY WAY OF POLL

In accordance with the requirements of the Hong Kong Listing Rules, the resolutions set out in the notice of the AGM will be voted by way of poll. Voting results will be uploaded to the website of the Company at www.crrcgc.cc and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk upon the conclusion of the AGM.

VIII. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 26 to 27 of this circular and the letter of advice from the Independent Financial Adviser set out on pages 28 to 47 of this circular. The Independent Shareholders are advised to read the aforesaid letters before decision as to how to vote on the resolution to approve the New Financial Services Financial Agreement, the transactions contemplated thereunder and the relevant annual caps.

The Directors (including the Independent Non-executive Directors after considering the advice from the Independent Financial Adviser) consider that the resolutions as set out in the notice of the AGM are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the above proposed resolutions.

IX. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
CRRC Corporation Limited
Sun Yongcai
Chairman

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

中國中車股份有限公司 CRRC CORPORATION LIMITED

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

(Stock code: 1766)

18 May 2021

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION – ENTERING INTO NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT

We refer to the circular of the Company to the Shareholders dated 18 May 2021 (the “**Circular**”), of which this letter forms part. Terms defined therein shall have the same meanings when used in this letter unless the context otherwise requires. We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, the New Financial Services Framework Agreement and the relevant proposed annual caps for the transactions contemplated thereunder for the three years ending 31 December 2024 are fair and reasonable in so far as the Independent Shareholders are concerned.

Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the New Financial Services Framework Agreement and the relevant proposed annual caps for the transactions contemplated thereunder for the three years ending 31 December 2024. The letter from the Independent Financial Adviser, which contains its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 28 to 47 of the Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 5 to 25 of the Circular and the additional information set out in Appendix I to the Circular. Having taken into account the terms of the New Financial Services Framework Agreement and having considered the interests of the Independent Shareholders and the advice from the Independent Financial Adviser, we consider that the New Financial Services Framework Agreement and the relevant proposed annual caps for the transactions contemplated thereunder for the three years ending 31 December 2024 are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group conducted through the Finance Company; and (iii) in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution to approve the New Financial Services Framework Agreement and the relevant proposed annual caps for the transactions contemplated thereunder for the three years ending 31 December 2024.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
CRRC Corporation Limited
Li Guo'an, Sun Patrick,
Shi Jianzhong, Zhu Yuanchao
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Financial Services Framework Agreement and the relevant proposed annual caps for the transactions contemplated thereunder for the purpose of incorporation into this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

18 May 2021

*To: the Independent Board Committee and
the Independent Shareholders of CRRC Corporate Limited*

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION – ENTERING INTO NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the provision of credit services by the Finance Company to CRRC GROUP contemplated under the New Financial Services Framework Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 18 May 2021 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT

As stated in the Letter from the Board, on 30 March 2021, the Finance Company and CRRC GROUP entered into the New Financial Services Framework Agreement for an effective term from 1 January 2022 to 31 December 2024.

As at the Latest Practicable Date, CRRC GROUP is the controlling Shareholder directly holding 51.35% of the shares of the Company, and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the New Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The placing of deposits by CRRC GROUP with the Finance Company constitutes a financial assistance provided by the connected person to the Company. As the placing of deposits by CRRC GROUP with the Finance Company and the deposit services provided by the Finance Company to CRRC GROUP are on normal commercial terms which are no less favorable than those offered by Major Commercial Banks for the provision of comparable

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

services in the PRC and are for the benefit of the Group, and no security over the assets of the Group is or will be granted in respect of the placing of deposits and the provision of such deposit services, the placing of deposits by CRRC GROUP with the Finance Company and the deposit services to be provided by the Finance Company to CRRC GROUP under the New Financial Services Framework Agreement are exempt from all Shareholders' approval, annual reporting and announcement requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The provision of loans and other credit services by the Finance Company to CRRC GROUP constitutes a financial assistance provided by the Company to its connected person, and therefore constitutes a connected transaction. As the highest applicable percentage ratio in respect of the provision of credit services under the New Financial Services Framework Agreement (the “**Non-exempt Continuing Connected Transactions**”) exceeds 5% on an annual basis, the Non-exempt Continuing Connected Transactions are therefore subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the Non-exempt Continuing Connected Transactions exceeds 5% but is less than 25%, the Non-exempt Continuing Connected Transactions also constitute a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules.

The AGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the New Financial Services Framework Agreement. As at the Latest Practicable Date, CRRC Group is the controlling Shareholder directly holding 51.35% of the shares of the Company. Therefore, CRRC GROUP and its associates will abstain from voting at the AGM on the resolution approving the New Financial Services Framework Agreement, the transactions contemplated thereunder and the proposed annual caps as required under the Hong Kong Listing Rules.

Two Directors, namely Sun Yongcai and Lou Qiliang, who hold positions in CRRC GROUP, have abstained from voting on the Board resolution in respect of the New Financial Services Framework Agreement and the transactions contemplated thereunder. Save as stated above, none of the Directors have a material interest in the continuing connected transactions contemplated under the New Financial Services Framework Agreement and hence no other Directors have abstained from voting on the relevant Board resolution.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Guo'an, Mr. Sun Patrick, Mr. Shi Jianzhong and Mr. Zhu Yuanchao, has been established by the Company for the purpose of advising the Independent Shareholders as to whether: (i) the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote on the relevant resolution to be proposed at the AGM in relation to the Non-exempt Continuing Connected Transactions. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Group, the CRRC GROUP, or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, we have not acted as an independent financial adviser to the Company. Apart from normal independent financial advisory fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the CRRC GROUP or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Hong Kong Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, among other things:

- (i) the Existing Financial Services Framework Agreement;
- (ii) the New Financial Services Framework Agreement;
- (iii) the annual report of the Company for the year ended 31 December (“FY”) 2020 (the “**2020 Annual Report**”);
- (iv) the annual report of the Company for FY2019 (the “**2019 Annual Report**”); and
- (v) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete and not misleading or deceptive in all material respects at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the AGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has 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 Management, which have been provided to us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed in the Circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in the Circular, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Non-exempt Continuing Connected 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Background of the Non-exempt Continuing Connected Transactions

Reference is made to the announcement of the Company dated 26 April 2018 where it was announced, among other things, that the Finance Company entered into the Existing Financial Services Framework Agreement with CRRC GROUP.

As the Existing Financial Services Framework Agreement will expire on 31 December 2021, the Company had on 30 March 2021 entered into the New Financial Services Framework Agreement with CRRC GROUP to extend the term for the Non-exempt Continuing Connected Transactions.

2. Information on the parties

The Company

The Company is a joint stock limited company incorporated in the PRC. The Group is the largest rolling stock provider in the world, with the most diverse offerings and leading technologies. The main scope of business of the Company includes research and development, design, manufacturing, refurbishment, sales, leasing and technical support of railway locomotives, multiple units, urban rail transit vehicles, engineering machinery, various electromechanical equipment, electronic equipment and components, as well as electric devices and environmental protection equipment; information consultation; business investment and management; asset management; import and export businesses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CRRC GROUP

CRRC GROUP is a large-scale wholly state-owned enterprise approved for establishment by the State Council of the PRC and the controlling Shareholder of the Company. The principal businesses of CRRC GROUP (through the Company) include research and development, manufacturing, sales, refurbishment and leasing of rolling stock and key components, and the extended businesses relying on the proprietary technology of rolling stock.

The Finance Company

The Finance Company, a subsidiary of the Company, is principally engaged in the provision of deposit services, settlement services, credit services, financial advice services and miscellaneous financial services to CRRC GROUP and its affiliated members at all levels (as described below), subject to the permitted scope of businesses and under the regulation of the CBIRC and the People's Bank of China. As at the Latest Practicable Date, the Finance Company is held by the Company and CRRC GROUP as to 91.36% and 8.64% respectively.

According to the relevant PRC laws such as the regulatory requirements of the CBIRC, the Finance Company, as a non-banking financial institution, is positioned to mainly provide financial services to the Group, CRRC GROUP and the affiliated members of CRRC GROUP (including subsidiaries of CRRC GROUP, companies individually or jointly held as to more than 20% by CRRC GROUP and its subsidiaries, and companies individually or jointly held as to less than 20% by CRRC GROUP and its subsidiaries but with the largest shareholder being CRRC GROUP or its subsidiaries). Currently, in addition to provide industrial chain extension financial services for the upstream suppliers of the Group's industrial chain as approved by China Banking and Insurance Regulatory Commission Beijing Office, the Finance Company does not provide financial services to any third party other than the Group, CRRC GROUP and the affiliated members of CRRC GROUP as mentioned above.

3. New Financial Services Framework Agreement

Principal terms

Date: 30 March 2021

Parties: The Finance Company and CRRC GROUP

Transaction details:

The Finance Company shall provide the following financial services to CRRC GROUP pursuant to the New Financial Services Framework Agreement (under the New Financial Services Framework Agreement, reference to CRRC GROUP shall include CRRC GROUP, its subsidiaries and its associates, but excluding the Group):

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (1) Deposit services: CRRC GROUP shall open domestic currency and foreign currency deposit account in the Finance Company 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.
- (2) Credit services: subject to relevant laws and regulations in the PRC and the risk control requirements of the Finance Company, depending on the operational and development needs of CRRC GROUP, the Finance Company shall provide domestic currency and foreign currency credit services approved by the regulatory authorities to CRRC GROUP, including loans, discounted bills, financial leasing, buyer's credit, accounts receivable factoring, various types of letter of guarantees and bill acceptances, etc.
- (3) Miscellaneous financial services: the Finance Company shall also provide miscellaneous financial services within its business scope to CRRC GROUP, including but not limited to, provision of services of consultancy, agency, settlement, transfer, foreign exchange settlement and sales, investment, financial leasing, letter of credit, online banking, entrusted loans, guarantees, bill acceptances and underwriting. For avoidance of any doubt, the "financial leasing, guarantees and bill acceptances" mentioned in miscellaneous financial services cover the service fees charged by the Finance Company in relation to such services.

The Finance Company and CRRC GROUP shall enter into separate agreements in respect of the transactions contemplated under the New Financial Services Framework Agreement and such agreements shall be in compliance with the terms and principles set out in the New Financial Services Framework Agreement and relevant laws and regulations.

Term:

Effective from 1 January 2022 to 31 December 2024, subject to extension or renewal with consent of both parties provided that it is in compliance with the relevant laws and regulations and the listing rules of the places of listing of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing policy:

(1) Deposit services:

- (i) The interest rate for CRRC GROUP's deposit with the Finance Company shall be made with reference to the benchmark interest rate for the same period promulgated by the People's Bank of China for the same type of deposit, and shall be no higher than the interest rate for the same period determined by banking financial institution for the same type of deposit from CRRC GROUP or the third parties of equal standing.

If the Finance Company also provides deposit services to Independent Third Parties, the interest rate offered by the Finance Company for CRRC GROUP's deposit shall be no higher than the interest rate for the same period for the same type of deposit offered by the Finance Company to such Independent Third Parties of equal standing with CRRC GROUP.

- (ii) The Finance Company shall ensure the capital safety in respect of CRRC GROUP's deposits, and timely and fully meet capital demands upon its withdrawal request. Where the Finance Company fails to make full and timely payment to CRRC GROUP at its request for withdrawal of deposits, CRRC GROUP has the right to terminate the New Financial Services Framework Agreement and may also offset the amount of deposits payable by the Finance Company against its loans provided by the Finance Company in accordance with the provisions of applicable laws.

(2) Credit services:

- (i) The interest rate or fee rate for credit services provided by the Finance Company to CRRC GROUP shall be determined with reference to the benchmark interest rate or fee rate for the same period promulgated by the People's Bank of China for the same type of business, and shall be no lower than the interest rate or fee rate for the same period determined by banking financial institution for the same type of credit business to CRRC GROUP or third parties of equal standing.

If the Finance Company also provides credit services to Independent Third Parties, the interest rate or fee rate quoted by the Finance Company to CRRC GROUP shall be no lower than the interest rate or fee rate for the same period for the same type of business quoted by the Finance Company to such Independent Third Parties of equal standing with CRRC GROUP.

- (ii) Where CRRC GROUP fails to repay the debts incurred from the abovementioned credit services provided by the Finance Company in full and in time, the Finance Company has the right to terminate the New Financial Services Framework Agreement and may also offset the amount of debts payable by CRRC GROUP against CRRC GROUP's deposits with the Finance Company in accordance with the provisions of applicable laws.

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(3) Miscellaneous financial services:

- (i) The agency fees, handling fees or other service fees in domestic currency or foreign currency charged by the Finance Company for the provision of the miscellaneous financial services to CRRC GROUP shall comply with the relevant prescribed rates for such services as determined by the People's Bank of China or the CBIRC. In addition, such fees shall be determined with reference to those charged by Major Commercial Banks in the PRC for the provision of comparable financial services.

If the Finance Company also provides miscellaneous financial services to Independent Third Parties, the fees charged by the Finance Company to CRRC GROUP shall be no lower than those charged by the Finance Company for the same type of services to Independent Third Parties of equal standing with CRRC GROUP.

- (ii) Subject to compliance with the New Financial Services Framework Agreement, CRRC GROUP and the Finance Company shall enter into specific contracts/agreements to set out detailed transaction terms with regard to the relevant specific financial services. Such specific contracts/agreements shall comply with the principles and terms set out under the New Financial Services Framework Agreement and applicable laws.

Payment terms:

The relevant interests, fees and other expenses for the transactions contemplated under the New Financial Services Framework Agreement will be paid in accordance with the specific terms as agreed under separate agreements from time to time.

Assessment on the principal terms of the Non-exempt Continuing Connected Transactions

As the Existing Financial Services Framework Agreement will expire on 31 December 2021, the New Financial Services Framework Agreement was entered into on 30 March 2021 between the Finance Company and CRRC GROUP, subject to the approval by the Independent Shareholders, to regulate the continuing connected transaction for the provision of financial services between the Finance Company and CRRC GROUP.

The pricing policy and all other material terms and conditions of the Non-exempt Continuing Connected Transactions under the New Financial Services Framework Agreement remained the same as the Existing Financial Services Framework Agreement.

As stated in the Letter from the Board, the interest rate or fee rate for credit services provided by the Finance Company to CRRC GROUP shall be: (i) determined with reference to the benchmark interest rate or fee rate for the same period promulgated by the People's Bank of China for the same type of business; (ii) no

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lower than the interest rate or fee rate for the same period determined by Major Commercial Banks for the same type of credit business to CRRC GROUP or other parties of equal standing; and (iii) no lower than the interest rate or fee rate for the same period for the same type of business quoted by the Finance Company to Independent Third Parties of equal standing with CRRC GROUP.

We have randomly selected, obtained and reviewed: (i) six sample records between the Finance Company and CRRC GROUP under the Existing Financial Services Framework Agreement (the “**CRRC Credit Samples**”); (ii) two sample records of credit services (provision of facilities) entered into between the Finance Company and upstream suppliers of the Group’s industrial chain which are independent to the Group (the “**I3P Credit Sample A**”); and (iii) one sample record of credit services entered into between CRRC Group and independent third party (the “**I3P Credit Sample B**”), during FY2019, FY2020 and the three months ended 31 March (the “**3M**”) 2021 (collectively referred as the “**Review Period**”).

From the review of the CRRC Credit Samples, we noted that the interest rate or fee rate for credit services provided by the Finance Company to CRRC GROUP as set out in the CRRC Credit Samples was determined with reference to the benchmark interest rate or fee rate for the same period promulgated by the People’s Bank of China for the same type of business. From the review of the I3P Credit Sample A, we noted that a standard calculation of the interest rate or fee rate was adopted by making reference to an interest rate which would be updated by the Finance Company on a regular basis. After our enquiry and the discussion with the Management, we understand that the interest rate quoted by the Finance Company to CRRC GROUP for the same period for the same type of business was not lower than the interest rate quoted by the Finance Company to the Independent Third Parties. We have also compared the interest rates of credit services adopted in the CRRC. Credit Samples against the borrowing interest rates adopted in I3P Credit Sample B. It is noted that the interest rates or fee rates for credit services provided by the Finance Company to CRRC GROUP as set out in the CRRC Credit Samples were not lower than the interest rates for the same period offered by Major Commercial Banks for the same type of credit business to CRRC GROUP.

We consider that the sample sizes of both the CRRC Credit Samples and I3P Credit Sample A are sufficient and representative to facilitate our analysis after considering: (i) they were randomly selected; (ii) there were samples selected from each year/period of the Review Period; and (iii) they covered different duration of repayment periods. Therefore, we are of the view that the credit services entered into between the Finance Company and CRRC GROUP were conducted in compliance with the pricing policy as set out in the Existing Financial Services Framework Agreement. It is also noted that the Finance Company did not provide credit services to independent third parties except for the upstream suppliers of the Group’s industrial chain which are independent to the Group during the Review Period.

Having considered the above, we concur with the Directors that the terms in relation to the credit services of the New Financial Services Framework Agreement are on normal commercial terms.

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4. Analysis on maximum daily balance of the Non-exempt Continuing Connected Transactions under the New Financial Services Framework Agreement

Set out below are: (i) the existing maximum daily balance of credit services (including accrued interests) under the Existing Financial Services Framework Agreement (the “Existing Maximum Daily Balance”) during the Review Period; (ii) the historical maximum daily balance of credit services (including accrued interests) provided by the Finance Company to CRRC GROUP and/or its associates during the Review Period (the “Historical Maximum Daily Balance”); (iii) the utilisation of the Existing Maximum Daily Balance during the Review Period; and (iv) the proposed maximum daily domestic currency and foreign currency balance of credit (including accrued interests) granted by the Finance Company to CRRC GROUP and/or its associates (the “Proposed Maximum Daily Balance”) for FY2022, FY2023 and FY2024.

	FY2019	FY2020	FY2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Existing Maximum Daily Balance	8,500	12,000	15,000
	FY2019	FY2020	3M2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Historical Maximum Daily Balance	8,340	10,233	10,946
Utilisation of the Existing Maximum Daily Balance	98.1%	85.3%	73.0%
	FY2022	FY2023	FY2024
	<i>equivalent</i>	<i>equivalent</i>	<i>equivalent</i>
	<i>to RMB</i>	<i>to RMB</i>	<i>to RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Proposed Maximum Daily Balance	15,000	16,000	17,000

As stated in the Letter from the Board, the Proposed Maximum Daily Balance was determined by referring to a number of factors, particularly:

- (i) The credit services provided by the Finance Company to CRRC GROUP experienced a substantial increase in terms of transaction amount for the previous years, with RMB8,340 million, RMB10,233 million and RMB10,946 million being the maximum daily balance of credit (including accrued interests) for each of the two financial years ended 31 December 2020 and the three months ended 31 March 2021, respectively, and the highest historical utilization rate for the caps of the maximum daily balance of credit (including accrued interests) under the Existing Financial Services Framework Agreement reaching approximately 98.1%, and such increase is expected to continue for the three years ending 31 December 2024. With reference to such historical transaction amounts and taking into

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consideration CRRC GROUP's development plan for developing urban rail PPP business platform, new energy vehicle and other strategic emerging industries, it is expected that the proposed maximum daily balance of credit in domestic currency and foreign currency (including accrued interest) granted by the Finance Company to CRRC GROUP for the three years ending 31 December 2024 will be equivalent to RMB15,000 million, equivalent to RMB16,000 million and equivalent to RMB17,000 million, respectively.

- (ii) The national measures to accelerate the establishment of a new development pattern and build a strong transportation country will create a good opportunity for CRRC GROUP to maintain stable growth. The comprehensive deepening of reforms and the continuous deepening of the mixed-ownership reform will provide new vitality to the development of CRRC GROUP. Besides focusing on rail transportation equipment business, CRRC GROUP, through its other subsidiaries, also strives to develop strategic emerging industries such as urban rail PPP business platform, new energy vehicle industry, ecological and environmental protection industry and new materials industry, which will bring the Finance Company new business opportunities for its provision of credit services including loans, financial leasing, merger and acquisition loans, etc. The following new business development of CRRC GROUP and the corresponding estimated transaction amounts have been taken into consideration when the annual caps are set:
- (a) CRRC GROUP and its affiliated members have gradually established the urban rail PPP platforms and environmental engineering PPP platforms. Currently, CRRC GROUP has invested in an urban rail PPP project located in Jiangsu Province, the PRC, which requires a debt financing of approximately RMB8,500 million. In the future, CRRC GROUP and its affiliated members propose to further expand the investment in urban rail PPP business. Considering the current debt financing needs of urban rail PPP business and the future potential developments, it is estimated that the Finance Company will face great opportunities in term of providing credit services to CRRC GROUP and its associates for PPP business.
- (b) CRRC Electric Vehicle Co., Ltd.* (中車時代電動汽車股份有限公司) (“**CRRC Electric**”), a subsidiary of CRRC GROUP, is a leading manufacturer of new energy bus in the PRC, with the capability of being provider of components, system and whole car within the new energy bus industry. New energy bus industry is within the industries supported by the national environmental protection policy, and its industrial position is relatively stable. In recent years, the industry has begun to face a reshuffle, and the market share has gradually concentrated to industry-leading companies.

After the development for the past few years, CRRC Electric has steadily increased its market share. In 2020, its domestic market share was close to 9%, representing an increase of approximately 40% as compared to that of 2018. Currently, CRRC GROUP attaches much importance to the development of new energy vehicle business and strive to build better and

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stronger new energy vehicle business in the next three years. CRRC Electric has gradually planned to invest in the establishment of production bases in various cities to cultivate local electric bus market. As such, the business scale of CRRC Electric is expected to grow rapidly. The development of CRRC GROUP's new energy vehicle business will provide great opportunities for the Finance Company to expand its loan and financial leasing businesses.

In addition to borrowing from the Finance Company, the balance of loans of CRRC Electric from other institutions as at 31 December 2019, 31 December 2020 and 31 March 2021 amounted to RMB1,044 million, RMB1,409 million and RMB1,904 million, respectively. In 2020, the maximum balance of loans of CRRC Electric amounted to approximately RMB3,700 million, representing a year-on-year increase of approximately 30%. With the development of the business of CRRC Electric, the Finance Company is expected to provide loans and financial leasing for CRRC GROUP's new energy vehicle business through the replacement of external bank loans for the three years ending 31 December 2024.

Considering the above factors, it is expected that the annual maximum balance of loans of CRRC Electric for the three years ending 31 December 2024 will amount to RMB4,500 million, RMB5,500 million, and RMB6,500 million, respectively.

- (c) The business growth and development of CRRC GROUP and its affiliated members in other emerging industries will also bring great opportunities for the Finance Company to develop working capital loans, fixed asset loans, merger and acquisition loans and other new forms of credit services.
 - (d) Taking into account of the historical transaction amounts and above future potential development of CRRC GROUP and its affiliated members, the Company considers it reasonable to set the annual cap for the year ending 31 December 2022 equivalent to RMB15,000 million, which is basically same as the annual cap for the year ending 31 December 2021 under the Existing Financial Framework Agreement, with a year-on-year increase of approximately 7% for each of the two years ending 31 December 2024.
- (iii) According to the relevant PRC laws, the Finance Company, as a non-banking financial institution, can only provide credit services to the Company, CRRC GROUP and its affiliated members. For the three years ended 31 December 2020, the Finance Company had total assets of RMB35,586 million, RMB45,100 million and RMB36,207 million respectively, with interbank fixed term deposit and current deposit of RMB17,796 million, RMB23,625 million and RMB13,578 million for the corresponding year. The Finance Company has sufficient funds to accommodate the development needs of CRRC GROUP while increasing its business volume, revenue and profit, and bringing economic benefits to the Group.

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- (iv) The Company is of the view that, when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. However, same as the actual implementation of the continuing connected transactions historically, the Finance Company and CRRC GROUP will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that Finance Company and CRRC GROUP shall transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive Directors and auditors will give opinion on the continuing connected transactions to receive supervision of the independent Shareholders.

In assessing the fairness and reasonableness of the Proposed Maximum Daily Balance under the New Financial Services Framework Agreement, we have taken into account the following factors:

- (i) the Historical Maximum Daily Balance increased significantly from approximately RMB8,340 million for FY2019 to approximately RMB10,233 million for FY2020, representing an increase of approximately 22.7%;
- (ii) the utilisation of the Existing Maximum Daily Balance for FY2019 and FY2020 was more than 98% and 85% respectively;
- (iii) the Historical Maximum Daily Balance for 3M2021 amounted to approximately RMB10,946 million which already accounted for more than 70% of the Existing Maximum Daily Balance for FY2021 and more than the Historical Maximum Daily Balance of approximately RMB10,233 million for FY2020;
- (iv) although there was an increasing trend in the Historical Maximum Daily Balance during the Review Period, the Proposed Maximum Daily Balance for FY2022 is estimated to be equivalent to RMB15,000 million, which is at the same level as the Existing Maximum Daily Balance for FY2021;
- (v) the Proposed Maximum Daily Balance for FY2023 is estimated to be equivalent to RMB16,000 million represents a mild increase of approximately 6.7% compared with that for FY2022 and the difference of RMB1,000 million is contemplated to serve as a buffer; and
- (vi) the Proposed Maximum Daily Balance for FY2024 is estimated to be equivalent to RMB17,000 million represents an insignificant increase of approximately 6.3% compared with that for FY2023 and the difference of RMB1,000 million is contemplated to serve as a buffer;

Having taken into account of the above, we are of the view that the determining bases of the Proposed Maximum Daily Balance under the New Financial Services Framework Agreement to be fair and reasonable so far as the Independent Shareholders are concerned.

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5. Reasons for and benefits of entering into the New Financial Services Framework Agreement

As stated in the Letter from the Board, the Finance Company is a non-bank financial institution of the Group under the supervision of the relevant regulatory authorities and has a well-functioning internal control and risk management system. The Finance Company is also familiar with the operations of CRRC GROUP, which is advantageous for the Finance Company in providing CRRC GROUP with custom-made and efficient financial services. The entering into of the New Financial Services Framework Agreement is also beneficial for the Finance Company to expand its financing channels, enhance its efficiency of fund usage and reduce its financing cost. Furthermore, the interest rates for credit services under the New Financial Services Framework Agreement are set pursuant to the normal commercial terms and in the interests of the Company and the Shareholders. CRRC GROUP is a large state-owned enterprise under the direct management of the SASAC and holds a sound reputation in the financial market. Taking into account the creditworthiness of CRRC GROUP, and on the condition of strict risk control of the Finance Company, the Company considers that providing credit services to CRRC GROUP through the Finance Company is a low-risk fund investment option and will generate a considerable return for the Group.

6. Measures of Internal Control

As set out in the Letter from the Board, the Finance Company, being a non-bank financial institution of the Group is operating under the supervision of the relevant regulatory authorities which has a well-established internal control and risk management system to safeguard the interests of the Company with the adoption of different rules and regulations have been formulated by the corresponding departments.

(1) A sound corporate governance structure

The Finance Company has established a sound corporate governance structure, consisting of the general meeting, the board of directors, the supervisory committee and the management. Under the board of directors, a strategic decision-making committee, an audit and risk management committee and an information technology management committee have been established. These committees consist of specialized personnel and adopt collective decision-making procedures to ensure the decisions to be scientific and reasonable. Under the management, the credit examination committee and investment decision-making committee have also been set up.

In order to ensure the compliance of operation, the Finance Company has also established nine functional departments based on its business development and internal control demands. These functional departments are namely, the capital management department, the corporate business department, the international business department, the settlement management department, the information technology department, the planning and finance department, the risk compliance department, the audit and accounting department and the comprehensive management department. Documents named “Letter of Duties of Departments” and “Letter of Responsibilities of Positions” have been formulated to explicitly divide the duties and responsibilities among various departments and positions. Furthermore, the Finance Company has established a system

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of rules and regulations which satisfies the requirements of internal management for financial institutions, with a total of 174 currently effective rules and regulations that cover three major controlling levels of the Finance Company, namely, the corporate level (i.e., governance structure, risk assessment, control activities, information and communication, as well as internal supervision), the business level (i.e., budget and finance, settlement business, credit business, capital business, international business and financial market business), and the comprehensive level (i.e., administrative management and information technology).

The Finance Company always adheres to the principle of managing and operating pursuant to the laws and regulations, and actively undertakes the corporate social responsibility. The CBIRC has not raised any major query concerning the Finance Company since its establishment.

(2) *Scientific compliance risk prevention and pricing mechanism for financial products and services*

(i) *Risk prevention and pricing mechanism for deposit services*

In order to prevent the risk of deposits, the Finance Company has established a management and control mechanism to ensure the liquidity, security and rationality of interest rate pricing of the funds. The Finance Company has also established a deposit reserve system to monitor the liquidity of funds on a daily basis, to prevent the liquidity risk of funds and to ensure the security of funds.

The Finance Company has established a deposit interest rate pricing decision-making panel. The leader of the panel is the general manager of the Finance Company. The other members of the panel include the heads and persons in charge of the settlement management department, the international business department, the fund management department, the corporate business department, and the risk compliance department, to collectively review the pricing strategies, rules, procedures and authorizations of deposit interest rates, and has set up the settlement management department and the international business department to take charge of the execution and implementation of the pricing policies for the deposits in Renminbi and foreign currencies, respectively. In addition, the risk compliance department is responsible for reviewing the compliance and legitimacy of the interest rate pricing plan, and the audit and accounting department and the planning and finance department are responsible for supervising and auditing the implementation of the interest rate pricing and management.

According to the “Administrative Measures on Deposit Interest Rate Pricing”, interest rate pricing of deposit services must follow the principles of marketization, differentiation and compliance. The interest rate pricing of deposit services of the Finance Company is determined based on the comprehensive consideration of the financial market environment and other factors, and with reference to the benchmark interest rate in the same period specified by the

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People's Bank of China for deposits of the same type, and the interest rate determined by the banking financial institutions in the same period for the same type of deposits from third parties of equal standing.

The deposit interest rate pricing decision-making panel shall determine the posted deposit interest rate, and the actual implemented deposit interest rate will fluctuate within a certain ratio, which shall be reported to the general manager of the Finance Company for approval; if the fluctuation exceeds such ratio, it shall be reported to the deposit interest rate pricing decision-making panel for consideration and further implementation. If the deposit interest rate pricing decision-making panel becomes aware that the interest rate offered to CRRC GROUP are less favourable to the Finance Company than those offered to other Independent Third Parties (if available) on similar terms and conditions, the Finance Company will negotiate with CRRC GROUP to re-determine the interest rate to a level that is similar with those offered to other Independent Third Parties.

(ii) Risk prevention and interest rate pricing mechanism for credit services

The Finance Company has formulated a series of rules and regulations such as "Working Rules for Credit Examination Committee", "Administrative Measures for Self-Operated Loans Business" and "Operation Procedures for Revolving Line Loans", and has established special departments and committees, including but not limited to the corporate business department, the risk compliance department and the credit examination committee, to maintain the risk management and internal control environment of credit services.

The credit examination committee is the examination and approval authority for the pricing of loan interest rates. The head of the business department serves as the chairman of the credit examination committee. The full-time members include the deputy general manager, and the persons in charge of the fund management department, the settlement management department, the planning and finance department, and the risk compliance department of the Finance Company.

The interest rate for each loan shall be determined based on the benchmark interest rate promulgated by the People's Bank of China and with reference to the interest rate charged by the Major Commercial Banks to CRRC GROUP, and comprehensively considering the corporate credit rating, credit guarantees and other factors. If the credit examination committee becomes aware that the interest rate for the credit services offered to CRRC GROUP are less favourable to the Finance Company than those offered to other Independent Third Parties (if available) on similar terms and conditions, the Finance Company will negotiate with CRRC GROUP to re-determine the interest rate to a level that is similar with those offered to other Independent Third Parties.

The corporate business department is responsible for the credit investigation before granting credits. The borrower's credit rating according to the regulations of the People's Bank of China and the CBIRC, the borrowing purpose, the

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borrower's repayment ability, the term and amount of the loan, the issues of connected transaction, etc. are all within the scope of review. After the investigation of the corporate business department, the risk compliance department will conduct a comprehensive investigation and analysis on whether the credit investigation report is appropriate and whether the risks of the proposed granting of the credit and the risk points have been fully revealed. The risk compliance department will submit to the credit examination committee after examination, and the credit examination committee will conduct an independent and objective analysis and collective deliberation on the credit applications and materials and provide opinions, on which the general manager of the Finance Company has a veto power.

The Finance Company conducts customer credit ratings every two years. The corporate business department organizes an initial evaluation of the credit ratings of members of the Group and CRRC GROUP every two years, and the risk compliance department is responsible for the review of credit ratings of such members and the credit examination committee is responsible for the final review and determination of the credit ratings.

Furthermore, the audit and accounting department supervises and inspects the implementation and compliance of the Finance Company's internal system, procedures and regulations regarding deposits and loans.

Through reviews of all the levels described above, the Finance Company ensures the safety of its funds and the interest rate pricing to be scientific and in compliance with the laws.

(iii) Risk prevention and pricing mechanism for miscellaneous financial services

The Finance Company has formulated rules and regulations such as "Administrative Measures for Bond Underwriting Business" to regulate the current miscellaneous financial services and the miscellaneous financial services that may be implemented after receiving the approval from regulatory authorities. According to such rules and regulations, the responsible departments, the business management procedures and the internal control mechanisms for the relevant businesses have also been established to prevent risks. The pricing of miscellaneous financial services shall be in compliance with the relevant regulations if the People's Bank of China or the CBIRC has set up standard of charges for the relevant type of services, and shall refer to the level of the fees charged by Major Commercial Banks for the financial services of the same type. The service fee rates charged for miscellaneous financial services are determined mainly with reference to the service fee rates charged to the affiliated members of CRRC GROUP for entrusted loans and letter of guarantees by the Major Commercial Banks, which shall be confirmed upon approval of the head of relevant departments or the general manager of the Finance Company. If the head of relevant departments or the general manager of the Finance Company becomes aware that the fees charged to CRRC GROUP are less favourable to the Finance Company than those charged to other Independent Third Parties (if available) on

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similar terms and conditions, the Finance Company will negotiate with CRRC GROUP to re-determine the relevant fees to a level that is similar with those charged to other Independent Third Parties.

(3) Connected transaction management mechanism

The Company will endeavour to carry out adequate supervision over the corresponding annual caps on the transaction amount of the agreements which involved the continuing connected transactions of the Company with a view of ensuring that necessary measures and appropriate actions for the compliance with applicable requirements under the Hong Kong Listing Rules will be promptly taken. In order to regulate the connected transaction management mechanism, the Finance Company has formulated the “Measures for the Management of Connected Transaction”, according to which, the planning and finance department is responsible for the management and information disclosure of the connected transactions, and the corporate business department, the settlement management department and other relevant departments are responsible for the statistical summary of the connected transactions handled by the departments themselves and the verification with the planning and finance department. The Finance Company ensures to disclose the information of connected transactions in accordance with the provisions of “Connected Transaction Management Rules (H Shares) of CRRC Corporation Limited” and “Connected Transaction Management Rules (A Shares) of CRRC Corporation Limited” in a timely manner.

The corporate business department, the fund management department and other relevant departments of the Finance Company are responsible for daily supervision of the annual caps under the New Financial Services Framework Agreement. The planning and finance department of the Finance Company will collect statistics on the transaction amount on a quarterly basis. When the transaction amount reaches 80% of the annual cap, it will promptly warn and report to the management of the Finance Company and the Company.

The Directors (including independent non-executive Directors) will review the transactions contemplated under the New Financial Services Framework Agreement and their respective annual caps each year, to ensure that the transactions contemplated under the New Financial Services Framework Agreement are conducted in the ordinary and usual course of business of the Company on normal commercial terms and in the interests of the Company and its Shareholders as a whole. The auditor of the Company will perform annual reviews on the transactions contemplated under the New Financial Services Framework Agreement in compliance with the Hong Kong Listing Rules.

Regarding the effectiveness of the aforementioned internal control and risk management system, we have obtained and reviewed: (i) the relevant rules and regulations adopted by the Company; (ii) two samples of review records conducted by the corporate business department before granting credits during the Review Period (the “**Review Records**”); (iii) two samples of examination records conducted by the risk compliance department during the Review Period (the “**Examination Records**”); (iv)

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two samples of review records conducted by the credit examination committee during the Review Period (the “**Credit Records**”); and (v) two internal approval records during the Review Period (the “**Approval Records**”).

From the review of the Review Records, it is noted several factors such as borrower’s credit rating according to the regulations of the People’s Bank of China and the CBIRC, the borrowing purpose, the borrower’s repayment ability, the term and amount of the loan were considered by the corporate business department before granting credits which is consistent with the scope of review as set out in the Letter from the Board. From the review of the Examination Records, it is noted that risk analysis on the proposed granting of the credit were conducted and the comprehensiveness of risk points was assessed which are consistent with the procedure as set out in the Letter from the Board. From the review of the Credit Records, it is noted that relevant opinions were provided by the credit review committee after their analysis which is consistent with the procedure as set out in the Letter from the Board. From the review of the Approval Records, it is noted that relevant approvals were granted and obtained which is consistent with the procedure as set out in the Letter from the Board.

In view of the above, we are of the view that an effective internal control and risk management system are in place.

RECOMMENDATION

In relation to the New Financial Services Framework Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Maximum Daily Balance, we have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- (a) the entering into of the New Financial Services Framework Agreement with CRRC Group falls within the ordinary and usual course of business of the Group and is in the interest of the Group and the Shareholders as a whole;
- (b) the terms of the New Financial Services Framework Agreement are on normal commercial terms;
- (c) the Proposed Maximum Daily Balance is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (d) the Group has adequate internal control system in place.

Having considered the above, we are of the view that the New Financial Services Framework Agreement is entered into in the ordinary and usual course of business of the Group on normal commercial terms, and the terms of the New Financial Services Framework Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Maximum Daily Balance are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM to approve the New Financial Services Framework Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Maximum Daily Balance.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Li Lan
Executive Director

Mr. Li Lan is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Li has over 10 years of experience in the corporate finance industry.

NOTICE OF THE AGM

中國中車股份有限公司 CRRC CORPORATION LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 1766)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting for the financial year ended 31 December 2020 (the “AGM” or “Annual General Meeting”) of CRRC Corporation Limited (the “Company”) will be held at Banquet Hall A, Four Points by Sheraton Beijing, Haidian Hotel, No. 25 Yuanda Road, Haidian District, Beijing, the PRC at 2:00 p.m. (registration will begin at 1:30 p.m.) on Friday, 18 June 2021 for the purpose of considering and approving, if appropriate, the following resolutions (unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 18 May 2021):

ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the 2020 final financial accounts report of the Company
2. To consider and approve the 2020 Work Report of the Board of the Company
3. To consider and approve the 2020 Work Report of the Supervisory Committee of the Company
4. To consider and approve the resolution in relation to the 2020 profit distribution plan of the Company
5. To consider and approve the resolution in relation to the arrangement of guarantees by the Company for 2021
6. To consider and approve the resolution in relation to the medium and long term shareholders' return plan of the Company
7. To consider and approve the resolution in relation to the entering into of the related party transaction agreements
8. To consider and approve the resolution in relation to the entering into of the Financial Services Framework Agreement
9. To consider and approve the resolution in relation to the adjustment of the remuneration of certain Independent Directors of the Company
10. To consider and approve the resolution in relation to the remuneration of the Directors of the Company for 2020

NOTICE OF THE AGM

11. To consider and approve the resolution in relation to the remuneration of the Supervisors of the Company for 2020
12. To consider and approve the resolution in relation to the appointment of auditors of the Company for 2021

SPECIAL RESOLUTIONS

13. To consider and approve the resolution in relation to the grant of general mandate to the Board to issue additional A Shares and H Shares of the Company
14. To consider and approve the resolution in relation to the issuance of debt financing instruments by the Company for 2021

REPORTING MATTER

The Independent Directors of the Company will submit their 2020 work report to the Shareholders for consideration but not for approval at the AGM.

By order of the Board
Sun Yongcai
Chairman

18 May 2021

Notes:

1. Details of the above resolutions are set out in Appendix II to this circular dated 18 May 2021 regarding the AGM of the Company.
2. Pursuant to the requirements under the Rules for the Shareholders' Meetings of Listed Companies issued by the CSRC, the Independent Directors shall issue a duty report for the preceding year at the annual general meeting. Such report will be submitted to the Shareholders for consideration but not for approval at the AGM.
3. The Board of the Company has recommended a final dividend of RMB0.18 per share (tax inclusive) for the year ended 31 December 2020. If such dividend is declared by the Shareholders upon passing the resolution No. 4, the final dividend is expected to be paid on a certain business day (excluding Saturday, Sunday or public holidays in Hong Kong and the PRC) on or before 13 August 2021 to those Shareholders whose names appear on the register of members of the Company on Wednesday, 30 June 2021.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and in line with the market practice regarding dividend distribution of A Shares, the Company will publish a separate announcement in respect of its final dividend distribution to holders of A Shares after the Company's AGM, which will set out the record date and ex-dividend date for final dividend distribution to holders of A Shares.

Timetable arrangements such as the record date, the ex-dividend date and the date of distribution of cash dividend for the investors of northbound trading under Shanghai-Hong Kong Stock Connect will be the same as holders of A Shares of the Company. Timetable arrangements such as the record date, the ex-dividend date and the date of distribution of cash dividend for the investors of southbound trading under Shanghai-Hong Kong Stock Connect will be the same as holders of H Shares of the Company.

NOTICE OF THE AGM

To determine the identity of the Shareholders entitled to receive the final dividend, the Company's register of members will be closed from Friday, 25 June 2021 to Wednesday, 30 June 2021 (both days inclusive), during which period no transfer of H Shares will be registered. In order to be entitled to the final dividend, H Shareholders of the Company who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 24 June 2021.

According to the Law on Enterprise Income Tax of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementing rules which was amended and came into effect on 29 December 2018 and the Notice of the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Shareholders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation (Guo Shui Han [2008] No. 897), the Company is required to withhold enterprise income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H Share register of members of the Company. The enterprise income tax shall be withheld for the dividends of any H shares under the name of non-individual shareholders (any H shares of the Company registered in the name of HKSCC Nominees Limited, other nominees and trustees, or other organizations and institutions, shall be deemed as shares held by non-resident enterprise shareholders, hence enterprise income tax will be deducted from the amount of dividend payable).

According to Guo Shui Han [2011] No. 348 issued by the State Administration of Taxation, the Company shall withhold and pay the individual income tax for the dividend payable to individual H Shareholders. At the same time, the individual H Shareholders are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries where they are residents and China or the tax arrangements between mainland China and Hong Kong (Macau). If the individual H Shareholders are Hong Kong or Macau residents or residents of the countries having an agreed dividend tax rate of 10% with China, the Company shall withhold and pay the individual income tax at a rate of 10%. If the individual H Shareholders are residents of the countries having an agreed dividend tax rate of less than 10% with China, the Company would apply for entitlement of the relevant agreed preferential tax treatment on their behalf in accordance with the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》) (SAT Announcement [2019] No. 35), the qualified shareholders are required to timely submit all application materials as required by the tax convention announcement to the Company. If the individual H Shareholders are residents of the countries having an agreed dividend tax rate exceeding 10% but lower than 20% with China, the Company shall withhold and pay the individual income tax at the actual agreed rate. In case the individual H Shareholders are residents of the countries that have not entered into any tax agreement with China or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

According to the current practice of the Inland Revenue Department of Hong Kong, dividends paid by the Company in Hong Kong are not subject to taxation.

The Company shall take the registered address (hereinafter the "**Registered Address**") as recorded in the register of members of the Company on 30 June 2021 to determine the residence of the individual H Shareholders, and accordingly withhold and pay the individual income tax. If the residence of any individual H Shareholder is inconsistent with the Registered Address, he/she should notify the Company's H Share Registrar on or before 4:30 p.m. on 24 June 2021 and provide the relevant supporting documents, and the correspondence details are as follows: Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Tel: (852) 2862 8555). If such individual H Shareholder has failed to provide the relevant supporting documents to the Company's H Share Registrar within the time period as stated above, the Company will determine his/her residence according to the Registered Address as recorded in the register of members on 30 June 2021.

The Company assumes no responsibility and will not entertain any claims arising from any delay in the determination, or inaccurate determination, of the status of the Shareholders or any dispute over the arrangement of withholding and payment of tax.

NOTICE OF THE AGM

4. In accordance with the requirements of the Hong Kong Listing Rules, the resolutions set out in the notice of the AGM will be voted by way of poll. Voting results will be uploaded to the website of the Company at www.crrcgc.cc and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk upon the conclusion of the AGM.
5. Any Shareholder who is entitled to attend and vote at the AGM convened by the above notice shall be entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a Shareholder of the Company.
6. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authorization document, if any, under which it is signed, or a notarially certified copy of such power of attorney or authorization document, should be completed and deposited at the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited (for H Shareholders), at least 24 hours before the scheduled time to convene the AGM or any adjourned meeting thereof. Computershare Hong Kong Investor Services Limited is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the proxy form will not preclude a Shareholder from attending in person and voting at the AGM or any adjourned meeting thereof should he/she so wish.
7. For the purpose of determining H Shareholders' entitlement to attend the AGM, the H Share register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021 (both days inclusive), during which no transfer of H Shares will be registered. In order to attend the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 11 June 2021. H Shareholders whose names appear on the register of members of the Company maintained by Computershare Hong Kong Investor Services Limited on or before the above date will be eligible to attend the AGM.
8. In the case of joint shareholding and more than one joint shareholder is attending the AGM in person or by proxy, the vote cast by the senior joint shareholder, whether in person or by proxy, will be accepted as the sole vote cast on behalf of all other joint shareholders. For this purpose, the order of seniority will be determined by the order in which the names of the joint shareholders appear in the register of members of the Company in respect of the joint shareholding.
9. Shareholders who intend to attend the AGM in person or by proxy should return the reply slip for the AGM to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, by hand, by post or by fax on or before Friday, 28 May 2021. Computershare Hong Kong Investor Services Limited is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Telephone: (852) 2862 8555).
10. The AGM is expected to last for about half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses. Shareholders or their proxies shall produce their identity documents when they attend the AGM.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(1) Interests of Directors, Supervisors and Chief Executives in the Securities of the Company**

As at the Latest Practicable Date, the following Director has interests in the A Shares of the Company, further details of which are set out below:

Name	Position	Class of Shares	Number of Shares	Percentage of interest in Shares held in the total issued A Shares	Percentage of interest in Shares held in the total issued Shares
Sun Yongcai	Chairman, Executive Director, President	A Shares	111,650	0.00046%	0.00039%

Save as disclosed above, as at the Latest Practicable Date, so far as the Company is aware, none of the Directors, Supervisors, chief executives or members of the senior management of the Company and their respective associates had any interests or short positions in the Shares, underlying Shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any Director, Supervisor or chief executive or member of senior management was taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange (which for this purpose shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

(2) Directors' and Supervisors' Positions in Other Companies

As at the Latest Practicable Date, save as disclosed below, none of the other Directors or Supervisors of the Company was also a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Division 2 and 3 of Part XV of SFO:

Name of Director/ Supervisor	Position held in CRRC GROUP
Sun Yongcai	Party Secretary, Chairman, General Manager
Lou Qiliang	Deputy Party Secretary, Employee Representative Director
Chen Xiaoyi	Employee Representative Supervisor

3. CONSENT AND QUALIFICATION OF EXPERT

Opus Capital Limited has given and has not withdrawn its consent to the issue of this circular with the inclusion herein of its letter of advice dated 18 May 2021, and report and references to its name included in the form and context in which it appears.

The following is the qualification of the expert who has given an opinion or advice, which is contained in this circular:

Name	Qualifications
Opus Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, directly or indirectly, in any assets which had been, since 31 December 2020, being the date on which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

5. SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had entered into any service contract with members of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation)).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company or their respective close associates (as defined under the Hong Kong Listing Rules) had any interest in other business which competes or is likely to compete with the business of the Group as if each of them were treated as a controlling shareholder of the Company under Rule 8.10 of the Hong Kong Listing Rules.

7. DIRECTORS AND SUPERVISORS' 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 of the Company had any interest, either directly or indirectly, in any assets which had since 31 December 2020, being the date on which the latest published audited accounts of the Company were made up, been acquired or disposed of by or leased to, or 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 of the Company was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant to the business of the Group.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business in Hong Kong of the Company (Unit H, 41/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Hong Kong) during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 31 May 2021:

- (a) the Existing Financial Services Framework Agreement;
- (b) the New Financial Services Framework Agreement;
- (c) the letter from the Board dated 18 May 2021, the text of which is set out on pages 5 to 25 of this circular;
- (d) the letter of recommendation from the Independent Board Committee dated 18 May 2021, the text of which is set out on pages 26 to 27 of this circular;
- (e) the letter of advice from the Independent Financial Adviser dated 18 May 2021, the text of which is set out on pages 28 to 47 of this circular;

- (f) the written consent given by the Independent Financial Adviser as referred to in the paragraph headed “Consent and Qualification of Expert” in Appendix I of this circular; and
- (g) this circular.

ORDINARY RESOLUTIONS:**1. The 2020 Final Financial Accounts Report of the Company**

The Company has prepared its financial statements and the notes thereto for the year 2020 in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, and engaged KPMG Huazhen LLP to audit the consolidated balance sheets and the balance sheet of the Company as at 31 December 2020, the consolidated statements of profit or loss and the statement of profit or loss of the Company for the period from 1 January 2020 to 31 December 2020, the consolidated statements of cash flows and the statement of cash flows of the Company, the consolidated statements of changes in equity and the statement of changes in equity of the Company and the notes of the financial statements. KPMG Huazhen LLP is of the opinion that the financial statements are prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC in all material aspects, fairly reflect the consolidated financial position and the financial position of the Company as at 31 December 2020, the consolidated operating results and the operating results of the Company, as well as the consolidated cash flow and the cash flow of the Company for the year 2020. For details of the above statements, please refer to the section XIII Financial Report in 2020 annual report published in the website of SSE and the website of the Company.

The abovementioned resolution in relation to the 2020 final financial accounts report was considered and approved by the Board on 30 March 2021 and is hereby submitted to the AGM for consideration and approval.

2. The 2020 Work Report of the Board of the Company

In accordance with the relevant provisions of the Articles of Association and the Rules of Procedure for the Board of the Company, the Board of the Company reported the working status of the Board for the year 2020, details of which are set out in Annex A to this circular.

3. The 2020 Work Report of the Supervisory Committee of the Company

In accordance with the relevant provisions of the Articles of Association, the Rules of Procedure for General Meetings of the Company and the Rules of Procedure for the Supervisory Committee of the Company, the Supervisory Committee of the Company reported the working status of the Supervisory Committee for the year 2020, details of which are set out in Annex B to this circular.

4. The resolution in relation to the 2020 profit distribution plan of the Company

According to the requirements from the relevant regulatory authorities, the Articles of Association and relevant laws and regulations, after fully taking into account the net profits for 2020, the financial affordability and the development needs of the Company, the Board proposed the 2020 profit distribution plan as follows:

- (1) The profit distribution of the Company for the year 2020 will be carried out by way of cash dividend.
- (2) As of 31 December 2020, the profit distribution at the end of the period of the Company is RMB6.214 billion. The Company will distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As of 31 December 2020, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB1.8 (tax inclusive) every 10 shares, the Company is proposed to distribute cash dividend of RMB5.166 billion (tax inclusive) in aggregate, and the remaining undistributed profit will be carried forward for next year's distribution. The Company's cash dividends for the year accounted for 46% of the Company's net profit attributable to shareholders of listed company in 2020. In case from the date of disclosure of announcement on profit distribution plan to the date of registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately.
- (3) For holders of A Shares, the dividend will be denominated, declared and paid in Renminbi; for holders of H Shares, the dividend will be denominated and declared in Renminbi and paid in HK dollars. The actual amount distributed in HK dollars will be calculated based on the average benchmark exchange rate between Renminbi and HK dollar as published by the People's Bank of China for five working days prior to the date for convening the general meeting for considering the profit distribution plan.
- (4) For the profit distribution, the amount of cash dividends to be paid to Qualified Foreign Institutional Investors ("QFII") of A Shares, other institutional investors of A Shares (excluding the aforesaid QFII) and individual investors of A Shares is RMB0.18/Share (tax inclusive, with appropriate income tax to be withheld and paid by the Company according to the applicable taxation laws and regulations of the PRC upon dividends distribution). The amount of cash dividends to be paid to non-resident

enterprise shareholders of H Shares and individual investors of H shares is RMB0.18/Share (tax inclusive, with appropriate income tax to be withheld and paid by the Company according to the applicable taxation laws and regulations of the PRC upon dividends distribution).

- (5) Matters in relation to profit distribution to investors of Shanghai – Hong Kong Stock Connect:
- 1) Northbound Trading. For investors of The Stock Exchange of Hong Kong Limited (including corporates and individuals) investing in the A Shares of the Company through northbound trading, their dividends will be distributed in Renminbi by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such Shares. Taxes shall be withheld pursuant to the Notice of MOF, SAT and CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81). The Company shall withhold income tax at the rate of 10%, the actual cash dividends after tax to be distributed will be RMB0.162 per Share. For investors of northbound trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the Company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.
 - 2) Southbound Trading. For investors of the Shanghai Stock Exchange (including corporates and individuals) investing in the H Shares of the Company through southbound trading, the Company will sign the Agreement on Distribution of Cash Dividends of H Shares for Southbound Trading (《港股通 H股股票現金紅利派發協議》) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited will, as the nominee of the investors of southbound trading, receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of southbound trading through its depository and clearing system. The cash dividends for the investors of southbound trading will be paid in Renminbi. Taxes shall be withheld pursuant to the Notice of MOF, SAT and CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81). For dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock

Connect, the H-share company shall withhold individual income tax at the rate of 20% on behalf of such investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The H-share company shall not withhold income tax on dividends for domestic corporate investors and those domestic corporate investors shall report and pay the relevant tax by themselves.

- (6) Matters in relation to profit distribution to investors of southbound trading under Shenzhen-Hong Kong Stock Connect:

For investors of the Shenzhen Stock Exchange (including corporates and individuals) investing in the H Shares of the Company through Southbound Trading, the Company will sign the Agreement on Distribution of Cash Dividends of H Shares for southbound trading (《港股通H股股票現金紅利派發協議》) with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited will, as the nominee of the investors of southbound trading, receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of southbound trading through its depository and clearing system. The cash dividends for the investors of southbound trading will be paid in Renminbi. Taxes shall be withheld pursuant to the Notice of MOF, SAT and CSRC on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2016] No. 127). For dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share company shall withhold individual income tax at the rate of 20% on behalf of such investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The H-share company shall not withhold income tax on dividends for domestic corporate investors and those domestic corporate investors shall report and pay the relevant tax by themselves.

The above 2020 profit distribution plan was considered and approved by the Board on 30 March 2021 and is hereby submitted to the AGM for consideration and approval. Meanwhile, the Board proposes that the Board be generally and unconditionally authorized by the AGM to implement the relevant matters in respect of the distribution of the profit and the Board be asked to further delegate the above authorization to the Company's chairman and president to be responsible for specific implementation and to handle the withholding of tax and other matters according to applicable laws and regulations and the requirements of relevant regulatory authorities.

5. The resolution in relation to the arrangement of guarantees by the Company for 2021

Based on the daily production and operation needs of its subsidiaries, the Company and its direct wholly-owned subsidiaries propose to provide guarantees for subsidiaries of the Company in respect of their financing and credit business, such as bank credit facilities and letters of guarantee from insurance companies, for 2021 and provided parent guarantees to certain subsidiaries of the Company in respect of their business such as domestic and overseas bidding and contract performance, with a total guarantee amount of RMB139.88 billion. The specific arrangement is as follows:

(1) Guarantee amount

- (i) The Company will provide guarantee of RMB30.52 billion to its wholly-owned subsidiaries in respect of their financing and credit business and will undertake joint liabilities for debts arising from the various businesses of the guaranteed parties involving the use of credit. The details of the guarantees are set out below:

Name of Guaranteed Party (on consolidated basis)	Guarantee amount (RMB'0,000)
CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)	100,000
CRRC Datong Co., Ltd. (中車大同電力機車有限公司)	60,000
CRRC Dalian Co., Ltd. (中車大連機車車輛有限公司)	100,000
CRRC Qishuyan Co., Ltd. (中車戚墅堰機車有限公司)	40,000
CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)	150,000
CRRC Nanjing Puzhen Co., Ltd. (中車南京浦鎮車輛有限公司)	250,000
CRRC Sifang Co., Ltd. (中車四方車輛有限公司)	50,000
CRRC Qiqihaer Co., Ltd. (中車齊齊哈爾車輛有限公司)	135,000
CRRC Shijiazhuang Co., Ltd. (中車石家莊車輛有限公司)	30,000
CRRC Shenyang Co., Ltd. (中車瀋陽機車車輛有限公司)	60,000
CRRC Shandong Co., Ltd. (中車山東機車車輛有限公司)	110,000
CRRC Xi'an Co., Ltd. (中車西安車輛有限公司)	40,000
CRRC Guiyang Co., Ltd. (中車貴陽車輛有限公司)	30,000
CRRC Taiyuan Co., Ltd. (中車太原機車車輛有限公司)	30,000
CRRC Meishan Co., Ltd. (中車眉山車輛有限公司)	50,000
CRRC Yangtze Co., Ltd. (中車長江車輛有限公司)	60,000
CRRC Yangtze Group Ltd. (中車長江運輸設備集團有限公司)	
(Not presented separately)	70,000
CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司)	300,000
CRRC Sifang Institute Co., Ltd. (中車青島四方車輛研究所有限公司)	50,000
CRRC Yongji Motor Co., Ltd. (中車永濟電機有限公司)	140,000
CRRC Zhuzhou Motor Co., Ltd. (中車株洲電機有限公司)	90,000
CRRC Qishuyan Institute Co., Ltd. (中車戚墅堰機車車輛工藝研究所)	50,000
CRRC Dalian Institute Co., Ltd. (中車大連機車研究所有限公司)	20,000
CRRC Beijing Nankou Co., Ltd. (中車北京南口機械有限公司)	10,000

Name of Guaranteed Party (on consolidated basis)	Guarantee amount (RMB'0,000)
CRRC Construction Engineering Co., Ltd. (中車建設工程有限公司)	350,000
Beijing CRRC Information Technology Co., Ltd. (北京中車信息技術有限公司)	2,000
CRRC Investment & Leasing Co., Ltd. (中車投資租賃有限公司)	5,000
CRRC Hong Kong Capital Management Co., Ltd. (中國中車香港資本管理有限公司)	100,000
CRRC Hong Kong Co., Ltd. (中國中車(香港)有限公司)	100,000
CRRC Logistics Co., Ltd. (中車物流有限公司)	400,000
CRRC International Co., Ltd. (中車國際有限公司)	50,000
CRRC Industrial Institute Co., Ltd. (中車工業研究院有限公司)	0
CRRC Capital Management Co., Ltd. (中車資本管理有限公司)	<u>20,000</u>
Total	<u><u>3,052,000</u></u>

The guarantee amounts mentioned above are based on the estimate of the current business conditions. Based on possible changes, the Company will provide guarantee of RMB30.52 billion to its wholly-owned subsidiaries in respect of their financing and credit business, which can be adjusted within the total guarantee amount.

- (ii) The Company will provide guarantee of RMB7 billion to its non-wholly-owned subsidiaries in respect of their financing and credit business and will undertake joint liabilities for debts arising from the various businesses of the guaranteed parties involving the use of credit. The details of the guarantees are set out below:

Name of Guaranteed Party (on consolidated basis)	Guarantee amount (RMB'0,000)
CRRC Ziyang Co., Ltd. (中車資陽機車有限公司)	100,000
CRRC Changchun Railway Vehicle Co., Ltd. (中車長春軌道客車股份有限公司)	200,000
CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)	200,000
Beijing CNR CR Railway Transportation Equipment Co., Ltd. (北京北車中鐵軌道交通裝備有限公司)	0
CRRC Finance Co., Ltd. (中車財務有限公司)	100,000
South Africa CRRC Co., Ltd. (南非中車車輛有限公司)	100,000
CRRC Finance & Leasing Co., Ltd. (中車金融租賃有限公司)	<u>0</u>
Total	<u><u>700,000</u></u>

The guarantee amounts mentioned above are based on the estimate of the current business conditions. Based on possible changes, the Company will provide guarantee of RMB7 billion to its non-wholly-owned subsidiaries in respect of their financing and credit business, which can be adjusted within the total guarantee amount.

- (iii) The direct wholly-owned subsidiaries of the Company and the listed Company will provide guarantee of RMB26.76 billion to subsidiaries in respect of their financing and credit business and will undertake joint guarantee liabilities for debts arising from the various businesses of the guaranteed parties involving the use of credit, the details of which are set out below:

Name of Guarantor (Headquarter)	Guarantee amount (RMB'0,000)
CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)	700,000
CRRC Datong Co., Ltd. (中車大同電力機車有限公司)	45,000
CRRC Dalian Co., Ltd. (中車大連機車車輛有限公司)	37,000
CRRC Qishuyan Co., Ltd. (中車戚墅堰機車有限公司)	5,000
CRRC Ziyang Co., Ltd. (中車資陽機車有限公司)	3,000
CRRC Changchun Railway Vehicle Co., Ltd. (中車長春軌道客車股份有限公司)	300,000
CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)	300,000
CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)	150,000
CRRC Nanjing Puzhen Co., Ltd. (中車南京浦鎮車輛有限公司)	50,000
CRRC Qiqihaer Co., Ltd. (中車齊齊哈爾車輛有限公司)	10,000
CRRC Shijiazhuang Co., Ltd. (中車石家莊車輛有限公司)	35,000
CRRC Qiche Group Co., Ltd. (中車齊車集團有限公司)	60,000
CRRC Meishan Co., Ltd. (中車眉山車輛有限公司)	5,000
CRRC Yangtze Co., Ltd. (中車長江車輛有限公司)	20,000
CRRC Yangtze Group., Ltd. (中車長江運輸設備集團有限公司)	30,000
CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司)	500,000
CRRC Sifang Institute Co., Ltd. (中車青島四方車輛研究所有限公司)	10,000
CRRC Yongji Motor Co., Ltd. (中車永濟電機有限公司)	30,000
CRRC Zhuzhou Motor Co., Ltd. (中車株洲電機有限公司)	60,000
CRRC Qishuyan Institute Co. Ltd. (中車戚墅堰機車車輛工藝研究所)	40,000
CRRC Construction Engineering Co., Ltd. (中車建設工程有限公司)	200,000
CRRC Hong Kong Co., Ltd. (中國中車(香港)有限公司)	80,000
CRRC Logistics Co., Ltd. (中車物流有限公司)	6,000
	<hr/>
Total	<u><u>2,676,000</u></u>

Guarantees provided to PPP project companies within the scope of consolidation should comply with relevant requirements on guarantee credit enhancement of the Notice on Strengthening the Control and Management of PPP Business Risk of Central Enterprises (Guo Zi Fa Cai Guan [2017] No. 192).

- (iv) The Finance Company will provide financing guarantee of RMB2.2 billion for member enterprises, including domestic financing guarantee, delay payment guarantee, instalment payment guarantee, borrowing guarantee.
- (v) The Company will provide parent guarantee equivalent to RMB73.4 billion, among which RMB19.6 billion for wholly-owned subsidiaries and RMB53.8 billion for non-wholly-owned subsidiaries, to subsidiaries in respect of their domestic and overseas bidding and contract performance businesses and will undertake guarantee liability within the scope agreed under the guarantee contract. Depending on the equity level of the actual signing entity within the internal organization of the Company, part of the parent guarantee may be signed by the direct wholly-owned subsidiaries.
- (vi) The validity period of the guarantee amounts mentioned above will commence from the date of approval at the 2020 annual general meeting until the date on which the 2021 annual general meeting is convened.
- (vii) The guarantee amounts mentioned above are based on the estimate of the current business conditions. Based on possible changes, the guarantee provided between the wholly-owned subsidiaries or the non-wholly-owned subsidiaries under the abovementioned guarantee plan may be adjusted within the total guarantee amount.
- (viii) As the total amount of the abovementioned guarantee plan has reached the level that is required to be submitted to the general meeting of the Company for consideration according to the relevant laws, regulations and regulatory documents as well as the rules of the internal system of the Company, therefore, the abovementioned guarantee plan must be submitted to the general meeting for consideration.

(2) Basic status of the guaranteed party

Unit: RMB'0,000

Name of Entity	Balance of assets at the end of the period	Balance of liabilities at the end of the period	Balance of owners' equity at the end of the period	Balance of owners' equity attributable to the parent company at the end of the period	Percentage of shareholding (%)
CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)	3,081,257.24	1,908,343.51	1,172,913.73	1,019,809.66	100
CRRC Datong Co., Ltd. (中車大同電力機車有限公司)	561,011.45	352,768.69	208,242.77	177,026.80	100
CRRC Dalian Co., Ltd. (中車大連機車車輛有限公司)	2,068,552.46	1,335,857.62	732,694.84	729,477.74	100
CRRC Qishuyan Co., Ltd. (中車戚墅堰機車有限公司)	301,808.00	171,900.83	129,907.17	123,377.12	100
CRRC Ziyang Co., Ltd. (中車資陽機車有限公司)	321,808.26	227,332.17	94,476.09	77,892.32	99.61
CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)	6,158,670.33	4,009,084.87	2,149,585.45	2,048,979.76	93.54
CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)	6,206,441.10	4,209,505.02	1,996,936.08	1,748,895.89	97.81
CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)	2,864,028.37	1,682,881.81	1,181,146.56	1,134,302.67	100
CRRC Nanjing Puzhen Co., Ltd. (中車南京浦鎮車輛有限公司)	2,255,529.37	1,589,135.50	666,393.87	539,199.29	100
CRRC Sifang Co., Ltd. (中車四方車輛有限公司)	1,567,592.68	978,780.07	588,812.61	341,397.10	100
CRRC Qiche Group Co., Ltd. (中車齊集團有限公司)	2,239,840.86	1,386,512.69	853,328.17	769,319.67	100
CRRC Qiqihar Co., Ltd. (中車齊齊哈爾車輛有限公司)	673,251.79	321,313.84	351,937.95	351,605.01	100
CRRC Shandong Co., Ltd. (中車山東機車車輛有限公司)	984,594.63	717,964.03	266,630.61	255,415.58	100
CRRC Shijiazhuang Co., Ltd. (中車石家莊車輛有限公司)	337,067.92	209,915.68	127,152.23	54,691.70	100
CRRC Shenyang Co., Ltd. (中車瀋陽機車車輛有限公司)	199,685.64	129,499.04	70,186.60	70,186.60	100
CRRC Yangtze Group., Ltd. (中車長江運輸設備集團有限公司)	1,609,780.15	925,170.01	684,610.14	675,623.37	100

Name of Entity	Balance of assets at the end of the period	Balance of liabilities at the end of the period	Balance of owners' equity at the end of the period	Balance of owners' equity attributable to the parent company at the end of the period	Percentage of shareholding (%)
CRRC Xi'an Co., Ltd. (中車西安車輛有限公司)	257,677.99	100,186.10	157,491.89	157,491.89	100
CRRC Guiyang Co., Ltd. (中車貴陽車輛有限公司)	184,666.04	76,893.72	107,772.32	106,697.05	100
CRRC Taiyuan Co., Ltd. (中車太原機車車輛有限公司)	418,438.39	308,117.35	110,321.04	110,321.04	100
CRRC Meishan Co., Ltd. (中車眉山車輛有限公司)	217,788.55	105,414.07	112,374.48	110,988.97	100
CRRC Yangtze Co., Ltd. (中車長江車輛有限公司)	406,400.22	332,548.15	73,852.07	67,326.08	100
CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司)	6,405,579.35	2,950,107.07	3,455,472.28	1,886,794.69	100
CRRC Sifang Institute Co., Ltd. (中車青島四方車輛研究所有限公司)	947,931.97	456,897.65	491,034.32	479,826.87	100
CRRC Yongji Motor Co., Ltd. (中車永濟電機有限公司)	945,604.99	503,427.40	442,177.59	345,105.76	100
CRRC Zhuzhou Motor Co., Ltd. (中車株洲電機有限公司)	756,957.17	431,331.62	325,625.55	318,770.87	100
CRRC Qishuyan Institute Co., Ltd. (中車戚墅堰機車車輛工藝研究所有限公司)	639,598.85	331,712.08	307,886.78	299,273.48	100
CRRC Dalian Institute Co., Ltd. (中車大連機車研究所有限公司)	195,962.65	121,779.92	74,182.73	73,229.83	100
CRRC Beijing Nankou Co., Ltd. (中車北京南口機械有限公司)	138,458.77	108,652.07	29,806.70	21,120.75	100
CRRC Construction Engineering Co., Ltd. (中車建設工程有限公司)	630,160.37	407,360.48	222,799.89	222,799.89	100
CRRC Information Technology Co., Ltd. (中車信息技術有限公司)	16,724.48	9,536.92	7,187.56	7,187.56	100
Beijing CNR CR Railway Transportation Equipment Co., Ltd. (北京北車中鐵軌道交通裝備有限公司)	8,698.68	104,418.10	-95,719.43	-95,719.43	51
CRRC Investment & Leasing Co., Ltd. (中車投資租賃有限公司)	570,268.83	481,717.94	88,550.89	33,117.65	100

Name of Entity	Balance of assets at the end of the period	Balance of liabilities at the end of the period	Balance of owners' equity at the end of the period	Balance of owners' equity attributable to the parent company at the end of the period	Percentage of shareholding (%)
CRRC Finance Co., Ltd. (中車財務有限公司)	3,620,668.87	3,212,275.34	408,393.53	408,393.53	91.36
CRRC Hong Kong Capital Management Co., Ltd. (中國中車香港資本管理有限公司)	926,025.88	602,849.84	323,176.04	323,176.04	100
CRRC Hong Kong Co., Ltd. (中國中車(香港)有限公司)	522,939.79	390,680.09	132,259.70	132,259.70	100
CRRC Logistics Co., Ltd. (中車物流有限公司)	807,116.19	848,754.37	-41,638.18	-42,448.36	100
CRRC International Co., Ltd. (中車國際有限公司)	99,176.57	27,197.64	71,978.93	71,591.83	100
South Africa CRRC Co., Ltd. (南非中車車輛有限公司)	65,533.51	75,079.00	-9,545.49	-9,545.49	66
CRRC Industrial Institute Co., Ltd. (中車工業研究院有限公司)	45,900.72	24,393.09	21,507.63	21,507.63	100
CRRC Capital Management Co., Ltd. (中車資本管理有限公司)	284,307.39	9,404.08	274,903.31	274,903.31	100
CRRC Financial Leasing Co., Ltd. (中車金融租賃有限公司)	1,113,505.98	803,016.70	310,489.28	310,489.28	81

(3) Total amount of guarantees and amount of overdue guarantees

As at 31 December 2020, the Company provided RMB52.822 billion in total amount of guarantees to its subsidiaries, representing 36.93% of the audited net assets as at the end of 2020. The Company and its controlling subsidiaries did not have overdue external guarantees.

The above resolution in relation to the arrangement of guarantees for 2021 has been considered and approved by the Board on 30 March 2021, and is hereby submitted to the AGM for consideration and approval.

6. The resolution in relation to the Medium and Long Term Shareholders' Return Plan of the Company

In accordance with the relevant requirements of regulatory authorities on cash dividends for listed companies and the relevant provisions of the Company Law and the Articles of Association on profit distribution, and taking into account the actual situation of the Company, a new "Medium and Long Term Shareholders' Return Plan of CRRC Corporation Limited" has been prepared, details of which are set out in Annex C to this circular.

The abovementioned resolution in relation to the Medium and Long Term Shareholders' Return Plan of the Company was considered and approved by the Board on 30 March 2021 and is hereby submitted to the AGM for consideration and approval.

7. The resolution in relation to the entering into of the related party transaction agreements

Reference is made to the announcement on discloseable transaction and continuing connected transaction of the Company dated 30 March 2021 in relation to, among other things, the entering into of the Product and Service Mutual Provision Framework Agreement and the Property Leasing Framework Agreement between the Company and CRRC GROUP. As disclosed in the aforesaid announcement, the transactions under the Product and Service Mutual Provision Framework Agreement and the Property Leasing Framework Agreement constitute continuing connected transactions for the Company under the Hong Kong Listing Rules. The Company estimates that under the Product and Service Mutual Provision Framework Agreement: (i) the annual caps for the amounts to be paid by CRRC GROUP and/or its associates for provision of products and services by the Group for each of the three years ending 31 December 2024 will amount to RMB8,000 million, RMB8,000 million and RMB8,000 million, respectively; and (ii) the annual caps for the amounts to be paid by the Group for provision of products and services by CRRC GROUP and/or its associates for each of the three years ending 31 December 2024 will amount to RMB4,000 million, RMB4,000 million and RMB4,000 million, respectively; under the Property Leasing Framework Agreement: (i) the annual caps for the transaction in respect of leasing of properties from CRRC GROUP and/or its associates by the Group for each of the three years ending 31 December 2024 will amount to RMB800 million (among which approximately RMB600 million will be recognized as right-of-use assets, and approximately RMB200 million will be rent of leases for a term of no more than one year), RMB1,000 million (among which approximately RMB800 million will be recognized as right-of-use assets, and approximately RMB200 million will be rent of leases for a term of no more than one year), and RMB1,500 million (among which approximately RMB1,300 million will be recognized as right-of-use assets, and approximately RMB200 million will be rent of leases for a term of no more than one year), respectively; and (ii) the annual caps for the amounts to be paid by CRRC GROUP and/or its associates for leasing of properties from the Group for each of the three years ending 31 December 2024 will amount to RMB200 million, RMB200 million and RMB200 million, respectively. As the highest applicable percentage ratio exceeds 0.1% but is less than 5% in respect of such transactions, such transactions are

subject to annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement of the Hong Kong Listing Rules. The Directors (including the independent non-executive Directors) believe that the abovementioned agreements have been entered into on normal commercial terms and in the ordinary course of business of the Group, and the relevant terms of the transactions and annual caps are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

Although such agreements and the related transactions are exempt from the Shareholders' approval requirement under the Hong Kong Listing Rules, according to the requirements of the laws, regulations and normative documents such as the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the internal documents such as the Articles of Association and Management Measures on Related Party Transactions of CRRC Corporation Limited, the signing of such related party transaction agreements by the Company and CRRC GROUP shall be submitted to the general meeting of the Company for consideration and approval by the Shareholders. In view of the above, the following is hereby presented for the consideration of the Shareholders:

(1) Product and Service Mutual Provision Framework Agreement

- (i) Transaction details: The Group will sell raw materials, accessories, components, equipment, packing materials, vehicles and energy resource and other products, and provide repairing, installation, training, processing, greening, security, sanitation, project contracting, project operation and business consulting services to CRRC GROUP and/or its associates; CRRC GROUP and/or its associates will sell raw materials, accessories, components, equipment, packaging materials and other products, and provide repairing, installation, training, processing, greening, security, sanitation, project contracting, project operation and business consulting services to the Group.
- (ii) Principles of the transactions:
 - (a) If third parties provide products and services on the same conditions, priority shall be given to the other party for the purchase of products and services.
 - (b) If third parties purchase products and services on the same conditions, priority shall be given to the other party for the provision of products and services.
 - (c) When one party provides or purchases products and services to or from the other party, any party shall not provide such products and services to the other party on terms less favourable than those offered to third parties, or purchase such products and services from the other party on terms less favourable than those purchased from third parties.

- (d) The entering into of the Product and Service Mutual Provision Framework Agreement shall not affect the independent selection of trading partners and the conduct of transactions with third parties. Each party is entitled to purchase products and services from a third party if such third party can provide the same or similar products and services at a more favourable price than the price offered by the other party under this agreement.
- (iii) Pricing principles: Government-prescribed price applies if available; where there is no government-prescribed price but there is government-guidance price, then the government-guidance price applies; where there is neither government-prescribed price nor government-guidance price, then the market price (including tendering price) applies; where none of the aforesaid three prices are available or the aforesaid pricing principles cannot be applied in actual transactions, then the agreed price applies. Such agreed price shall be determined based on the reasonable cost plus a reasonable profit. The reasonable cost is the actual costs and expenses incurred in providing the products and services as agreed by both parties after negotiation. Unless otherwise determined by the parties through negotiation, reasonable profit shall be based on reasonable cost multiplied by the average profit margin in the industry.
- (iv) Effective term of the agreement: Subject to compliance with the relevant provisions under the Product and Service Mutual Provision Framework Agreement, including but not limited to both parties having obtained all the necessary consent/approval for entering into the agreement, after the agreement having been signed by the authorized representatives of both parties and stamped with their official seals, its effective term will commence from 1 January 2022 and will end on 31 December 2024.

(2) *Property Leasing Framework Agreement*

- (i) Scope of property leasing: The Group and CRRC GROUP and/or its associates lease their properties to each other, respectively, according to the Property Leasing Framework Agreement.
- (ii) Rents and taxes: The specific rental price of the properties shall be determined by both parties through negotiation based on market rates.
- (iii) Effective term of the agreement: Subject to compliance with the relevant provisions under the Property Leasing Framework Agreement, including but not limited to both parties having obtained all the necessary consent/approval for entering into the agreement, after the agreement having been signed by the authorized representatives of both parties and stamped with their official seals, its effective term will commence from 1 January 2022 and will end on 31 December 2024.

The abovementioned resolution in relation to the entering into of the related party transaction agreements by the Company and CRRC GROUP has been considered and approved by the Board on 30 March 2021 and is hereby submitted to the AGM for consideration and approval.

8. The resolution in relation to the entering into of the Financial Services Framework Agreement

Please refer to the section headed “III. DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION – ENTERING INTO NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT” in this circular for details of this resolution.

The abovementioned resolution in relation to the entering into of the Financial Services Framework Agreement between the Finance Company and CRRC GROUP was considered and approved by the Board on 30 March 2021 and is hereby submitted to the AGM for consideration and approval.

9. The resolution in relation to the adjustment of the remuneration of certain Independent Directors of the Company

In accordance with the requirement of the “Notice on Adjustment of Work Subsidy Standard of External Directors Who Resigned as Central Enterprise Principals of SASAC” (Guo Zi Ting Kao Fen [2020] No. 187) (國資委《關於調整退出現職的中央企業負責人擔任外部董事工作補貼標準的通知》(國資廳考分[2020]187號)), it is proposed that the remuneration of certain Independent Directors of the Company be adjusted in accordance with the following standard:

Among the external Directors who performed their duties in the Company in 2020, four Directors, namely Li Guo’an, Shi Jianzhong, Zhu Yuanchao and Wu Zhuo, are considered as “resigned central enterprise principals” and it is proposed to adjust their work subsidy standard in accordance with the provisions of Document Guo Zi Ting Kao Fen [2020] No. 187. The work subsidy will be paid at RMB5,000 (income before tax)/person/month in advance and will be redeemed according to the corresponding standard after the annual performance evaluation results are determined. The adjusted standard will be implemented from January 2020.

The abovementioned resolution in relation to the adjustment of the remuneration of certain Independent Directors of the Company was considered and approved by the Board on 30 March 2021 and is hereby submitted to the AGM for consideration and approval.

10. The resolution in relation to the remuneration of the Directors of the Company for 2020

According to the relevant requirements of the SASAC and requirements of the Remuneration Plan of Directors and Supervisors of CRRC Corporation Limited, remuneration of the Directors of the Company for 2020 is hereby submitted to the AGM for consideration.

(1) *Remuneration of Independent Non-executive Directors*

The annual remuneration of Independent Directors, comprising basic remuneration and meeting allowance, was based on the standards set out in the “Notice Regarding the Adjustment of Standards of Remuneration of Independent Directors” issued by SASAC (Guo Zi Ting Fen Pei [2009] No.328) (國資委《關於調整獨立董事報酬標準的通知》(國資廳分配[2009]328號)) and the “Notice on Relevant Issues Regarding Work Subsidy of External Directors Who Resigned as Central Enterprise Principals” issued by SASAC (Guo Zi Ting Fen Pei [2016] No.531) (國資委《關於退出現職的中央企業負責人擔任外部董事發放工作補貼有關事項的通知》(國資廳分配[2016]531號)).

The specific remuneration is shown in the table below:

Unit: RMB'0,000

Name	Title	Remuneration
Li Guo'an	Independent Director	6.00
Sun Patrick	Independent Director	15.20
Shi Jianzhong	Independent Director	3.00
Zhu Yuanchao	Independent Director	3.00
Wu Zhuo	Independent Director	3.00

Notes:

1. Liu Zhiyong, a non-executive director, resigned on 19 February due to his age, and according to the relevant requirements of SASAC, he did not receive remuneration and allowance from the Company.
2. Sun Patrick is an independent director who is the chairman of the special committee and is not a director who resigned as central enterprise principals, and the standard annual basic compensation is RMB100,000/person/year. The standard allowance for board meetings: RMB3,000/person/meeting; the standard allowance for special committee meetings: RMB2,000/person/meeting.
3. The four directors, namely Li Guo'an, Wu Zhuo, Shi Jianzhong and Zhu Yuanchao, are resigned central enterprise principals. According to the Resolution on the Remuneration Plan for External Directors of CRRC Corporation Limited considered and approved at the 2016 annual general meeting held in 2017, their work subsidy would be granted based on the standard of RMB5,000 (income before tax) per person per month instead.

4. In June 2020, SASAC issued the “Notice on Adjustment of Work Subsidy Standard of External Directors Who Resigned as Central Enterprise Principals of SASAC” (Guo Zi Ting Kao Fen [2020] No. 187), specifying that the work subsidy for external directors who resigned as central enterprise principals will be dynamically adjusted annually according to the annual performance evaluation results, and will be paid at RMB5,000 per person per month in advance and will be redeemed according to the corresponding standard after the annual performance evaluation results are determined. This plan will be implemented after submission to the annual general meeting for consideration and approval.
5. On 18 June 2020, Wu Zhuo, an independent non-executive director, resigned due to age.

(2) Remuneration of Executive Directors

The Company’s Chairman Liu Hualong, executive Director Sun Yongcai, executive Director Lou Qiliang are all persons in charge of central enterprises managed by SASAC, whose remuneration comprises 2020 annual basic remuneration and 2019 annual performance-based salary as verified by the SASAC.

The specific remuneration is shown in the table below:

Unit: RMB’0,000

Name	Title	Basic remuneration	Performance based salary for the year	Total
Liu Hualong	Chairman	–	–	–
Sun Yongcai	Executive Director	22.12	62.79	84.91
Lou Qiliang	Executive Director	19.91	56.20	76.11

Note:

1. Liu Hualong was paid by CRRC GROUP, the parent company of the Company.

The abovementioned resolution in relation to the remuneration of the Directors of the Company for 2020 was considered and approved by the Board on 30 March 2021 and is hereby submitted to the AGM for consideration and approval.

11. The resolution in relation to the remuneration of the Supervisors of the Company for 2020

According to the relevant requirements of the SASAC and requirements of the Remuneration Plan of Directors and Supervisors of CRRC Corporation Limited, remuneration of the Supervisors of the Company for 2020 is hereby submitted to the AGM for consideration.

The remuneration of Zhao Hu, the Company's current Chairman of the Supervisory Committee, and Chen Zhenhan and Chen Xiaoyi, the Supervisors, is managed according to the employee remuneration management system of the Company's head office, which implements the remuneration management system for the head office. The specific remuneration is set out in the table below:

Unit: RMB'0,000

Name	Title	Performance-based		Total
		Basic remuneration	salary for the year	
Zhao Hu	Chairman of of Supervisory Committee Employee representative Supervisor	38.85	39.39	78.24
Chen Zhenhan	Supervisor	30.19	35.78	65.97
Chen Xiaoyi	Supervisor	30.39	32.77	63.16

The abovementioned resolution in relation to the remuneration of the Supervisors of the Company for 2020 was considered and approved by the Supervisory Committee on 30 March 2021 and is hereby submitted to the AGM for consideration and approval.

12. The resolution in relation to the appointment of auditors of the Company for 2021

Pursuant to the requirements of the relevant laws and regulations and the Articles of Association, the Company is required to appoint an accounting firm to audit the annual financial statements of the Company in accordance with the applicable accounting standards as well as an accounting firm to audit the effectiveness of the internal control of the Company.

KPMG Huazhen LLP Certified Public Accountants, being the auditors of the Company for financial statements and the internal control of the Company in 2020, audited the financial statements of the Company for 2020 and the effectiveness of internal control of the Company.

The Company proposed to re-appoint KPMG Huazhen LLP Certified Public Accountants as the auditors of the Company for financial statements and the internal control of the Company in 2021. In addition, it is proposed to grant the Board at the AGM the authority to determine the relevant matters including their respective remuneration.

The abovementioned resolution in relation to the appointment of auditors of the Company for 2021 was considered and approved by the Audit and Risk Management Committee of the Board and the Board of the Company on 30 March 2021 and is hereby submitted to the AGM for consideration and approval.

SPECIAL RESOLUTIONS:**13. The resolution in relation to the grant of general mandate to the Board to issue additional A Shares and H Shares of the Company**

The Board hereby proposes to the general meeting for approval by way of a special resolution in relation to the grant of an unconditional general mandate to the Board to, subject to market condition and the requirements of the Company, separately or concurrently issue, allot and deal with, by share capital or equity-linked instruments (as defined below), new shares not exceeding 20% of each of the issued domestic shares (A Shares) and/or overseas listed foreign invested shares (H Shares) of the Company at the time of passing this resolution at the general meeting. According to requirements of relevant PRC laws and regulations and regulatory documents, the Board shall seek approval from the general meeting for each issuance of new A Shares even if the general mandate has been granted to the Board.

Details of the general mandate include but are not limited to the following matters:

- (1) to formulate and implement the detailed issue proposal which includes, without limitation, the class of new shares to be issued, the pricing mechanism and/or the issue price (including a price range), the number of shares to be issued, the target subscribers and the use of proceeds; to determine the timing of the issue and the period of the issue, and to decide whether to place to existing shareholders or not;
- (2) to consider, approve and execute, on behalf of the Company, agreements relating to the issue, including but not limited to placing and underwriting agreements, engagement agreements with intermediaries;
- (3) to consider, approve and execute, on behalf of the Company, legal documents relating to the issue which shall be submitted to the relevant regulatory authorities; to fulfill the relevant approval procedures in accordance with the requirements of the regulatory authorities and requirements at the places where the Company is listed;
- (4) to make necessary amendments to the relevant agreements and legal documents in items (2) and (3) above in accordance with the requirements of domestic and foreign regulatory authorities;

- (5) to affix the seal of the Company on the agreements and legal documents relating to the issue;
- (6) to engage intermediaries in connection with the issue and to approve and execute all actions, deeds, documents and such other matters that are necessary, appropriate, expedient or relevant to the issue;
- (7) to approve the increase of the registered capital of the Company, make relevant amendments to the Articles of Association of the Company relating to the total capital and shareholding structure, and fulfill the relevant registration and filing procedures pursuant to the domestic and overseas legal requirements, after the issue of the new shares.

Except that the Board may make or grant offers, agreements, or options during the Relevant Period in relation to the issue of A Shares and/or H Shares, which might require further promotion or implementation after the end of the Relevant Period, the period of the above mandate shall not exceed the Relevant Period. The Relevant Period means the period from the date of granting the mandate by a special resolution at the 2020 annual general meeting until whichever is the earliest of:

- (1) the conclusion of the 2021 annual general meeting of the Company;
- (2) the expiration of the 12-month period following the passing of this resolution by a special resolution at the 2020 annual general meeting;
- (3) the date on which the mandate under this resolution is revoked or varied by a special resolution at any general meeting of the Company.

For the purpose of this resolution, “equity-linked instruments” include bonds that may be converted or exchanged into A Share and/or H Share, options or other derivatives.

The abovementioned resolution in relation to the grant of general mandate to the Board to issue additional A Shares and H Shares of the Company was considered and approved by the Board on 30 March 2021 and is hereby submitted to the AGM for consideration and approval.

14. The resolution in relation to the issuance of debt financing instruments by the Company for 2021

In order to satisfy the production and operation needs of the Company, to adjust the structure of liabilities, and to reduce the financing costs of the Company, according to the Company's financing plans for 2021, the Company intends to finance by debt instruments and issue one or a portfolio of debt financing instruments in one or multiple tranches. And it has been resolved that the resolution in relation to the proposed issue of debt financing instruments above will be proposed to the AGM for Shareholders' consideration and approval.

(1) Issue plan

The categories of the debt financing instruments proposed to be issued by the Company include corporate bonds, enterprise bonds, ultra-short-term debentures, short-term debentures, medium-term notes, perpetual bonds, asset-backed debentures (including but not limited to ABN, ABCP and ABS), overseas bonds denominated in RMB, bonds denominated in USD, A Share convertible bonds, H Share convertible bonds or other new types of bonds issued in the PRC ("Debentures") with the total outstanding balance of repayment amount of the Debentures not exceeding an aggregate of equivalent to RMB75 billion.

In respect of the convertible bonds proposed to be issued, the A Share or H Share so converted may be issued pursuant to the general mandate to additional issue considered and passed by the general meetings of the Company in response to the application for conversion by the holders of the convertible bonds.

(2) Principal terms of issue

- (i) Issuer: the Company, and for the issuance of overseas debt financing instruments, the Company or an overseas wholly-owned subsidiary of the Company will act as the issuer.
- (ii) Size of issue: the specific size of issue will be determined in line with the capital requirements and market conditions with the total outstanding repayment amount of the Debentures not exceeding an aggregate of equivalent to RMB75 billion, provided that requirements of relevant laws and regulations and regulatory documents are complied with.

- (iii) Term(s) and category(ies): the Debentures can take the form of single term debenture or a combination of multiple categories with different terms. The specific composition of such terms and the issue size of each category with a specific term will be determined in accordance with relevant requirements and the market conditions, and the issue size of each category of debentures shall not exceed the limit applicable to the issue of such category of Debentures by the Company in accordance with relevant requirements of the PRC.
- (iv) Use of proceeds: the proceeds to be raised from such issue will be used for satisfying the production and operation needs of the Company, the adjustment of the structure of liabilities, replenishment of working capital, project investments and/or purposes consistent with the relevant regulations of the issuance of the Debentures.
- (v) Validity term of the resolution: the validity term of the resolution in relation to the proposed issuance of the debt financing instruments means the period from the approval date of this resolution at the general meeting to the date for convening the 2021 annual general meeting of the Company. In the event that the Company has resolved to carry out such issuance within the validity term of the resolution and the Company has obtained the approval, permit or registration in relation to the issuance from the regulatory authorities within the validity term of the above resolution, the Company may complete such issuance within the validity term so far as such approval, permit or registration remains valid.

(3) Authorization

It is proposed to grant a general and unconditional mandate at the general meeting to the Board to deal with the following matters within the scope of the principal terms of the issue as set out in paragraph (2) above, pursuant to relevant laws and regulations, the opinions and advices of regulatory authorities, the operation needs of the Company as well as the then market conditions:

- (i) to determine the type(s), specific category(ies), specific terms and conditions as well as other matters of the Debentures, including but not limited to all the matters in relation to the issue such as the size of issue, actual total amount, currency, issue price, interest rate or the determination method thereof, applicable issuer, place of issue, timing of issue, term(s), whether to issue in tranches and the number of tranches, whether to adopt any terms for repurchase and redemption, rating arrangements, guarantee matters, term of repayment of the principal and interests, use of proceeds, as well as listing and underwriting arrangements;

- (ii) to carry out all necessary and incidental actions and procedures for the issue of Debentures, including but not limited to, engaging intermediary agencies to handle, on behalf of the Company, the approval, record, filing and registration procedures with relevant regulatory authorities relating to the application for the issue, executing all necessary legal documents relating to the issue and dealing with other matters relating to the issue and trading of the Debentures;
- (iii) to make relevant adjustments to the relevant matters of the issue of the Debentures and to determine whether to proceed with the issue with reference to the opinions from relevant domestic regulatory authorities and the changes in policies and market conditions, provided that such adjustments and decision shall be within the scope of the authorization of the general meeting and shall be subject to re-voting at a general meeting of the Company if otherwise required by the relevant laws and regulations and the Articles of Association of CRRC Corporation Limited;
- (iv) to deal with other specific matters in relation to the issue of the Debentures and to execute all the required documents;
- (v) to approve the Board's further delegation of the aforesaid authorization to the Chairman of the Board and the president of the Company for the implementation of the issue.

The abovementioned resolution in relation to the issuance of the debt financing instruments for 2021 was considered and approved by the Board on 30 March 2021 and is hereby submitted to the AGM for consideration and approval.

CRRC CORPORATION LIMITED
2020 WORK REPORT OF THE BOARD

In 2020, the Board of CRRC Corporation Limited (“CRRC” or the “Company”), in conjunction with the requirements of the new Securities Law, earnestly fulfilled the duties ascribed by the Company Law and the Articles of Association, implemented the requirements of the Central Committee of the Communist Party of China and the State Council on pandemic prevention and control work, implemented the Opinions of the State Council on Further Improving the Quality of Listed Companies, took the maximization of Shareholders’ value as its own responsibility to give play to the function of the Board in strategic leading, scientific decision-making and risk prevention, and earnestly performed various duties, continued to enhance its own capacities so as to effectively safeguard the interests of the Company and the Shareholders. All Directors of the Company conscientiously performed their duties, worked diligently and accomplished a lot of work to regulate the construction of the Board and promote the development of the Company. The relevant details are reported as follows:

I. FORMULATING STRATEGY FOR DEVELOPMENT

1. Formulating strategy to lay a foundation for further development

The Board of the Company focused on strategic development planning and played a strategic guiding role. In the board meetings and research, the Directors have repeatedly put forward their views and recommendations on the optimization of the Company’s business structure, the planning for major markets and the promotion of in-depth reform and other major development strategies in light of the Sino-US trade war and the changes in the domestic and international political and economic situation and the industry and market landscape in the post-pandemic era. With focusing on the spirit of the 19th National Congress of the Communist Party of China and the 19th Plenary Session, the Board of the Company conducted a review on the implementation of the “13th Five-Year Plan” and prepared the strategic plan of the “14th Five-Year Plan” at the 4th Strategic Committee Meeting and the 25th Board Meeting of the 2nd Session, formulated the strategic outline of the “14th Five-Year Plan” in accordance with the strategic objectives of the “Two Steps” (two stages for 2025 and 2035) of CRRC, and planned the work arrangement of the three-year action plan for reform of the Company with the “Three-Year Action Plan for State-owned Enterprise Reform(2020-2022)” of the SASAC as the guidance. The Company will promote its stable and healthy development by carrying out unified planning for its in-depth reform and development planning in the next 3-5 years.

2. Deepening reform to stimulate the vitality of development

The Board focused on the key tasks of the reform to ensure that the reform achieved substantive results. **Firstly, making new progress in business restructuring.** The restructuring of the locomotive business was further advanced with the transfer of 51% equity interest in Ziyang to Zhuzhou Locomotive; the plan of listing of Zhuzhou CRRC Times Electric Co., Ltd. on the Science and Technology Innovation Board was considered and approved by the Board, and the listing application was accepted by the

SSE; the restructuring plan of the parts business was initially formed. **Secondly, making new breakthrough in reform pilot.** The corporate governance structure of the reform pilot enterprises was further improved with external directors representing a majority in the numbers of the board members. The “Double Hundred Action” enterprises explored and promoted the establishment of market-oriented operation mechanism and medium and long term equity incentives, the “Mixed-reform” enterprises promoted reform projects rapidly, and “Demonstration Action of Science and Technology Reform” enterprises completed the formulation of the plan and started the related work. **Thirdly, making new achievements in headquarters reforms.** The organizational structure of the headquarters was further optimized, and the number of organizations was reduced from 28 to 22, among which the number of administrative organizations was reduced from 14 to 9, representing a decrease of 36%, further enhancing the control and operational efficiency of the headquarters.

3. Shouldering and fulfilling social responsibility

The Board of the Company focused on fulfilling its social responsibility and made tireless effort to promote social development. The Company regarded its fulfillment of social responsibility as a necessary requirement to deepen its reform and enhance its core competitiveness, continuously integrated the concept of social responsibility into business management and adhered to the mission of “Connecting the World for the Benefit of Mankind”, so as to contribute to the promotion of social development and progress. **Firstly, to “combat poverty”.** In 2020, the Company intensively implemented the “six assistance works” in respect of education, training, infrastructure, industry, consumption and party construction to help the targeted counties (districts) to successfully lift out of poverty. **Secondly, to focus on environmental protection business.** The successful launch of environmental protection industry in Qingdao, Zhuzhou etc. accelerated the promotion of carbon fiber composite material application and fully completed the goal of energy conservation and emission reduction set by the SASAC with main indicators falling significantly year-on-year. **Thirdly, to solidify the work of pandemic prevention.** We resolutely implemented the decisions and deployments of CPC and the State Council of the prevention and control of the COVID-19 pandemic by achieving the “eight in place” of organization protection, joint prevention and control, reassurance and guidance, inspection and supervision, transportation support, emergency supplies, resumption of work and prevention, and meticulous management, realizing the “three zero” goal, which represented zero infection in after-sales services, zero death of diagnosed personnel, and zero infection in the country after resumption of work and production during the Spring Festival.

4. Stabilizing development to achieve business goals

The Board of the Company focused on risk mitigation to ensure stable operating results. In the face of the various challenges including the impact of the pandemic, the confrontation between China and the United States and the changes in the industry, with focus on the three themes of “reform, innovation and synergy” and the goal of “two guarantees and two pursuits”, the Company rose to the challenge, overcome

numerous difficulties including production organization, material support and order delivery, made every effort to stabilize the operation and maintain growth, and satisfactorily completed the annual operation target.

II. MAKING PROPER DECISIONS AND IMPROVING QUALITY

1. Implementing the “double in place” and giving full play to the core role of the Board

Firstly, to perform duties in accordance with the law with main responsibility in place. As the core of corporate governance, the Board of the Company performs its duties in accordance with the laws, and respects the statutory functions of various governance bodies, such as Shareholders, the Supervisory Committee, the management, the party committee and employee representative assembly, fulfilling their respective duties and responsibilities, collaborating operation and effectively maintaining balance with each of the governance bodies. The Board maintained communication with Shareholders to actively discuss with them about the Company’s strategies and operations at the general meeting. The Board consciously accepted the supervision of the Supervisory Committee with all Supervisors present at Board meetings. Under the leadership of the president, the management actively supported and cooperated in the work of the Board, reporting to the Board, accepting questions and enquiries from the Directors, and carrying out the daily production and operation according to the laws. **Secondly, to perform duties seriously and operate in compliance with the regulations.** The Board of the Company conscientiously performed its duties and made timely and scientific decisions on major investments, business restructuring and other important matters in accordance with the requirements of the regulatory authorities and the development needs of the Company. In the whole year, the Board convened 1 general meeting and considered and approved 14 resolutions; convened 10 Board meetings and considered and approved 48 resolutions in respect of periodic reports, related party transactions, amendments to the Articles of Association, etc. The special committees of the Board convened 13 meetings.

2. Implementing “three delicacies” to enhance the authority of the Board in decision-making

Firstly, to plan annual meetings carefully. We prepared the Board meetings and research plan for 2020 at the end of 2019 with ahead planning and thorough communication, determined the specific time of four regular meetings and arranged the preliminary time and number of temporary meetings to ensure that Board members have sufficient time to perform their duties. **Secondly, to consider board resolutions precisely.** The Board members strictly implemented the “pre-meeting” communication on resolutions and “in-meeting” consideration for resolutions. In response to the impact of the COVID-19 pandemic, the Directors communicated thoroughly by way of telephone, mail, WeChat, written materials and other ways and through a combination of on-site and video to participate in the meetings, and the decision-making and consideration were achieved with “communication, consultation and voting”. Only 2 of the 10 Board meetings in the year were convened by circulation or resolutions, ensuring that all Directors fully expressed their views. **Thirdly, to precisely control**

the implementation of the resolutions of the meetings. The management regularly fed back to the Board on the implementation of the Board's decisions, and reported on every outstanding item until completed. The Board members also ensured the progress of relevant decisions by means of on-site investigation.

3. Adhering to the “three timeliness” to enhance the decision-making level of the Board

Firstly, to conduct timely research and study. In the first half of 2020, due to the impact of the pandemic, no research and study was conducted in subsidiaries. In the second half of the year, based on the pandemic situation in conjunction with the performance of duties of the two new Independent Directors, we conducted on-site research and study at key subsidiaries in Qingdao, Tangshan, Changchun and Zhuzhou etc. in a timely manner to listen to reports and ask questions in order to obtain first-hand information needed for decision-making. **Secondly, to obtain timely information support.** The Board office regularly reported information on the Company's operation and management, market development, product development, technology innovation, talent selection and recruitment, financial management, etc. In addition, the Board also participated in the Company's annual working meetings and management seminars to understand the Company's operation and development in a timely manner and to grasp the information required for decision-making. **Thirdly, to participate in timely learning and training.** The Directors actively participated in the training for directors organized by SASAC and securities regulatory authority to learn and understand the spirit of major meetings of the CPC Central Committee and the State Council, and learn about new regulatory regulations and corporate governance, so as to continuously improve their decision-making level.

III. PREVENTING RISKS TO ENSURE OPERATION

1. Building systems and improving risk control standards

The Board of the Company attached importance to the construction of risk control system with emphasis on promoting high-quality development and the goal of benchmarking with world-class enterprises, strengthened system construction, promoted the formulation of a series of system documents, formulated the implementation plan of risk management improvement action and benchmarking work list, implemented the work plan for prevention and resolution of major risks, etc.; strengthened the front of risk control, took the “Risk Assessment Management Measures for Major Projects (pilot)” and the supporting risk guidelines as the key, reinforced the special risk assessment before decision-making of subsidiaries, and improved the implementation measures for accountability for non-compliant operation and investment to make the work process of accountability more specific, clear and operational.

2. Optimizing systems and enhancing risk control level

The Board of the Company attached importance to the construction of risk management and internal control system, enhanced the organizational structure and established the Audit Risk and Legal Center, further optimizing the management

structure and control mode of risk management and internal control, legal compliance and audit and supervision, providing institutional protection for comprehensive strengthening of the Company's internal control and compliance management as well as the effective prevention and resolution of various major risks; strengthened the top-level design of risk control, improved the system of accountability for violations, conducted research on key risk indicators of rail transportation, new industries and similar financial sub-segments, and initially built a risk preference management system.

3. Grabbing the key to prevent major risks

The Board of the Company formulated risk resolution strategies tailor-made for each major risk by attaching importance to the prevention of major risks, developing major risk resolution indicators, and setting up a special risk resolution team through internal and external linkages. The Board carried out key monitoring on certain subsidiaries with prominent risks, including supervising and guiding, and decomposing 1,661 supervision items to ensure the principle of "one policy for one risk, one person for one risk, one table for one risk and one assessment for one risk". The Board conducted pandemic prevention and control audits to improve the construction of external donation mechanism and standardize the management process of external donations; focused on major risks and major projects, identified risk events and put forward risk response measures; carried out risk assessment and special audits of Taizhou PPP projects to prevent PPP project risks.

IV. REINFORCING CONSTRUCTION AND EXCELLENT GOVERNANCE

1. Scientific configuration to improve the governance structure

At the end of 2020, the second session of the Board of the Company was composed of 7 Directors. The Board members have rich experience and the structure of the members is reasonable. Among them, there are three executive Directors, namely Liu Hualong, Sun Yongcai and Lou Qiliang; and four independent non-executive Directors, namely Li Guo'an, Sun Patrick, Shi Jianzhong and Zhu Yuanchao. The Board has four committees, namely strategy committee, audit and risk management committee, remuneration and evaluation committee and nomination committee. Other than the strategy committee which is chaired by the chairman of the Company, the other three committees are all chaired by independent non-executive Directors. The audit and risk management committee and the remuneration and evaluation committee are all composed of non-executive Directors. Non-executive Directors account for the majority of the nomination committee, which ensures that non-executive Directors could fully express their opinions and effectively participate in corporate governance, and guarantees the normative, scientific and effective operation of the Board.

2. Putting emphasis on learning to improve the ability to perform duties

The Board of the Company attached importance to organizing members to conduct political theory and business studies, and actively participate in various trainings to continuously improve their ability to perform their duties. **Firstly**, the Board members earnestly studied Xi Jinping's Thought on Socialism with Chinese Characteristics for a

New Era, studied the spirit of the 5th Plenary Session of the 19th Central Committee of the Party, and party member directors participated in the trainings of the party organization where they belonged to, further strengthening the “four awarenesses”, adhering to “four confidences” and achieving the “two maintenances”. **Secondly**, the Board members focused on studying the ideas of the Central Economic Work Conference, the standards for performing duties of external directors of central enterprises, and the current key and difficult issues in the reform of state-owned enterprises. **Thirdly**, members of the Board attended the training for directors organized by SASAC, SSE, Beijing Securities Regulatory Bureau, the Council of the Listed Companies Association of Beijing and the Hong Kong Institute of Chartered Secretaries to learn the new Securities Law and the Opinions of the State Council on Further Improving the Quality of Listed Companies (《國務院關於進一步提高上市公司質量的意見》) to ensure that the various work of the Board is in compliance with the laws and regulations.

3. Innovative model to optimize subsidiary governance

We actively explored innovative control models for parents and subsidiaries, established a system of full-time external directors and used assignment of external directors as the basic mode of control of subsidiaries, promoting the control goal of “small headquarters and big business” of the Group. While strengthening the dominant position of the subsidiaries in the market, we also made the assignment of external directors an important way to deepen corporate reform and change the control mode. We have improved the system of full-time external directors, revised and improved the “Administrative Measures for External Directors” and “Work Rules for Full-time External Directors”, and deepened the construction of the board of directors of subsidiaries, sending 18 full-time external directors to 21 subsidiaries, realizing that the external directors of the reform pilot subsidiaries accounted for the majority of the board of directors, and all the first-level subsidiaries boosted the construction of their board of the directors.

V. FOCUSING ON MARKET VALUE AND EXHIBITING IMAGE

1. Improving a market value management mechanism

The Board of the Company continued to pay attention to the Company’s stock price, market value movement and capital market dynamics, taking advantage of the role of capital market for optimizing allocation of resources to maximize the Company’s intrinsic value and Shareholders’ equity. A market value management mechanism was established to handle crises and immediately activate contingency plans in response to negative news such as media reports of the Company’s removal from the SOE Index, the latest U.S. government executive order report, and the Company’s declining net profit. The Company holds market value management meeting every quarter, and domestic and foreign financial public relations enterprises are specially invited to report on the share price, market value performance from the beginning of the year to the end of the quarter, and other key issues of the Company that the capital markets and medias mainly focus on, and relevant departments of the Company will

report on the market value management of their respective departments. Such meetings help promote the implementation of market value management and continuously improve the Company's capitalization.

2. Disclosing information in compliance with laws and regulations

The Board of the Company, always insisted on the principle of “truth, accuracy, completeness, timeliness and fairness”, carefully reviewed the disclosed information through emails, meetings, etc. and fulfilled its information disclosure obligations in accordance with laws and regulations. During the year, the Company published 102 interim reports on the SSE; published 115 announcements in traditional Chinese, 71 announcements in English, i.e. 186 announcements in aggregation, on the Hong Kong Stock Exchange. The announcements in relation to the unlock of restricted non-public issued A-shares, issuance, interest payment and tracking ratings of corporate bonds, increase in H-share holdings by substantial shareholders and clarification for US executive orders, etc. were published. The Company published 6 announcements in relation to signing contracts, disclosing a contract amount of RMB185.4 billion in total, which accounted for approximately 81% of the audited operating income of the Company in 2019. The Company has obtained Grade A rating in the evaluation of information disclosure of listed companies on the SSE for five consecutive years.

3. Actively building a communication platform

The Board of the Company is committed to protecting the interests of all Shareholders, continually enhancing investor relations management and making active responses to the appeals of the Shareholders. The Company established an investor relations management team that includes senior management, executive department and supporting department. Senior management, which comprised the chairman, president, vice president and the secretary to the Board of the Company, would be responsible for decision-making and planning of major events of investor relations. Executive department is the Board office of the Company, which would be responsible for day-to-day communications with investors, non-transaction road shows, Shareholders' analysis, capital market monitoring and information feedback. Supporting department, which comprised the responsible persons of business departments of the Company and all its subsidiaries, would be responsible for providing the information necessary for investor relations management. The Company established a platform for communication with investors, expanded channels for communication with investors and effectively communicated with investors, improving the Company's image in the capital market. During the year, the Company organized in total 1 roadshow and 1 reverse roadshow, received in total 13 visits (approximately 70 persons came to the Company for inspection), convened 80 conference calls, participated in 9 strategy events organized by securities institutions.

In the past year, all the Directors put forward ideas and plans for the Company with due diligence, considered every resolution and gave careful, objective and fair advices. With thorough understanding of the on-site production and operation of the Company and active participation in decision making of the Board, interests of the Company and the shareholders have been safeguarded. As the level of corporate

governance of CRRC has constantly enhanced, the Company has been awarded with various honors in the capital market: **The Company was awarded 10 important awards, including but not limited to China Top 100 Special Contribution Enterprises for Twenty Years Award of the 20th China Top 100 List Companies Summit Forum** (第二十屆中國上市公司百強高峰論壇之中國百強二十年特別貢獻企業獎), **Outstanding Listed Company for the 30th Anniversary of the Capital Market of 2020 China Securities Golden Bauhinia Awards** (2020 中國證券金紫荊獎之資本市場三十週年傑出上市公司獎), **the Company's 2019 Annual Report ranking 75th globally and 38th in Asia Pacific, Gold Winner for Equipment, Machinery & Instruments Industry** (裝備機械儀器行業金獎), **Top 50 Annual Reports in Asia-Pacific region and Top 50 Annual Reports in China, etc.**

The year 2021 is a crucial year for kicking off a good start of the “14th Five-Year plan”, the Board of the Company will reward the society, shareholders and investors with better performance by **achieving the “Four Adherence”**. **Firstly, to adhere to the strategic direction**, formulate the “14th Five-Year Plan” development strategy and planning, and determine the annual operation target of the Company. **Secondly, to adhere to compliance with laws and regulations**, strengthen the Board’s own construction, and successfully complete the re-election and appointment of members of the Board. **Thirdly, to adhere to risk prevention**, establish a healthy work mechanism featuring smooth communication, full coverage, clear process, orderly standardization and strong supervision. **Fourthly, to adhere to market value management**, improve the quality of information disclosure, guide the investors’ expectation, and enhance the Company’s market image.

During the “14th Five-Year Plan” period, based on the new development stage, the Company will implement the new development concept, and build a new development pattern. By taking the promotion of high-quality development as the theme, and with reform and innovation as the fundamental driving force, it will continue to inherit its mission of “Connecting the World for the Benefit of Mankind” and make every effort to realize the “one core and two first-class” strategic positioning (to become a world-class high-end equipment manufacturer and systematic solution provider with global competitiveness with rail transit equipment as its core).

The Board of CRRC Corporation Limited

*Note:*All the financial data provided in this report were prepared under the PRC Accounting Standards; and unless stated otherwise, the currency used for book-keeping was Renminbi.

CRRC CORPORATION LIMITED
2020 WORK REPORT OF THE SUPERVISORY COMMITTEE

In 2020, strictly in accordance with the relevant provisions of the Company Law of the PRC and other laws and regulations and the Articles of Association and the Rules of Procedure for the Supervisory Committee, and for protection of the interests of all Shareholders, all members of the Supervisory Committee of CRRC Corporation Limited (the “Company”) conducted supervision and examination on the legal compliance of the Company’s financial affairs, the implementation of the resolutions of the general meeting, the major decision-making procedures of the Board and the operation and management activities of the Company, and the performance of the duties of Directors and senior management, promoting the Company’s sustainable and healthy development. The second session of the Supervisory Committee of the Company consists of three members, namely Zhao Hu, as Chairman of the Supervisory Committee, and Chen Zhenhan and Chen Xiaoyi as members. Two of them are Shareholder representative Supervisors and one is employee representative Supervisor.

I. WORK OF THE SUPERVISORY COMMITTEE IN 2020

In 2020, the Company’s supervisors strengthened their study and diligently performed their duties, supervising the Company’s financial status, the use of proceeds, the implementation of decisions by the Board of Directors, the operation of the risk control system and major operation and management; and supervising the performance of duties of the Company’s directors and senior management. The specific work is as follows:

1 Meetings of the Supervisory Committee in 2020

During the Reporting Period, the Supervisory Committee held 6 meetings to consider 19 proposals. The meetings were convened in strict accordance with the relevant provisions of the Company Law of the PRC, the Articles of Association and the Rules of Procedure for the Supervisory Committee. Details of the meetings are as follows:

On 30 March, the 12nd meeting of the second session of the Supervisory Committee was convened in the form of on-site meeting, at which 13 resolutions, including the Resolution in Relation to the 2019 Annual Report of CRRC Corporation Limited were considered and approved.

On 29 April, the 13rd meeting of the second session of the Supervisory Committee was convened in the form of on-site meeting, at which 1 resolution, the Resolution in Relation to the 2020 First Quarterly Report of CRRC Corporation Limited, was considered and approved.

On 25 May, the 14th meeting of the second session of the Supervisory Committee was convened in the form of on-site meeting, at which 1 resolution, the Resolution in Relation to the Appointment of Auditors of CRRC Corporation Limited for 2020, was considered and approved.

On 28 August, the 15th meeting of the second session of the Supervisory Committee was convened in the form of on-site meeting, at which 1 resolution, the Resolution in Relation to the 2020 Interim Report of CRRC Corporation Limited, was considered and approved.

On 30 October, the 16th meeting of the second session of the Supervisory Committee was convened in the form of on-site meeting, at which 2 resolutions, including the Resolution in Relation to the 2020 Third Quarterly Report of CRRC Corporation Limited, were considered and approved.

On 18 December, the 17th meeting of the second session of the Supervisory Committee was convened in the form of on-site meeting, at which 1 resolution, the Resolution in Relation to the Transfer of 50% Equity Interest in CRRC Construction Engineering Co., Ltd. Held by CRRC Corporation Limited to CRRC Rail Transit Construction and Investment Co., Ltd. by Way of Non-public Agreement, was considered and approved.

2. Attendance of Members of the Supervisory Committee at the Company's Other Meetings

In 2020, members of the Supervisory Committee attended the 2019 annual general meeting, presented as non-voting attendees at 10 Board meetings and 28 office meetings of president convened by the Company in 2020, and attended the Company's annual work meeting and operational management meeting.

In accordance with the Articles of Association, the Supervisory Committee conducted effective supervision on, among others, the convening procedures, resolutions and voting procedures of the Company's general meetings and the Board meetings and a supervisor was sent to supervise the voting. The Supervisory Committee also supervised the implementation of the resolutions of the general meeting by Directors and senior management.

During their participation in the aforesaid meetings, members of the Supervisory Committee communicated with the relevant departments when necessary, investigated and made enquiries on key proposals and offered opinions and recommendations on key issues to ensure that the various tasks are in compliance with the relevant laws and regulations.

3. Supervisory Committee continued to conduct in-depth research

During the reporting period, the Supervisory Committee of the Company continued to deepen its investigation and research work to continuously improve the effectiveness of supervision. The members of the Supervisory Committee fully integrated with their own work and made use of the opportunities of audit and supervision, compliance review and other work to carry out investigation and research, so as to provide a basis for objective evaluation of the Company's operation and management.

4. The Supervisory Committee collaborated in supervising risk prevention

During the reporting period, the Supervisory Committee of the Company continued to strengthen risk prevention and risk mitigation by building a “large supervision” structure with the Company’s functional departments including internal audit, risk, legal, compliance and disciplinary to oversee the implementation of the 2020 major risk mitigation targets, continuously improved the risk prevention mechanism, carried out pandemic prevention and control audits, provided strong support for the battle against pandemic, and consciously accepted the supervision and guidance of the CSRC, the Securities Regulatory Bureau, the stock exchanges, the Council of the Listed Companies Association and the SASAC, effectively realizing the supervision and coordination of risk prevention.

II. OPINION OF THE SUPERVISORY COMMITTEE REGARDING COMPLIANCE OF THE COMPANY’S OPERATIONS

The Supervisory Committee supervised over and checked on the legal performance of duties of the Directors and senior management of the Company, establishment of the internal control system of the Company as well as its sound and consistent implementation during the reporting period.

The Supervisory Committee is of the following opinion: the Board and the senior management of the Company were able to conduct its operations legally and strictly in compliance with the requirements of the Company Law of the PRC and the Articles of Association as well as other relevant laws, regulations and rules. The Board and the senior management performed their own duties in a faithful and diligent manner and implemented the resolutions and mandates of the general meetings and the Board earnestly. The major decisions for the operation of the Company were made in a reasonable, legitimate and effective way. Information disclosure was in line with norms, and the management system of registration for informed persons of inside information had been implemented well. None of them was found to have engaged in any act undermining the interests of the Company or Shareholders, or breaching the laws and regulations, the Articles of Association and other rules and systems.

III. OPINION OF THE SUPERVISORY COMMITTEE REGARDING INSPECTION ON THE COMPANY’S FINANCIAL CONDITIONS

Through attending presentations by the Company’s financial representative, reviewing the Company’s financial statements, and deliberating on the Company’s regular reports and the auditor’s audit report as well as conducting field trips for the major investment projects undertaken by the Board during the reporting period, members of the Supervisory Committee conducted inspection and supervision on the Company’s financial operations.

The Supervisory Committee is of the following opinion: the Company’s financial system is comprehensive and the financial system is sound. The financial report of the Company gave a true, fair and full picture of the financial position and operating results of the Company and its various expenses and disbursements were reasonable. Deloitte Touche Tohmatsu Certified Public Accountants LLP performed an audit on the Company’s financial

report for 2019 and issued a standard unqualified opinion in its audit report. It was of the opinion that the Company's financial statements were prepared in all material respects in accordance with the requirements of the corporate accounting principles promulgated by the Ministry of Finance of the PRC and presented a fair view of the Company's financial position and cash flow as of 31 December 2019. The Supervisory Committee has reviewed the report.

IV. OPINION OF THE SUPERVISORY COMMITTEE REGARDING THE MANAGEMENT AND USE OF THE FUNDS RAISED BY THE COMPANY

During the reporting period, there is no fund raised by the Company that was available for management and use. The Supervisory Committee will pay attention to the Company's subsequent fund raising.

V. OPINION OF THE SUPERVISORY COMMITTEE REGARDING THE ACQUISITION AND DISPOSAL OF ASSETS BY THE COMPANY

During the reporting period, the Company made reasonable pricing decisions and followed procedures in compliance in its asset acquisition or disposal transactions, and there were no circumstances in which the Company's assets were lost or the interests of its Shareholders were undermined.

VI. OPINION OF THE SUPERVISORY COMMITTEE REGARDING THE STATUS OF THE COMPANY'S RELATED PARTY TRANSACTIONS

The Supervisory Committee conducted supervision over the Company's related party transactions which occurred during the reporting period, and is of the following opinion: in relation to all of the Company's related party transactions, the Company strictly followed the laws and regulations such as the Company Law of the PRC, the Securities Law of the PRC, the listing rules of the places where the Company's shares are listed as well as stipulations in the Articles of Association and Management Measures on Related Party Transactions of CRRC Corporation Limited, and such related party transactions were entered into upon sufficient discussion and investigation and prudent decision-making by the Board and management of the Company, where pricing was determined in accordance with principles such as government pricing and fair market pricing, did not violate the principles of openness, fairness and impartiality, and there were no circumstances in which the interests of the Company or the interests of its minority Shareholders were undermined.

VII. OPINION OF THE SUPERVISORY COMMITTEE REGARDING EVALUATION OF THE INTERNAL CONTROL OF THE COMPANY

During the reporting period, upon review of the Assessment Report on Internal Control of CRRC Corporation Limited for 2019, the Supervisory Committee has no objections to the report. Deloitte Touche Tohmatsu Certified Public Accountants LLP audited the internal control of the Company for 2019, and issued an audit report on the internal control of CRRC Corporation Limited for 2019, which believed that the Company maintained effective internal control of financial report in all material respects in accordance with the Basic Practices of Internal Control of Enterprises and the relevant requirements as at 31 December

2019. In 2020, the Company's key internal control activities were regulated, conducted in compliance with the law and were valid without any instance of breaching the relevant requirements of the securities regulatory authorities and the Company's internal control system.

In 2021, the Supervisory Committee will continue to diligently perform its duties strictly in accordance with the Company Law of the PRC, the Articles of Association and other relevant requirements, adequately express its opinion, and carefully and independently consider resolutions and cast its vote in order to facilitate the sound and sustainable development of the Company.

The Supervisory Committee of CRRC Corporation Limited

**CRRC CORPORATION LIMITED
MEDIUM AND LONG TERM SHAREHOLDERS' RETURN PLAN**

ARTICLE 1 INTRODUCTION

In order to further define reasonable investment returns to shareholders given by CRRC Corporation Limited (the "Company"), improve the transparency and predictability of decision-making procedures of profit distribution and enhance Shareholders' optimization of capital arrangement, and pursuant to the relevant requirements of the "Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies" issued by CSRC and the Articles of Association of CRRC Corporation Limited, the board of directors of the Company had formulated the Medium and Long Term Shareholders' Return Plan of CRRC Corporation Limited (the "Plan").

ARTICLE 2 CONSIDERATIONS IN THE FORMULATION OF THE PLAN

The Company is committed to realizing long-term and sustainable development. It establishes sustainable, stable and scientific return plan and mechanism for its shareholders according to the Company's future development plan, operating conditions and financial position, while taking into account the needs of shareholders, and makes systematic arrangement for profit distribution to ensure the continuity and stability of its profit distribution policy and safeguard the interests of shareholders.

ARTICLE 3 PRINCIPLES FOR FORMULATION OF THE PLAN

In formulating the Plan, the Company shall fully listen to and consider the opinions of shareholders (in particular, the minority shareholders) and independent directors, and also take into account of reasonable investment returns to shareholders and the demand for the Company's sustainable development. The Company shall, on the premise of meeting the capital demand for the Company's normal production and operation and maintaining a stable financial structure, implement proactive profit distribution policy, consider cash dividends in priority and attach great importance to the reasonable investment returns to the shareholders.

ARTICLE 4 THE SPECIFIC MEDIUM AND LONG TERM SHAREHOLDERS' RETURN PLAN

1. The Company will distribute dividends by way of cash, Shares or a combination of cash and Shares or increasing share capital through conversion of capital reserves as well as other methods in compliance with the requirements of laws and regulations. The Company adopts with priority the distribution of cash dividends for distributing profit. If the Company meets the conditions for distributing cash dividends, profit shall be distributed by way of cash dividends. In principle, the Company will distribute profit once per annum, and subject to fulfillment of required conditions, the Company may distribute an interim profit.
2. Pursuant to the requirements of the Articles of Association of CRRC Corporation Limited, except for under special circumstances, if the Company has recorded a profit for the current year, the accumulated undistributed profit is positive and is capable to

satisfy the actual needs for distribution, then a distribution by way of cash dividends shall be adopted. Distribution of profit by way of cash in each year shall not be less than 15% of distributable profit realized for the current year as set out in the consolidated financial statements of the Company. And the cumulative distribution of profit in the form of cash for every three consecutive years shall not be less than 45% of the average annual amount of distributable profit realized for the last three years as set out in the consolidated financial statements of the Company.

The aforesaid “special circumstances” shall include the following:

- (1) the production and operation of the Company are affected significantly due to the impact of force majeure events (such as war, natural disaster, etc.);
 - (2) the Company has realized a relatively small amount of distributable profit for that year as set out in the consolidated financial statements, which is not sufficient to distribute in practice;
 - (3) the audit firm appointed by the Company to audit the annual financial report for the current year has issued a non-standard audit report with qualified opinions;
 - (4) the liability-to-asset ratio of the Company as at the end of that year has exceeded seventy per cent (70%);
 - (5) the Company's intended cumulative expenditure on external investment, acquisition of assets or purchase of equipment within the next 12 months will reach or exceed twenty per cent (20%) of the audited total assets in the latest accounting period of the Company;
 - (6) material changes have occurred in the external operating environment which have resulted in material effects on the production and operation of the Company;
 - (7) other events which have material effects on the production and operation and capital position of the Company have occurred or will occur in the next 12 months as anticipated by the Company.
3. When the Company is in a sound operating condition, and the Board considers that the Company's stock price does not reflect its scale of capital, and distributing dividends in shares will be in the interests of all shareholders as a whole, the Company may propose the distribution of dividends in shares upon fulfilment of the above conditions concerning cash dividends. When the Company distributes profit by way of share dividends, the Company shall consider providing shareholders with a reasonable amount of cash dividend returns and maintaining an appropriate equity scale and shall take into account realistic and reasonable factors such as the growth of the Company and the dilution of net assets per share of the Company.
 4. The profit distribution plan of the Company, which has incorporated the opinions of the shareholders (especially minority shareholders) and the independent directors, shall be considered and approved at a meeting of the President's Office before being submitted

to the Board and the Supervisory Committee of the Company for consideration. The Board shall thoroughly discuss the rationality of the profit distribution plan and form a special resolution, which will then be submitted to the general meeting for consideration.

5. If the Company fails to distribute cash dividends or the ratio of cash dividends distributed falls below the required ratio due to any special circumstances as set out above in Clause 2 of Article 4, the Board shall provide a specific explanation on such issues, including the specific reasons for failing to distribute cash dividends, the actual use of retained earnings and the anticipated investment gains. After the independent Directors have expressed their views thereon, such explanation shall be submitted to the general meeting for consideration and disclosed in the media designated by the Company. When the aforementioned relevant matters are considered at the general meeting, the Company will provide the means of voting online to Shareholders.

ARTICLE 5 ADJUSTMENT TO THE SHAREHOLDERS' RETURN PLAN

The Company shall evaluate the implementation of the medium and long term shareholders' return plan at least once every three years. In the event of any special circumstances as set out above in Clause 2 of Article 4, any material changes in the Company's external business environment and its own operating conditions, if adjustments or changes to the established medium and long term shareholders' return plan are deemed necessary, the Company shall make the adjustment or change upon thorough discussion, in compliance with the relevant decision-making procedures and upon approval of no less than two-thirds (2/3) of voting rights of shareholders present at the general meeting. The reasons and opinions of the independent directors shall be disclosed in the current annual report.

ARTICLE 6 RELEVANT DECISION-MAKING MECHANISM FOR SHAREHOLDERS' RETURN PLAN

On the basis of taking into full consideration of the size of profit, cash flow conditions, development stage and funding requirements for that period of the Company, together with the opinions from Shareholders (in particular the minority Shareholders), the Shareholders' return plan will be formulated by the Board and after being considered by independent Directors, the Plan will be submitted to the general meeting for consideration and approval.

ARTICLE 7 SUPPLEMENTARY PROVISIONS

The Plan, along with its amendments and adjustments, shall be effective from the date of its approval at the general meeting of the Company.