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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)**

**ANNOUNCEMENT ON CONNECTED TRANSACTION**  
**IN RELATION TO THE MERGER OF**  
**CRRC FINANCIAL LEASING CO., LTD.,**  
**A SUBSIDIARY OF THE COMPANY, AND**  
**CHINA NATIONAL FOREIGN**  
**TRADE FINANCIAL & LEASING CO., LTD.**

**ENTERING INTO THE MERGER AGREEMENT**

On 27 October 2023, the Company, CRRC GROUP, Tianjin Trust, CRRC Financial Leasing (a non-wholly-owned subsidiary of the Company), Minmetals Capital Holdings, Foreign Trade Financial & Leasing and Orient Asset entered into the Merger Agreement. Pursuant to the terms and conditions of the Merger Agreement, the equity interest in CRRC Financial Leasing held by its existing shareholders will be transferred by way of an additional issuance of equity interest to them by Foreign Trade Financial & Leasing. Upon completion of the Merger, the legal entity qualification of Foreign Trade Financial & Leasing will survive, CRRC Financial Leasing will be dissolved and its legal entity qualification will be canceled, and it will no longer be a subsidiary of the Company, and the Post-Merger New Company will succeed and undertake all assets, liabilities, businesses, personnel, contracts and all other rights and obligations of CRRC Financial Leasing. Upon completion of the Merger, Minmetals Capital Holdings, CRRC GROUP, the Company, Orient Asset and Tianjin Trust will hold 66.40180764%, 2.58851498%, 23.29663478%, 4.83691485% and 2.87612775% equity interest of the Post-Merger New Company, respectively, and the Post-Merger New Company will not become a subsidiary of the Company.

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

As at the date of this announcement, CRRC GROUP, the controlling Shareholder of the Company, directly holds 51.35% of the shares of the Company, and therefore is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the entering into of the Merger Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

The Transaction under the Merger Agreement involves both acquisition and disposal by the Company. Pursuant to relevant requirements under the Hong Kong Listing Rules, the Company shall classify the Transaction under the Merger Agreement by reference to the higher of the size test percentage ratios in respect of the acquisition and the disposal and, based on the classification, comply with applicable requirements under the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined in the Hong Kong Listing Rules) of the Transaction contemplated under the Merger Agreement exceeds 0.1% but is less than 5%, the Transaction under the Merger Agreement shall be subject to the relevant reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

### **1. INTRODUCTION**

The Board hereby announces that, on 27 October 2023, the Company, CRRC GROUP, Tianjin Trust, CRRC Financial Leasing (a non-wholly-owned subsidiary of the Company), Minmetals Capital Holdings, Foreign Trade Financial & Leasing and Orient Asset entered into the Merger Agreement. Pursuant to the terms and conditions of the Merger Agreement, the equity interest in CRRC Financial Leasing held by its existing shareholders will be transferred by way of an additional issuance of equity interest to them by Foreign Trade Financial & Leasing. Upon completion of the Merger, the legal entity qualification of Foreign Trade Financial & Leasing will survive, CRRC Financial Leasing will be dissolved and its legal entity qualification will be canceled, and it will no longer be a subsidiary of the Company, and the Post-Merger New Company will succeed and undertake all assets, liabilities, businesses, personnel, contracts and all other rights and obligations of CRRC Financial Leasing. Upon completion of the Merger, Minmetals Capital Holdings, CRRC GROUP, the Company, Orient Asset and Tianjin Trust will hold 66.40180764%, 2.58851498%, 23.29663478%, 4.83691485% and 2.87612775% equity interest of the Post-Merger New Company, respectively, and the Post-Merger New Company will not become a subsidiary of the Company.

## **2. MERGER AGREEMENT**

### **2.1 Date**

27 October 2023

### **2.2 Parties**

- (1) The Company;
- (2) CRRC GROUP;
- (3) Tianjin Trust;
- (4) CRRC Financial Leasing;
- (5) Minmetals Capital Holdings;
- (6) Foreign Trade Financial & Leasing; and
- (7) Orient Asset.

### **2.3 The Merger**

The Merger will be implemented by way of Foreign Trade Financial & Leasing merging CRRC Financial Leasing by absorption and merger, meaning that the equity interest in CRRC Financial Leasing held by its existing shareholders will be transferred by way of an additional issuance of equity interest to them by Foreign Trade Financial & Leasing. See “Registered capital and shareholding ratio following the Merger” set out in section 2.4 for the equity interest held by shareholders of the party to the Merger and shareholders of the Merged Party in the Post-Merger New Company upon completion of the above transfer. In accordance with the provisions of the Merger Agreement, the Post-Merger New Company will adopt new corporate governance structure, strategic positioning, organizational structure and management system.

## 2.4 Consideration of the Transaction

### (1) *Asset valuation*

For the purpose of the Merger, China Enterprise Appraisals has valued their respective assets as at 31 December 2022 (the “**Benchmark Date**”), and has issued corresponding valuation reports (the “**Valuation Reports**”), according to which:

- (a) the total equity of the shareholders of Foreign Trade Financial & Leasing (taking into account the impact of the Accumulated Profits Distribution) (the “**Appraised Value of Foreign Trade Financial & Leasing**”) amounted to RMB10,095,184,463.17; and
- (b) the total equity of the shareholders of CRRC Financial Leasing (the “**Appraised Value of CRRC Financial Leasing**”) amounted to RMB4,075,738,469.58.

For details of the valuation, please refer to the section headed “3. Basis for Determination of Consideration” below.

### (2) *Scheme for transfer of the equity interest*

The parties agree that the amount of registered capital corresponding to the additional issuance of the equity interest that Foreign Trade Financial & Leasing will issue to the shareholders of the Merged Party under the Merger shall be calculated based on the proportion of the appraised values of CRRC Financial Leasing and Foreign Trade Financial & Leasing corresponding to the equity interest of CRRC Financial Leasing held by the shareholders of the Merged Party. The specific calculation shall be based on the following formula:

$$X = (Y \div C) \times (A \times (D \div B))$$

Of which:

- (a) “X” means, in respect of a shareholder of the Merged Party, the amount of registered capital corresponding to the additional issuance of the equity interest to such shareholder of the Merged Party by Foreign Trade Financial & Leasing in connection with the Merger;
- (b) “Y” means, in respect of a shareholder of the Merged Party, the amount of registered capital corresponding to the the equity interest of CRRC Financial Leasing currently held by such shareholder of the Merged Party;
- (c) “A” means the amount of registered capital of Foreign Trade Financial & Leasing (i.e., RMB5,166,131,882.12);
- (d) “B” means the Appraised Value of Foreign Trade Financial & Leasing (i.e., RMB10,095,184,463.17);
- (e) “C” means the amount of registered capital of CRRC Financial Leasing (i.e., RMB3,000,000,000.00); and
- (f) “D” means the Appraised Value of CRRC Financial Leasing (i.e., RMB4,075,738,469.58).

**(3) *Registered capital and shareholding ratio following the Merger***

According to the appraised values of both parties to the Merger as set out in sub-section (1) and the scheme for transfer of the equity interest as set out in sub-section (2), upon completion of the Merger, the Post-Merger New Company will increase its registered capital by RMB2,085,727,361.17, and the total registered capital after such increase will be RMB7,251,859,243.29. The specific shareholdings are as follows:

<b>Name of Shareholders</b>	<b>Registered Capital (RMB)</b>	<b>Shareholding Ratio</b>
Minmetals Capital Holdings	4,815,365,625.35	66.40180764%
CRRC GROUP	187,715,462.51	2.58851498%
The Company	1,689,439,162.54	23.29663478%
Orient Asset	350,766,256.77	4.83691485%
Tianjin Trust	208,572,736.12	2.87612775%

The foregoing shareholding ratios have taken into account the Accumulated Profits Distribution of Foreign Trade Financial & Leasing, therefore the occurrence of Accumulated Profits Distribution will not affect the foregoing amount of registered capital and shareholding ratios.

## 2.5 Merger Procedure

### *(1) Notice, Announcement and Protection of Creditors*

According to the requirements of the Company Law of the People's Republic of China and other relevant laws, regulations and regulatory documents, both parties to the Merger shall issue a notice on the Merger to their respective creditors and make an announcement on the newspaper within ten calendar days from the date when the shareholders' meeting of each party approves the Merger. Both parties to the Merger shall, in accordance with the law, settle their debts in advance or provide additional guarantees to their respective creditors as required by such creditors within the statutory time limit.

### *(2) Conditions Precedent to the Closing*

The parties agree that upon satisfaction of or joint waiver by both parties to the Merger from the following conditions (the "**Conditions Precedent to the Closing**"), the Closing Date of the Merger shall be determined by both parties to the Merger through negotiations.

- (a) The Merger has passed the review of concentration of business operators by the State Administration for Market Regulation;
- (b) The Post-Merger New Company's articles of association has received recognition and consent from both parties to the Merger.
- (c) NAFR has approved the Accumulated Profits Distribution or released the restrictions on the Accumulated Profits Distribution of Foreign Trade Financial & Leasing (and such release is not attached with any additional conditions that may materially affect the Merger), and Foreign Trade Financial & Leasing has actually completed the Accumulated Profits Distribution according to such approval;

- (d) Both parties to the Merger has performed the necessary procedures of the congress of employee representatives or the congress of employees as to the matters for employees in connection with the Merger according to the requirements of relevant laws and regulations;
- (e) Both parties to the Merger have performed the procedures of notice and announcement to creditors according to the requirements of sub-section (1), and have made the proper settlement for creditor's rights and debts;
- (f) The Revised Agreement of Labor Contracts between all registered employees of CRRC Financial Leasing and both parties to the Merger have been entered into as at the Closing Date; and
- (g) None of the parties to the Merger Agreement has violated any commitments or obligations under the Merger Agreement, and all representations and warranties of the parties under the Merger Agreement are true and accurate.

The parties shall cooperate with each other and take all necessary steps to facilitate the satisfaction of the above Conditions Precedent to the Closing. Each of both the parties to the Merger shall, upon reasonable request of the other party, provide necessary documents for such other party to verify that the relevant Conditions Precedent to the Closing have been satisfied.

**(3) Closing**

- (a) On the Closing Date, both parties to the Merger will execute the Closing Memorandum in writing to confirm the occurrence of the Closing Date.
- (b) Since the Closing Date, the Post-Merger New Company will succeed and undertake all assets, liabilities, businesses, personnel, contracts and all other rights and obligations of CRRC Financial Leasing, regardless of whether such assets, liabilities, businesses, personnel, contracts, and all other rights and obligations have been actually delivered or transferred to or registered in the name of the Post-Merger New Company. Both parties to the Merger shall take all necessary actions or execute necessary documents, or do so at the reasonable request of the other party, to procure such assets,

liabilities, businesses, personnel, contracts and all other rights and obligations delivered or transferred to or registered in the name of the Post-Merger New Company as soon as practicable. Both parties to the Merger agree to collaboratively undertake, effective from the Closing Date, the necessary procedures to transfer all formal properties of CRRC Financial Leasing (referring to any property for which legal requirements mandate a special procedure for establishing or transferring rights related to that property) from CRRC Financial Leasing to the Post-Merger New Company. In the case where the formal handover procedures are not performed due to the registration procedures, such assets, liabilities, businesses, personnel, contracts and all other rights and obligations enjoyed and undertaken by the Post-Merger New Company shall not be affected.

- (c) CRRC Financial Leasing shall hand over all information on bank accounts, reserved seals and all its stamps to the Post-Merger New Company on the Closing Date. CRRC Financial Leasing shall hand over any and all documents that have a significant impact on its subsequent operations to the Post-Merger New Company since the Closing Date.
- (d) The Post-Merger New Company shall try its best to issue a capital contribution certificate in accordance with the law, which shall reflect the date of capital contribution of such shareholders to the Post-Merger New Company (i.e., the Closing Date), to the shareholders of the Merged Party in a timely manner after the Closing Date, amend its articles of association accordingly, and record the additional issuance of equity interest to the shareholders of the Merged Party as the consideration of the Merger in the register of shareholders.

**(4) *Matters as to Employees***

The Transaction does not affect the performance of employment agreements or labor contracts executed between Foreign Trade Financial & Leasing and its employees. Under the principle of “employees shall follow the businesses”, all registered employees of CRRC Financial Leasing as at the Closing Date will be transferred to the Post-Merger New Company as a whole.



***(5) Change of Industrial and Commercial Registration and Deregistration of the Merged Party***

Upon the Closing Date, the parties shall cooperate with each other to complete the procedures for the change of industrial and commercial registration of the Post-Merger New Company and for the deregistration of CRRC Financial Leasing as soon as practicable.

**2.6 Corporate Governance Structure**

- (1) The parties agree that the board of directors of the Post-Merger New Company shall consist of nine directors, including seven shareholder representative directors, one independent director and one employee representative director. Among them, four shareholder representative directors shall be nominated by Minmetals Capital Holdings, two jointly by CRRC GROUP and the Company, and one by Orient Asset, and the independent director shall be nominated by Minmetals Capital Holdings. However, if the shareholding ratio of Orient Asset in the Post-Merger New Company is lower than 3% for any reason after the Merger, Orient Asset will lose the right to nominate directors, and the board of directors of the Post-Merger New Company will be changed to seven directors, including five shareholder representative directors, one independent director and one employee representative director. Among them, three shareholder representative directors shall be nominated by Minmetals Capital Holdings, and two jointly by CRRC GROUP and the Company, and the independent director shall be nominated by Minmetals Capital Holdings.

The employee representative director shall be democratically elected or replaced by the congress of employees, and other directors other than the employee representative director shall be elected or replaced by the shareholders' meeting. The board of directors of the Post-Merger New Company shall have one chairman. The chairman shall be nominated by Minmetals Capital Holdings among its nominated directors, and shall be elected by the majority of all directors.

- (2) The parties agree that the board of supervisors of the Post-Merger New Company shall consist of five supervisors. Among them, two supervisors shall be nominated by Minmetals Capital Holdings, and one jointly by CRRC GROUP and the Company, and the remaining two supervisors shall be employee supervisors.

The supervisors nominated by shareholders shall be approved by way of resolution at the shareholders' meeting, and employee supervisors shall be elected by all employees by way of democratic votes. The board of supervisors shall have one chairman, who shall be elected by the majority of all supervisors.

## **2.7 Arrangements for the Transition Period**

### ***(1) Profits and Losses during the Transition Period***

In respect of any party to the Merger, its profits and losses during the Transition Period shall be borne by all shareholders of such party (for the avoidance of doubt, all shareholders prior to the completion of the Merger) according to the proportion of the equity interest held by such shareholder in such party to the Merger prior to the Merger. The foregoing profits and losses during the Transition Period shall be audited by the auditor recognized by the parties to the Merger within 60 working days after the Closing Date, who shall issue a special audit report to recognize such profits and losses. The benchmark date of such audit shall be the day before the Closing Date. The losses of any party to the Merger during the Transition Period recognized above shall be paid in cash to the Post-Merger New Company by the relevant shareholders according to the proportion of the equity interest held by such shareholder in such party to the Merger prior to the completion of the Merger, and the payment shall be completed within 60 working days after the issuance of the relevant audit report. The remaining portion of the profits of any party to the Merger during the Transition Period recognized above, after being extracted at the rate of 10% and included in the statutory reserve, shall be paid in cash by the Post-Merger New Company to the shareholders of such party to the Merger according to the proportion of the equity interest held by such shareholder in such party to the Merger prior to the completion of the Merger. The parties further agree that in order to complete the foregoing payment, both parties to the Merger shall make provisions for the undistributed profits that need to be distributed to shareholders in accordance with the above agreements during the Transition Period

before the Closing Date (subject to the provisions of the statutory reserve fund mentioned above), respectively, and make an adjustment to recognized profits under the special audit report after the Closing Date, which shall be actually paid by the Post-Merger Company.

**(2) Profit Distribution**

Save as the arrangements for the Accumulated Profits Distribution and the profits and losses during the Transition Period, the retained undistributed profits of both parties to the Merger prior to the completion of the Merger shall be shared by all shareholders of the Post-Merger New Company, according to the proportion of the equity interest held by such shareholder upon the completion of the Merger.

**2.8 Breach of contract and liability for breach of contract**

If either party fails to perform any obligation or commitment agreed in the Merger Agreement, or any statement and guarantee made by it under the Merger Agreement is untrue, which causes losses to the other party in the Merger Agreement, the party shall compensate the other party for the actual losses thus suffered. Before the completion date of the Merger, if the behavior of the defaulting party has a significant adverse impact on the Merger, so that the purpose of the Merger Agreement cannot be achieved, the observant party has the right to terminate the Merger Agreement.

Notwithstanding any other agreement in the Merger Agreement, in view of CRRC Financial Leasing will be cancelled after the Merger, if CRRC Financial Leasing is liable for compensation according to the foregoing provisions of the article, but such liability is not actually borne or paid by CRRC Financial Leasing before the closing date, all shareholders of CRRC Financial Leasing (for the avoidance of doubt, all shareholders before the completion of the Merger) shall bear such liability in proportion to the equity interest in CRRC Financial Leasing held by them before the Merger.

**2.9 Entering into, Effectiveness and Termination**

**(1) Entering into and Effectiveness of the Merger Agreement**

The Merger Agreement will be entered into upon the execution of all parties, and become effective on the date when all the following conditions (the “**Effective Conditions**”) are satisfied (however, the confidentiality provisions in the Merger Agreement shall come into

effect from the date of signing the Merger Agreement):

- (a) The Merger has been considered and approved by the shareholders' meetings of both parties to the Merger, respectively;
- (b) The Valuation Reports of both parties to the Merger have completed the filing or approval procedures;
- (c) The Merger has been approved by the SASAC; and
- (d) The Merger has been approved by NAFR.

Upon the execution and entering into of the Merger Agreement, all parties shall do their best to cooperate for or procure the satisfaction of all Effective Conditions, and no party shall engage in any actions that may disrupt or restrict the satisfaction of any Effective Condition. In such case, the non-defaulting party is entitled to claim damages and exercise other statutory remedies as to the other party's malicious prevention of the satisfaction or occurrence of the Effective Conditions.

If any of the Effective Conditions under the Merger Agreement is not satisfied, and the Merger Agreement has never taken effect, each party shall bear its own expenses arising from the execution and preparation of the Merger Agreement and shall not be liable for one another, provided that the failure to satisfy the Effective Conditions is not caused by the intentional acts or negligence of any party.

As at the date of this announcement, the Merger has been considered and approved by the shareholders' meeting of Foreign Trade Financial & Leasing and CRRC Financial Leasing, respectively, and the Valuation Reports of both parties to the Merger have been completed the filing or approval procedures.

**(2) *Termination of the Merger Agreement***

The Merger Agreement may be terminated or canceled in writing if the parties reach a consensus through negotiations.

### **3. BASIS FOR DETERMINATION OF CONSIDERATION**

The consideration of the Merger was determined by the parties in arm's length negotiation based on the appraised values of CRRC Financial Leasing and Foreign Trade Financial & Leasing as set out in the Valuation Reports issued by China Enterprise Appraisals, which were based on the market approach. The Benchmark Date of the Valuation Reports is 31 December 2022. The market approach and the income approach were adopted respectively in the Valuation Reports. The appraised value of CRRC Financial Leasing using the market approach was RMB4,075.7385 million and RMB3,902.6631 million using the income approach; the appraised value of Foreign Trade Financial & Leasing using the market approach was RMB10,095.1845 million, and RMB9,899.3030 million using the income approach. The results of valuation were calculated using the market approach. Further information on the valuations is set out below:

#### **Evaluation Assumptions adopted in Income Approach and Market Approach**

- (a) Assuming all appraisal subjects are already in the process of transaction, appraisal professionals simulate the market for valuation based on the transaction conditions of the appraisal assets, etc.;
- (b) Assuming the assets traded in the market, or the assets to be traded in the market, have equal status between both parties to asset trading, have the opportunity and time to obtain sufficient market information, are voluntary and rational, and can make rational judgments on the functions, uses and transaction prices of assets;
- (c) Assuming no material changes occur in the relevant laws, regulations and policies prevailing in the PRC and the macroeconomic conditions of the PRC, and no material changes occur in the political, economic and social environment of the places where the parties to the Transaction operate;
- (d) Assuming the enterprises continue operations in respect of the actual conditions of the assets as at the Benchmark Date of the valuation;
- (e) Assuming no material changes occur in, among other things, the interest rates, exchange rates, basis and rate of taxation, and policy-based levies in relation to the appraised entities after the Benchmark Date of the valuation;
- (f) Assuming the management of the appraised entities is responsible, stable and competent to undertake their duties after the Benchmark Date of the valuation;

- (g) Unless otherwise specified, assuming the appraised entities are fully in compliance with all relevant laws and regulations;
- (h) Assuming no other force majeure factors and unforeseeable factors have caused material and adverse effects on the appraised entities after the Benchmark Date of the valuation;
- (i) Assuming the accounting policies to be adopted by the appraised entities after the Benchmark Date of the valuation and the accounting policies adopted at the time of preparing the Valuation Reports are consistent in material aspects;
- (j) Assuming the appraised entities' scope and mode of operation after the Benchmark Date of the valuation are consistent with current orientation on the basis of the existing management method and management standard;
- (k) Assuming the appraised entities will have even cash inflow and cash outflow after the Benchmark Date of the valuation;
- (l) Assuming the products or services of the appraised entities maintain the current market competition conditions after the Benchmark Date of the valuation; and
- (m) Assuming the core management and technical personnel of the appraised entities will be relatively stable in the forecast period, and there will be no major changes that affect the business development and profit realization of the enterprises.

### **Reasons for Calculating the Results of Valuation Using the Market Approach**

The income approach is used to measure the value of a company from the perspective of operating revenue. The returns of the company are calculated after taking into account its comprehensive operating capabilities and intangible assets as well as its development plan. The market approach is based on the recent transaction prices of comparable companies that are the same as or similar to the appraised entity. The appraised equity value of the appraised entity is determined by analyzing and comparing the characteristics of comparable companies and the appraised entity. The market approach has direct valuation perspectives and methods, visual valuation processes, direct valuation data from the market and more convincing results of valuation. The market approach can reflect more objectively the value of financial leasing companies as licensed financial institutions in the market. Where the market changes, it can also reflect the market

valuation of financial leasing companies to investors in a more timely and reliable manner, which is more acceptable to investors. In respect of the income approach, the assumptions of income forecasts are restricted, leading to more uncertainties in the future income of a company. Therefore, the results of valuation using the market approach can better reflect the true value of CRRC Financial Leasing and Foreign Trade Financial & Leasing.

### **Specific Steps of the Market Approach**

For the purpose of enterprise value appraisal, the market approach is a valuation method to determine the value of the subject of valuation by comparing the subject of valuation against comparable listed companies or comparable transaction cases. Two commonly adopted methods in the market approach are the listed company comparison method and the transaction case comparison method. The valuation adopted the transaction case comparison method, due to that the transaction cases of equity transfer of financial leasing companies were relatively active in the mergers and acquisition (M&A) market in recent two years, and the relations between M&A cases, specific conditions affecting transaction prices and related index data can be obtained from the announcements of listed companies, which are suitable to analyze the transaction prices.

The basic steps of the transaction case comparison method are as follows: The valuers selected transaction cases in the same industry as the appraised entity, with the same or similar business and same transaction type, in close periods and affected by the same economic factors. The valuers also selected comparable companies after the detailed research and analysis of underlying companies in the transaction cases, including the main business scope, main target market, business structure, business model, company size, profitability, and operating stage.

On the basis of these standards, the valuers, having made enquiries into the public information on the property rights transaction platforms, selected the following equity transaction cases of financial leasing companies and related comparable companies within three years preceding the Benchmark Date of the valuation, and believe that the following list contains the detailed, fair and typical samples. After analysis and adjustment of financial data of comparable companies, appropriate value ratios will be selected. Value ratios commonly adopted in the market approach include price/earning ratio (P/E), price-to-book ratio (P/B), price-to-sales ratio (P/S) and enterprise multiple (EV/EBITDA). As the appraised entity



is a financial leasing company whose revenue and profit are highly relevant to the capital market, the high fluctuations of the capital market in the PRC led to significant fluctuations in the revenue and profit of financial leasing companies. The price/earning ratio (P/E) and the price-to-sales ratio (P/S) are usually applied to industries with relatively stable profitability or revenue and low fluctuation, which are not suitable in this valuation. In the meantime, financial leasing companies are also asset-light companies with low proportion of non-cash costs such as depreciation and amortization, so that the enterprise value ratio (EV/EBITDA) is also not suitable in this valuation. As financial leasing companies are capital-intensive financial companies, the price-to-book ratio (P/B) was selected in this valuation.

As set out in the table below, for CRRC Financial Leasing, the arithmetic mean of the comparable price-to-book ratio (P/B) of comparable companies using the transaction case comparison method is 1.19, which is calculated by adjusting the differences in transaction date, profitability, operating capacity, risk management capacity and growth potential, multiplied by the audited amount of net assets of CRRC Financial Leasing of RMB3,424.9903 million as of 31 December 2022, leading to the appraised value of CRRC Financial Leasing of RMB4,075.7385 million; for Foreign Trade Financial & Leasing, the arithmetic mean of the comparable price-to-book ratio (P/B) of comparable companies using the transaction case comparison method is 1.1902, which is calculated by adjusting the differences in transaction date, profitability, operating capacity, risk management capacity and growth potential, multiplied by the pro forma amount of net assets of Foreign Trade Financial & Leasing of RMB8,481.9228 million (the difference between this amount and the audited amount of net assets of Foreign Trade Financial & Leasing as of 31 December 2022 is Accumulative Profits Distribution that Foreign Trade Financial & Leasing is proposed to make to the shareholders of the party to the Merger in cash during the Transition Period), leading to the appraised value of Foreign Trade Financial & Leasing of RMB10,095.1845 million.



<b>Comparable Companies</b>	<b>Foshan Haisheng Financial Leasing Co., Ltd.</b>	<b>Suyin Financial Leasing Co., Ltd.</b>	<b>Harbin Bank Financial Leasing Co., Ltd.</b>
Transaction shareholding ratio	9%	6.25%	15%
Total consideration ( <i>RMB'0,000</i> )	30,600.00	73,250.00	48,900.00
Equivalent overall market value	340,000.00	1,172,000.00	326,000.00
Latest disclosed carrying amount of net assets prior to the disclosure of transaction ( <i>RMB'0,000</i> )	295,840.08	875,500.31	326,091.02
P/B of comparable companies	1.1493	1.3387	0.9997
<b>For CRRC Financial Leasing</b>			
<b>Adjustment coefficient on transaction date</b>	<b>1.0309</b>	<b>1.0000</b>	<b>1.0101</b>
Profitability	1.0063	0.9668	1.0174
Operating capacity	0.9937	0.9540	0.9904
Risk management capacity	1.0505	1.0499	1.0499
Growth potential	0.9935	0.9772	0.9968
<b>Adjustment coefficient for individual factors</b>	<b>1.0436</b>	<b>0.9463</b>	<b>1.0544</b>
Comparable P/B of comparable companies	1.2365	1.2668	1.0647
<b>Arithmetic mean of comparable P/B</b>		<b>1.19</b>	
<b>For Foreign Trade Financial &amp; Leasing</b>			
<b>Adjustment coefficient on transaction date</b>	<b>1.0309</b>	<b>1.0000</b>	<b>1.0101</b>
Profitability	1.0153	0.9901	1.0257
Operating capacity	1.0358	0.9902	1.0358
Risk management capacity	1.0070	1.0034	1.0067
Growth potential	0.9836	0.9650	0.9869
<b>Adjustment coefficient for individual factors</b>	<b>1.0416</b>	<b>0.9492</b>	<b>1.0555</b>
Comparable P/B of comparable companies	1.2341	1.2707	1.0658
<b>Arithmetic mean of comparable P/B</b>		<b>1.1902</b>	

## Opinions of the Board

The Board has reviewed and discussed the Valuation Reports with the valuers. Having taken into full account the valuation approaches adopted by the valuers (including the selection of value ratios and comparable transaction cases) and valuation assumptions, the Board believes that the calculation results using the market approach can better reflect the true value of CRRC Financial Leasing and Foreign Trade Financial & Leasing, and is fair and reasonable.

## 4. GENERAL INFORMATION ON CRRC FINANCIAL LEASING AND FOREIGN TRADE FINANCIAL & LEASING

### CRRC Financial Leasing

CRRC Financial Leasing is a limited liability company incorporated in the PRC in February 2019. Its main business is financial leasing business. As at the date of this announcement, the Company, Tianjin Trust and CRRC GROUP held 81.00%, 10.00% and 9.00% equity interest of CRRC Financial Leasing, respectively.

According to the China Accounting Standards for Business Enterprises, the audited consolidated total assets and net assets of CRRC Financial Leasing as at 31 December 2022 were RMB9,400.6207 million and RMB3,424.9903 million, respectively. The consolidated net profit attributable to CRRC Financial Leasing for the financial years ended 31 December 2021 and 2022 are set out as follows:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
	(Audited)	(Audited)
	<i>(RMB0'000)</i>	<i>(RMB0'000)</i>
Net profit before taxation and extraordinary items	22,537.70	30,489.68
Net profit after taxation and extraordinary items	16,722.79	14,130.55

### Foreign Trade Financial & Leasing

Foreign Trade Financial & Leasing is a limited liability company incorporated in the PRC in March 1985. Its main business includes direct leasing, after-sales leaseback, and operational leasing. As at the date of this announcement, Minmetals Capital Holdings and Orient Asset held 93.2103% and 6.7897% equity interest of Foreign Trade Financial & Leasing, respectively.

According to the China Accounting Standards for Business Enterprises, the audited consolidated total assets and net assets of Foreign Trade Financial & Leasing as at 31 December 2022 were RMB60,583.5135 million and RMB11,797.3845 million, respectively. The consolidated net profit attributable to Foreign Trade Financial & Leasing for the financial years ended 31 December 2021 and 2022 are set out as follows:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
	(Audited)	(Audited)
	<i>(RMB0'000)</i>	<i>(RMB0'000)</i>
Net profit before taxation and extraordinary items	131,216.74	151,219.67
Net profit after taxation and extraordinary items	46,607.11	97,382.55

## **5. REASONS FOR AND BENEFITS OF THE TRANSACTION**

Through promoting the strategic restructuring and professional integration of state-owned financial enterprises, the Merger further integrates internal resources of the Company, deeply promotes the integration of production and financing, optimizes the management structure, focuses on main responsibilities and businesses, and further enhances the core competitiveness. The Transaction is in line with the development strategy of the Company and will have a positive impact on the development of the Company. The Merger will not have a material impact on the Company's normal operations and financial position and will not damage the interests of the Company and its shareholders.

After considering the differences between the appraised value and the carrying amount of the equity interest in CRRC Financial Leasing held by the Company as at the Benchmark Date of the valuation, the Company is expected to receive the proceeds of approximately RMB527 million in connection with the Merger, and such proceeds will be used for the daily operations of the Company.

## **6. GENERAL INFORMATION ON THE PARTIES**

### **The Company**

The Company is a joint stock company incorporated in the PRC with limited liability. The Group is a world-leading and diverse rolling stock supplier with advanced technologies. The main scope of business includes: research and development, design, manufacturing, refurbishment, sales, leasing and technical services 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; industry investment and management; asset management; import and export businesses.

### **CRRC GROUP**

CRRC GROUP is a large-scale wholly state-owned enterprise established with the approval of the State Council of the PRC, and is 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 business relying on proprietary technologies of rolling stock.

### **Tianjin Trust**

The main business of Tianjin Trust includes trust business. As at the date of this announcement, the major shareholders (shareholders with more than 5% shareholding) of Tianjin Trust are (1) Shanghai Shangshi (Group) Co., Ltd. (ultimately 100% beneficially owned by the Shanghai Municipal State-owned Assets Supervision and Administration Office) with 77.58% shareholding; and (2) Tianjin Teda International (Group) Holding Company Limited (ultimately 100% beneficially owned by the State-owned Assets Supervision and Administration Commission of Tianjin People's Government) with 16.11% shareholding.

### **CRRC Financial Leasing**

Please refer to the above section headed "4. General Information on CRRC Financial Leasing and Foreign Trade Financial & Leasing".

## **Minmetals Capital Holdings**

The main business of Minmetals Capital Holdings includes long-term equity investment and self-investment business. As at the date of this announcement, Minmetals Capital Holdings is 100% owned by Minmetals Capital Company Limited (a company listed on the Shanghai Stock Exchange, Stock Code: 600390).

## **Foreign Trade Financial & Leasing**

Please refer to the above section headed “4. General Information on CRRC Financial Leasing and Foreign Trade Financial & Leasing”.

## **Orient Asset**

The main business of Orient Asset includes non-performing assets management, insurance, banking, securities, funds, trusts, credit ratings, etc. As at the date of this announcement, the major shareholders (shareholders with more than 5% shareholding) of Orient Asset are (1) the Ministry of Finance of the PRC with 71.55% shareholding; (2) the National Council for Social Security Fund of the PRC with 16.38% shareholding; and (3) China Telecommunications Corporation (ultimately 100% beneficially owned by the SASAC) with 5.64% shareholding.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Tianjin Trust, Minmetals Capital Holdings, Foreign Trade Financial & Leasing and Orient Asset and their ultimate beneficiaries are the independent third parties of the Company and its connected persons.

## **7. IMPLICATIONS OF THE HONG KONG LISTING RULES**

As at the date of this announcement, CRRC GROUP, the controlling Shareholder of the Company, directly holds 51.35% of the shares of the Company, and therefore is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the entering into of the Merger Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

The Transaction under the Merger Agreement involves both acquisition and disposal by the Company. Pursuant to relevant requirements under the Hong Kong Listing Rules, the Company shall classify the Transaction under the Merger Agreement by reference to the higher of the size test percentages in respect of the acquisition and the disposal and, based on the classification, comply with applicable requirements under the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined in the Hong Kong Listing Rules) of the Transaction contemplated under the Merger Agreement exceeds 0.1% but is less than 5%, the Transaction under the Merger Agreement shall be subject to the relevant report and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Two Directors, namely Sun Yongcai and Wang An, hold positions in CRRC GROUP and have abstained from voting on the Board resolution approving the Merger Agreement and the Transaction thereunder. Save as stated above, none of the Directors have a material interest in the Merger Agreement and the Transaction thereunder and hence no other Directors have abstained from voting on the relevant Board resolution.

All Directors (including all independent non-executive Directors) are of the view that the Merger Agreement has been entered into after negotiation on arm's length basis and on normal commercial terms, and the relevant terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole. However, due to the nature of the Transaction, it is not in the usual course of business of the Group.

## 8. DEFINITIONS

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

“Accumulated Profits Distribution”	the distribution of the total profit of RMB3,315,461,705.59 to be made in cash by Foreign Trade Financial & Leasing to the shareholders of the parties to the Merger during the Transition Period, on the basis of the undistributed profits as at 31 December 2022
“Board”	the board of directors of the Company
“both parties to the Merger”	the collective of Foreign Trade Financial & Leasing and CRRC Financial Leasing, “a party to the Merger” means either party of Foreign Trade Financial & Leasing and CRRC Financial Leasing
“China Enterprise Appraisals” or “Valuer”	China Enterprise Appraisals Consultation Co., Ltd.* (北京中企華資產評估有限責任公司), an independent valuer
“Closing Date”	the date when CRRC Financial Leasing transfers, and the Post-Merger New Company succeeds and undertakes, all assets, liabilities, businesses, personnel, contracts and all other rights and obligations of CRRC Financial Leasing
“Company”	CRRC Corporation Limited (中國中車股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“the completion date of the Merger”	the date of the completion of corresponding industrial and commercial changes registration procedures for the Merger by Foreign Trade Financial & Leasing, or the date of the completion of the industrial and commercial deregistration procedures by CRRC Financial Leasing (whichever is later)
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules

“CRRC Financial Leasing”	CRRC Financial Leasing Co., Ltd. (中車金融租賃有限公司), a limited liability company incorporated in the PRC and a non-wholly-owned subsidiary of the Company as at the date of this announcement
“CRRC GROUP”	CRRC GROUP Co., Ltd. (中國中車集團有限公司), a large-scale wholly state-owned enterprise and the controlling Shareholder of the Company
“Director(s)”	the director(s) (including the independent non-executive director(s)) of the Company
“existing shareholders of CRRC Financial Leasing”	The Company, CRRC GROUP and Tianjin Trust
“Foreign Trade Financial & Leasing”	China National Foreign Trade Financial & Leasing Co., Ltd. (中國外貿金融租賃有限公司), a limited liability company incorporated in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Merger” or “Transaction”	the transaction among the Company, CRRC GROUP, Tianjin Trust, CRRC Financial Leasing, Minmetals Capital Holdings, Foreign Trade Financial & Leasing and Orient Asset pursuant to the terms and conditions of the Merger Agreement



“Merger Agreement”	the merger agreement entered into among the Company, CRRC GROUP, Tianjin Trust, CRRC Financial Leasing, Minmetals Capital Holdings, Foreign Trade Financial & Leasing and Orient Asset on 27 October 2023
“NAFR”	the National Administration of Financial Regulation (國家金融監督管理總局) or its branches
“Minmetals Capital Holdings”	Minmetals Capital Holdings Limited (五礦資本控股有限公司), a limited liability company incorporated in the PRC
“Orient Asset”	China Orient Asset Management Co., Ltd. (中國東方資產管理股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Post-Merger New Company”	China National Foreign Trade Financial & Leasing Co., Ltd. (provisional and subject to the approval of the State Administration for Market Regulation), a limited liability company proposed to be incorporated in the PRC under the Merger Agreement
“PRC”	the People’s Republic of China
“Profits and Losses during the Transition Period”	(a) in respect of Foreign Trade Financial & Leasing, its profits or losses during the Transition Period; (b) in respect of CRRC Financial Leasing, its profits or losses during the Transition Period
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Shareholder(s)”	the shareholder(s) of the Company
“shareholders of the party to the Merger”	the collective of Minmetals Capital Holdings and Orient Asset

“shareholders of the Merged Party”	the collective of CRRC GROUP, the Company and Tianjin Trust
“Tianjin Trust”	Tianjin Trust Co., Ltd. (天津信託有限責任公司), a limited liability company incorporated in the PRC
“Transition Period”	the period from the Benchmark Date (exclusive) to the Closing Date (exclusive)
“working day”	any day other than Saturday, Sunday and statutory holidays of the PRC
“%”	per cent

By order of the Board  
**CRRC Corporation Limited**  
**Sun Yongcai**  
*Chairman*

Beijing, the PRC  
27 October 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Sun Yongcai and Mr. Wang An; the non-executive director is Mr. Jiang Renfeng; and the independent non-executive directors are Mr. Shi Jianzhong, Mr. Weng Yiran and Mr. Ngai Ming Tak.*

\* *For identification purpose only*