
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Zhuzhou CRRC Times Electric Co., Ltd.**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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株洲中车时代电气股份有限公司

ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

(1) CONTINUING CONNECTED TRANSACTIONS WITH CRRC GROUP AND

(2) NOTICE OF 2025 FIRST EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders



建泉融資有限公司

VBG Capital Limited

The 2025 First EGM of Zhuzhou CRRC Times Electric Co., Ltd. will be held at Room 301, Times Hotel, Times Road, Shifeng District, Zhuzhou, the People's Republic of China on Monday, 15 December 2025 at 11:00 a.m. Notice convening the 2025 First EGM is set out on pages 49 to 50 of this circular.

Whether or not you intend to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not less than 24 hours before the time fixed for holding the EGM or the adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment thereof if you so wish.

25 November 2025

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DEFINITIONS

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

“2023-2025 CRRC Group Mutual Supply Agreement”	a framework agreement on mutual supply of products and ancillary services entered into between CRRC Group and the Company dated 29 March 2022 in respect of the transactions for a term of three years commenced from 1 January 2023 to 31 December 2025
“2025 Approved CRRC Group Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the 2023-2025 CRRC Group Mutual Supply Agreement for the year ending 31 December 2025 approved by the then Independent Shareholders on 17 June 2022
“2026-2028 CRRC Group Mutual Supply Agreement”	a framework agreement on mutual supply of products and ancillary services entered into between CRRC Group and the Company dated 30 October 2025 in respect of the transactions for a term of three years commencing from 1 January 2026 to 31 December 2028
“A Share(s)”	the domestic share(s) of RMB1.00 each in the share capital of the Company which are listed and traded in RMB on the Science and Technology Innovation Board of the SSE
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (stock code: 3898) and the A Shares of which are listed on the Science and Technology Innovation Board of the SSE (stock code: 688187)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CRRC”	CRRC Corporation Limited (中國中車股份有限公司), a joint stock company established in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 1766) and the A shares of which are listed on the SSE (stock code: 601766). CRRC is directly and indirectly held as to approximately 51.45% in aggregate by CRRC Group and holds the entire equity interest in CRRC ZELRI

DEFINITIONS

“CRRC Group”	CRRC Group Co., Ltd.* (中國中車集團有限公司), a state-owned enterprise of the PRC and the controlling shareholder of CRRC
“CRRC Group of Companies”	CRRC Group, its subsidiaries, and/or their respective associates, and/or subordinate entities (excluding the Group)
“CRRC Hong Kong”	CRRC Hong Kong Capital Management Co., Limited, a wholly-owned subsidiary of CRRC
“CRRC ZELRI”	中車株洲電力機車研究所有限公司 (CRRC Zhuzhou Institute Co., Ltd.*), a limited liability company established under the laws of the PRC; the controlling shareholder of the Company, and a wholly-owned subsidiary of CRRC
“CRRC Zhuzhou”	CRRC Zhuzhou Locomotive Co., Ltd.* (中車株洲電力機車有限公司), a wholly-owned subsidiary of CRRC
“Director(s)”	the director(s) of the Company
“EGM” or “2025 First EGM”	the 2025 first extraordinary general meeting of the Company to be held at Room 301, Times Hotel, Times Road, Shifeng District, Zhuzhou, the PRC on Monday, 15 December 2025 at 11:00 a.m. (or any adjournment thereof)
“EGM Notice”	the notice of the EGM
“Existing CRRC Group Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the 2023-2025 CRRC Group Mutual Supply Agreement for the three years ended 31 December 2023, 2024 and 2025 approved by the Independent Shareholders on 17 June 2022
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in HKD
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board (which consists only of independent non-executive Directors) formed to advise the Independent Shareholders in relation to the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps

DEFINITIONS

“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps
“Independent Shareholders”	shareholders of the Company other than those who are required by the Listing Rules to abstain from voting on the resolution to approve the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps
“Independent Third Parties”	parties who are independent of, and not connected with the Company or any of its connected persons
“Latest Practicable Date”	24 November 2025, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New CRRC Group Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the 2026-2028 CRRC Group Mutual Supply Agreement for a term of three years commencing from 1 January 2026 to 31 December 2028 to be approved by the Independent Shareholders at the EGM
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the A Share(s) and/or the H Share(s)
“Shareholder(s)”	the holder(s) of Share(s)
“SSE”	the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* All times stated in this circular refer to Hong Kong time.

LETTER FROM THE BOARD



株洲中车时代电气股份有限公司

ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

Executive Directors:

Mr. Li Donglin (*Chairman*)

Mr. Shang Jing (*Vice Chairman*)

Mr. Xu Shaolong

Independent non-executive Directors:

Mr. Li Kaiguo

Mr. Zhong Ninghua

Mr. Lam Siu Fung

Ms. Feng Xiaoyun

Registered office:

Times Road

Shifeng District

Zhuzhou

Hunan Province

PRC 412001

Principal place of business in Hong Kong:

46th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

25 November 2025

To the Shareholders

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS WITH CRRC GROUP
AND
(2) NOTICE OF 2025 FIRST EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 30 October 2025 in relation to the continuing connected transactions with CRRC Group.

The purpose of this circular is to give you the EGM Notice and the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolution at the EGM.

LETTER FROM THE BOARD

II. CONTINUING CONNECTED TRANSACTION WITH CRRC GROUP

1. Background

In view of the prospective expiry of the 2023-2025 CRRC Group Mutual Supply Agreement on 31 December 2025, on 30 October 2025, the Company entered into the 2026-2028 CRRC Group Mutual Supply Agreement with CRRC Group for a term of three years commencing on 1 January 2026 and ending on 31 December 2028.

2. Principal Terms of the 2026-2028 CRRC Group Mutual Supply Agreement

The principal terms of the 2026-2028 CRRC Group Mutual Supply Agreement are summarised as follows:

Date: 30 October 2025

Parties: (a) CRRC Group; and
(b) the Company

Scope of products and services to be provided: The Company agreed to supply and procure its subsidiaries to supply to the CRRC Group of Companies certain products and equipment, raw materials, parts and components, technical services, after-sales services, maintenance services, engineering contracting, management services and other related services, and related facilities for research and development, production and testing purposes.

CRRC Group agreed to supply and procure its subsidiaries and/or their respective associates and/or subordinate entities (excluding the Group) to supply to the Group certain products and equipment, raw materials, parts and components, technical services, after-sales services, maintenance services, engineering contracting, management services and other related services, and related facilities for research and development, production and testing purposes.

Payment terms: Payments for the products and/or services supplied by and/or to the CRRC Group of Companies will be settled by way of cash or such other manners as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual product and service contracts to be entered into between the respective group companies of the Group and the CRRC Group of Companies.

Term: A term of three (3) years commencing on 1 January 2026 and ending on 31 December 2028.

LETTER FROM THE BOARD

Pricing policy:

The pricing for the products and/or services supplied by and/or to the CRRC Group of Companies will be determined on the following principles in order of priority:

- (a) the prices prescribed by the government of the PRC or any regulatory authority(ies) (if any) (“**Government-prescribed Prices**”);
- (b) the pricing guidelines or prices to be determined by the parties within the range as set by the government of the PRC or any regulatory authority(ies) (if any) (“**Government-guided Prices**”), where no Government-prescribed Prices are available or applicable;
- (c) the final confirmed prices through the bidding and tendering process conducted in accordance with the applicable laws, rules and regulations (if any) (“**Bidding Prices**”), where neither Government-prescribed Prices nor Government-guided Prices are available or applicable;
- (d) the market prices determined in accordance with the following order: (1) the prevailing prices charged by Independent Third Parties providing the same types of products and/or services under normal commercial circumstances in the locality where such products and/or services are provided or its surrounding regions; or (2) the prevailing prices charged by Independent Third Parties providing the same types of products and/or services under normal commercial circumstances, where none of the Government-prescribed Prices, Government-guided Prices or the Bidding Prices are available or applicable (the “**Market Prices**”); and
- (e) the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit (which is determined with reference to the nature and historical price of products and/or services, current market price (if applicable) of the similar products and/or services and the Group’s forecasted demand and increase in the market price of such products and/or services in the remaining term), where none of the above pricing principles are available or applicable (the “**Agreed Prices**”).

For further details, please refer to the section headed “(ii) Pricing policy” below.

LETTER FROM THE BOARD

More information in relation to the 2026-2028 CRRC Group Mutual Supply Agreement is set out below:

(i) Nature of the products and services

The Group and CRRC Group operate at different stages of the railway industry chain. As outlined in the paragraphs headed “Information of the Group” and “Information of CRRC Group” below, there are distinctions in their respective business scopes, resulting in differences between the products supplied by each party. The services provided are generally tailored to the specific products offered by each party, leading to further differentiation in service offerings. Consequently, there have not been any overlapping products or services to be supplied by the Company to CRRC Group and that to be supplied by CRRC Group to the Company.

The products to be supplied by the Group are expected to include but not limited to locomotive traction converters, electric multiple unit traction converters, urban railcar traction converters and their respective auxiliary power supply equipment and control systems, and other related parts and components and the services to be provided supplied by the Group are expected to be mainly technical services and after-sales and maintenance services which are mostly specific to and tailor-made for the relevant products to be supplied.

The products to be supplied by the CRRC Group of Companies are expected to include but not limited to electrical components such as motors, transformers, reactors, urban rail housing, transmission control devices and other related parts and components, and the services to be provided by the CRRC Group of Companies are expected to be mainly technical services such as basic technology research, platform development, product testing and performance improvements, which are mostly specific to and tailor-made for the relevant products to be supplied.

LETTER FROM THE BOARD

(ii) Pricing policy

(A) Government-prescribed Prices and Government-guided Prices

The Government-prescribed Prices and Government-guided Prices include prices or pricing range set by the government authorities such as the National Development and Reform Commission (國家發展和改革委員會) and the National Railway Administration (國家鐵路局) (the “NRA”) of the PRC. For example, the Standard Quota for Design Budget of Basic Railway Construction Projects (《鐵路基本建設工程設計概(預)算費用定額》) issued by the NRA in December 2024 clearly sets out the price range references or limits for railway products such as locomotives. The Group will constantly monitor and ensure adherence to the applicable Government-prescribed Prices and Government-guided Prices as and when applicable.

(B) Bidding Prices and Market Prices

In determining the Bidding Prices and/or Market Prices, the Group will (i) in respect of its purchase of products and/or services, obtain and compare the quotations and bids from the suppliers (by comparing quotations and bids from at least two suppliers who are Independent Third Parties), to ensure that the prices and/or payment terms offered by the CRRC Group of Companies are comparable to those offered by Independent Third Party suppliers; (ii) in respect of both its purchase and its supply of products and/or services, conduct researches on industry websites (such as the websites of the International Trading Center for Electronic Components and Integrated Circuits* (電子元器件和集成電路國際交易中心) and Mouser Electronics) and obtain and compare price references from the market to the extent that those products and/or services are of comparable nature, quality, quantity and condition to ensure that the price is fair and reasonable.

If there is any discrepancy between (i) the market prices or prices offered by Independent Third Parties and (ii) prices offered or requested by the CRRC Group of Companies, the Group will assess the materiality of and reasons for such discrepancy, which may be taken into consideration in its bargaining negotiations with the CRRC Group of Companies.

LETTER FROM THE BOARD

(C) Agreed Prices

The products and/or services to be supplied by (or to) the Group that are determined by the Agreed Prices where none of the Government-prescribed Prices, Government-guided Prices, the Bidding Prices or the Market Prices are available or applicable and such products and/or services are generally specific or tailor-made items which are not readily available in the market for making meaningful comparison. In determining whether the profit is a reasonable profit under the pricing principle of Agreed Prices, the Company will take into account the historical profit margin of at least two similar products or services supplied by (or to) the Independent Third Parties (if available) or the relevant industry profit margin (if available) for reference in conjunction with the prevailing market and business conditions. The Company will also consider, where applicable, the historical gross profit margin of the relevant business (and for reference only, the gross profit margins of the Group in respect of (i) rail transit equipment business; (ii) emerging equipment business and (iii) other business for the two years ended 31 December 2024 were in the range of approximately (i) 37-38%; (ii) 25-29% and (iii) 17%-19%, respectively) and will generally charge a reasonable profit at such reference rates (if applicable) depending on specific products and services required and prevailing market and business conditions. Such data will provide an objective reference point for assessing the reasonableness of the profit margin of a particular product/service. In addition, professional insight will be incorporated in the pricing and assessment process whereby experts in the Group with sufficient industry experience could opine on the fairness and reasonableness of the relevant price (and the profit margin) by reference to the comparable price and/or historical transaction price of the most similar items and take into account various factors, including the type of products or services, the complexity of the products and technologies involved, the estimated costs and resources required in the research and development, production and/or provision of the products/services, as well as the prevailing market and business conditions. Such experts are usually technical experts from the relevant product/business unit of the Group and are familiar with and/or closely involved in the research and development, production and/or operation processes of relevant products or the provision of related services. The experts' opinions on pricing are recorded and maintained in the Company's internal system to ensure traceability and accountability. This structured approach ensures that the determination of the "reasonable profit" is not arbitrary but based on objective data, expert insight, and prevailing market conditions, thereby ensuring that such price (and profit margin) is on normal commercial terms or better, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

- (D) Given the broad scope of the products and/or services to be supplied by and/or to the CRRC Group of Companies, the Group adopts the same pricing policy for such products and/or services as disclosed above for transactions with the CRRC Group of Companies, which applies equally to the Group's transactions with other qualified supplies who are Independent Third Parties.

(iii) Payment and settlement arrangement

During the two years ended 31 December 2024 and six months ended 30 June 2025, the considerations for the transactions under the 2023-2025 CRRC Group Mutual Supply Agreement were principally settled by cash (by way of bank transfer), bank acceptance bills, commercial acceptance draft. On the basis of the customary payment manners adopted for the transactions conducted pursuant to the 2023-2025 CRRC Group Mutual Supply Agreement and the market practices for the products and services contemplated under the 2026-2028 CRRC Group Mutual Supply Agreement (which are substantially the same as those covered by the 2023-2025 CRRC Group Mutual Supply Agreement), the Company expects that cash (by way of bank transfer), bank acceptance bills and commercial acceptance draft will continue to be the principal payment manners. Subject to terms of the individual product and service contracts to be entered into between the respective group companies of the Group and the CRRC Group of Companies, the payments for the products and/or services supplied by and/or to the CRRC Group of Companies are expected to be settled ranging from approximately three months to six months following the previous practice. Such payment manners are the same for transactions with the CRRC Group of Companies and other customers or qualified supplies who are Independent Third Parties. As such, the Board is of view that such settlement arrangement is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

(iv) Measures and procedures for purchase and supply of products and/or services by the Group

(A) Purchase of products and/or services by the Group

The Group has formulated a series of measures and procedures for its purchase of products and/or services to standardise various procurement activities carried out or to be carried out by the Group, which apply to both transactions with connected persons and the Independent Third Parties. These include but are not limited to (i) Procurement Management Measures (《採購管理辦法》), which sets out the overall requirements and processes for the Group's procurement activities to enhance its procurement management system; (ii) Framework Agreement Sourcing Management Procedures (《框架合同尋源管理流程》), which outlines the procedures and requirements for purchase of products under framework agreements; and (iii) Competitive Bidding Procurement Management Procedures (《競標採購管理流程》), which regulates procurement activities using the tendering and bidding procedures. The centralised procurement centre of the Company has maintained and operated a procurement management platform (<http://scm.csrzic.com>) as well as CRRC's procurement management platform, CRRC Go 2.0 (<http://www.crrcgo.cc/>). Through the procurement management platform, the Group prepares and approves sourcing plans, and executes and approves contracts. Procurement requirements are published via the CRRC Go 2.0 platform, so that the qualified suppliers (including but not limited to the CRRC Group of Companies) may respond to such procurement request by providing quotations or submitting bids to the platform, with the final selection also completed on the platform.

In general, to be eligible as the Group's qualified supplier, the supplier should be a legal entity with fixed business operation facilities and operational system, and it has to pass the Group's qualification assessment (including but not limited to assessment on the scope of products supplied, legal risk and financial conditions of the supplier, etc.) and the assessment on sample products produced.

With respect to the purchase of products and/or services by the Group, in determining whether the prices and/or payment terms offered by the CRRC Group of Companies are reasonable or no less favourable than those offered by the Independent Third Parties, the Group will follow the above established effective methods and procedures and the pricing policy as detailed in the section headed "(ii) Pricing policy" above. In order to further safeguard the Group's interest, the 2026-2028 CRRC Group Mutual Supply Agreement provides that in the event that the price and/or payment terms offered by the CRRC Group of Companies are less favourable than those offered by the Independent Third Parties, the Group will have the right to terminate and cancel such purchases with the CRRC Group of Companies.

LETTER FROM THE BOARD

(B) Supply of products and/or services by the Group

The Group has also formulated a series of measures and procedures for its supply of products and/or services to standardise various sale and supply activities carried out or to be carried out by the Group, which apply to both transactions with connected persons and the Independent Third Parties. These include but are not limited to (i) Administrative Measures for Sales Business and Accounts Receivables (《銷售業務和應收賬款管理辦法》), which sets out the key standards, workflows and assessment requirements for managing sales processes and accounts receivables to identify and mitigate related risks; (ii) Administrative Measures for Rewards and Punishments of Sales Receipts (《銷售回款獎懲管理辦法》), which is established to motivate different business units of the Group to ensure timely collection of payments for its sales of products and/or services; (iii) Management Procedures for Sales Contract Review and Execution (《銷售合同評審與簽訂管理流程》), which sets out the specific requirements for standardizing the sales contract review and signing processes while identifying and mitigating associated risks; and (iv) Bidding Management Procedures (《投標管理流程》), which aims to standardize the Group's bidding activities and enhance its bidding success rates while identifying and mitigating associated risks. The legal department of the Company has maintained and operated a legal and sales contract management system and set up different approval procedures to regulate the supply of the Group's products and/or services.

With respect to the supply of products and/or services by the Group, the prices for products and/or services to be charged by the Group to the CRRC Group of Companies will be determined in accordance with the aforesaid pricing policy, and taking into account various factors such as marketing strategy, sales volume, historical cooperation, product costs and reasonable profits. The Group will follow the above established methods and procedures and the pricing policy as detailed in the section headed “(ii) Pricing policy” above to determine the prices and/or payment terms offered to the CRRC Group of Companies so as to ensure that the prices and/or payment terms would be fair and reasonable to the Group and no less favourable to the Group than those offered to the Independent Third Parties.

LETTER FROM THE BOARD

(v) *Internal control procedures*

The Group has adopted the Connected Transaction Management Policy (《關聯交易管理制度》) and the following internal control procedures to ensure that the transactions to be entered between the Group and the CRRC Group of Companies will be conducted on normal commercial terms (or on terms no less favourable to the Group than those available from (or to) the Independent Third Parties), and in accordance with the 2026-2028 CRRC Group Mutual Supply Agreement and the pricing policies of the Group:

- (A) The relevant business unit of the Group will periodically (generally at least once every three months) conduct researches on industry websites and compare prices of historical transactions and/or recent similar transactions of the Group in the market (by comparing quotations from (or to) at least two Independent Third Parties, if applicable) to the extent that those products and/or services are of comparable nature, quality, quantity and condition. If discrepancy is found, the business unit will assess the materiality of the discrepancy and the reasons for the discrepancy, and where the discrepancy is material (after taking into account relevant factors, such as nature, quality, quantity and condition of the products involved, the market competition landscape, the technical standards and parameter configuration of the products, the previous cooperation (if applicable) and the possibility for future cooperation (if applicable)), the discrepancy will be taken into consideration (to the extent relevant) as reference for bargaining negotiation and future transactions between the Group and the CRRC Group of Companies.
- (B) The parties (i.e. in case of products or services to be procured by the Group, the relevant member of the Group (as tenderee) and the relevant CRRC Group of Companies or other qualified suppliers (as bidders), or in case of products or services to be procured by the relevant CRRC Group of Companies, the relevant CRRC Group of Companies (as tenderee) and the relevant member of the Group and other suppliers (as bidders)) will go through the bidding and/or negotiation for finalising the terms of the contracts. The contracts will be reviewed by expert with industry experience and/or the relevant staff from business unit, audit and risk control department, legal department, finance centre and/or management of the Company (depending on the transaction amount and materiality in accordance with the Company's Administrative Measures for Authorization of Economic Business (《經濟業務授權管理辦法》)) for approval before execution, and will be signed by the authorised signatories in accordance with the established contract review and execution procedures of the Company.

LETTER FROM THE BOARD

- (C) The Company's audit and risk control department will regularly check the implementation of the Group's continuing connected transactions in accordance with the risk control matrix in the Company's internal control application manual, including reviewing samples of the relevant sales/procurement contracts to monitor the prices of the transactions to ensure such prices are in compliance with the pricing policies under the terms of the 2026-2028 CRRC Group Mutual Supply Agreement.
- (D) The finance centre of the Company will calculate and prepare a summary for continuing connected transactions with the CRRC Group of Companies each quarter to assess whether the relevant continuing connected transactions will exceed the New CRRC Group Caps.
- (E) The continuing connected transactions with the CRRC Group of Companies will be quarterly reviewed by the independent non-executive Directors and their quarterly reviews will be published by way of announcement.
- (F) The auditors, the audit committee (comprising the independent non-executive Directors) and the Board will conduct annual review on the Group's continuing connected transactions (including the continuing connected transactions with the CRRC Group of Companies) throughout the preceding financial year, and the confirmation will be published in the annual report of the Company in accordance with the Listing Rules.

The Directors (including the independent non-executive Directors) consider that such methods and procedures can ensure that the transactions contemplated under the 2026-2028 CRRC Group Mutual Supply Agreement will be conducted either on normal commercial terms or, in respect of the Company, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than those available to or from (as appropriate) the Independent Third Parties, the terms and the New CRRC Group Caps are fair and reasonable, and not prejudicial to the interests of the Company and its minority shareholders and will be in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

3. The Existing CRRC Group Caps and Historical Transaction Records with the CRRC Group of Companies

Set out below is a summary of the Existing CRRC Group Caps and the historical transaction records of the transactions under the 2023-2025 CRRC Group Mutual Supply Agreement for the two years ended 31 December 2023 and 2024 and the nine months ended 30 September 2025:

	Existing CRRC Group Caps			Historical Transaction Amounts		
	Year ended 31 December			Year ended 31 December		Nine months ended
				(audited)	(audited)	30 September
	2023	2024	2025	2023	2024	2025
	<i>(RMB millions)</i>					
Amount paid to the CRRC Group of Companies by the Group for the provision of the products and/or services	4,200	5,000	6,000	1,483.1	1,997.9	1,230.9
Amount paid to the Group by the CRRC Group of Companies for the provision of the products and/or services	11,500	13,800	16,500	7,379.7	9,602.5	7,099.5

The aggregate annual amounts of the transactions under the 2023-2025 CRRC Group Mutual Supply Agreement for the two years ended 31 December 2023 and 2024 did not exceed the respective Existing CRRC Group Caps as approved by the then Independent Shareholders on 17 June 2022.

As at the Latest Practicable Date, the 2025 Approved CRRC Group Caps have not been exceeded. The Board anticipates that the aggregate annual amounts of the transactions under 2023-2025 CRRC Group Mutual Supply Agreement for the year ending 31 December 2025 will not exceed the 2025 Approved CRRC Group Caps.

The utilisation rates of the Existing CRRC Group Caps ranged from approximately 35.3% to approximately 69.6% for the two years ended 31 December 2023 and 2024, which were not at high levels but showed an upward trend. To the best knowledge and information of the Directors having made all reasonable enquiries, the Board considers that the relatively low utilisation rates of the Existing CRRC Group Caps were primarily attributable to the complicated and uncertain macro-economic environment with a slowdown in growth momentum across domestic and international markets during the term of the 2023-2025 CRRC Group Mutual Supply Agreement. These exerted certain impact on the development of China's railway industry and also affected the transactions between the Group and the CRRC Group of Companies during that period.

LETTER FROM THE BOARD

The Board has assessed the factors that previously contributed to the low utilisation rates of the Existing CRRC Group Caps and believes that these factors are unlikely to have a similar impact on the utilisation of the New CRRC Group Caps. The earlier low utilisation rates were largely attributable to subdued demand within the railway industry, delays in project approvals, and a more restrictive policy environment that limited the pace of infrastructure development. However, the current outlook for the sector has improved markedly, as evidenced by the Chinese government's introduction of more favourable policies, increased infrastructure investment, and the projected fixed-asset investment of RMB590 billion in the railway sector in 2025 with estimated 2,600 kilometres of new rail tracks set to become operational. Furthermore, the government's increased efforts to improve railway infrastructure are expected to foster innovation and expansion in railway technology, which should drive higher transaction volumes and greater utilisation of the New CRRC Group Caps in the future years. Such improvement has also been reflected in the increase in the transaction amounts and the utilization rates of the Existing CRRC Group Caps during the term of the 2023-2025 CRRC Group Mutual Supply Agreement. For example, from 2023 to 2024, the transactions in relation to the supply of products and/or services both to and from the Group illustrated a year-on-year surge of over 30%. Accordingly, the Board is of the view that these positive policy adjustments and industry trends will mitigate the factors that previously constrained cap utilisation, supporting stronger performance under the 2026-2028 CRRC Group Mutual Supply Agreement.

4. New CRRC Group Caps

The Company expects that the New CRRC Group Caps under the 2026-2028 CRRC Group Mutual Supply Agreement for the three years ending 31 December 2026, 2027 and 2028 will be as follows:

	Year ending 31 December		
	2026	2027	2028
	<i>(RMB millions)</i>		
Annual cap of the amounts to be paid to the CRRC Group of Companies by the Group for the provision of the products and/or services	4,500	6,700	10,100
Annual cap of the amounts to be paid to the Group by the CRRC Group of Companies for the provision of the products and/or services	16,300	21,100	27,500

LETTER FROM THE BOARD

The New CRRC Group Caps are determined by the parties based on the estimated transaction amounts with reference to the historical transaction amounts and the following factors and assumptions:

(i) The expected growth of the railway industry in the PRC

As announced by the State Council of the PRC in January 2024, China is set to implement a new railway operating plan aimed at improving passenger and cargo transport capacity. Under this new plan, 233 passenger trains and 40 freight trains are expected to be added across the country, bringing the total number of passenger trains and freight trains to 11,149 and 22,264, respectively. Efforts will also be made to launch new train lines and stations to bolster connectivity in areas such as the Guangdong-Hong Kong-Macao Greater Bay Area and the Beijing-Tianjin-Hebei region. As further announced by the State Council of the PRC in June 2024, China will unveil a revamped national railway schedule, including the addition of a high-speed railway loop spanning more than 1,200 kilometres to link Shanghai, Zhejiang, Jiangsu and Anhui, as well as the introduction of faster high-speed trains connecting Beijing with Guangdong. According to the Guidelines on Developing National Comprehensive Transport Network (《國家綜合立體交通網規劃綱要》) jointly promulgated by the Central Committee of the Communist Party of China and the State Council of the PRC in February 2021, it is expected that by 2035, the total scale of the national comprehensive transport network will be approximately 700,000 kilometres (excluding foreign parts of international land routes, air routes, sea routes and postal routes), of which 200,000 kilometres will belong to the railway network.

In addition, the State Council of the PRC issued the New Energy Vehicle Industry Development Plan (2021-2035) which outlined a strategic blueprint for the development of the new energy vehicles, and set targets for technological innovation, the adoption of green transport solutions, and cross-sector collaboration, and further approved “Modern Comprehensive Transportation System” under the 14th Five-Year Plan in January 2022 which outlined the strategic direction for transport infrastructure development, emphasising network expansion, digitalisation, and integration of various transport modes.

The growth trajectory of the Group and the CRRC Group of Companies as the leading market players in China’s railway industry has been closely aligned with the nation’s railway development strategy. Regulatory support for innovation and expansion leads to higher anticipated transaction volumes, greater product and service diversification, and the necessity for flexible procurement arrangements. Accordingly, the Group must ensure that the New CRRC Group Caps are robust enough to accommodate this growing trend, enable timely and efficient procurement, and support business activities that align with evolving national priorities and policy directives.

LETTER FROM THE BOARD

(ii) The State's strategy of developing new technologies, new industries, new business types and new models

The ongoing implementation of the Outline for the Construction of Nation with Strong Transportation System (《交通強國建設綱要》) (the “**Outline**”) and the Planning Outline of the National Comprehensive Three-Dimensional Transportation Network (《國家綜合立體交通網規劃綱要》) (the “**Planning Outline**”) published by the Central Committee of the Chinese Communist Party and the State Council of the PRC in September 2019 and February 2021, respectively, and the “carbon peak and neutrality” strategy of achieving emission peak by 2030 and carbon neutrality by 2060, and other national initiatives (namely the New Energy Vehicle Industry Development Plan (2021-2035) and “Modern Comprehensive Transportation System” under 14th Five-Year Plan) will bring significant opportunities to the Company in developing rail transit and new energy equipment business. The Outline explicitly proposes to promote intelligent and digital transportation equipment as well as intelligent transportation, and advocates low-carbon and eco-friendly development. For the development of advanced rail transit equipment, China aims to develop a new generation of green, intelligent, high-speed and heavy-duty rail transit equipment system. In the context of the “carbon peak and neutrality” strategy, China vigorously improves railway transport capacity under the “highway to railway” initiative, which will offer great growth opportunities for heavy-duty freight locomotives, and facilitate the development of the Group's basic devices, new energy vehicle electric drive system, new energy power generation and other emerging industry business. The Planning Outline also puts forward the goal to build a modern and high-quality three dimensional transportation network which is green and intelligent by 2035. Furthermore, the government is currently in the process of formulating the new railway development plan under the 15th Five-Year Plan which will focus on, among other things, improving the railway network and enhancing transport efficiency.

Although the above government policies and strategies extend beyond the term of the 2026-2028 CRRC Group Mutual Supply Agreement, their ongoing implementation exerts a significant influence on the determination of the New CRRC Group Caps, and drives demand for low-carbon transport solutions and new energy vehicles, encouraging the parties to diversify their product and service offerings and invest in sustainable technologies. As a result, the parties have considered the scope and robustness of the New CRRC Group Caps that are flexible and forward-looking, capable of accommodating the anticipated growth in transactions related to eco-friendly rail transit, new energy vehicles, and digital transport systems.

LETTER FROM THE BOARD

(iii) The potential of overseas markets

The Group and the CRRC Group of Companies have consistently adhered to the road of internationalization, with the focus on infrastructure interconnection opportunities brought about by the Belt and Road Initiative, the international production capacity cooperation and the new trend of multilateral and bilateral regional investment, and have expanded the breadth and depth in developing overseas market to improve the global industrial layout.

Going forward, the Group will continue to keep abreast of the “going out” strategy of the PRC rail transportation equipment industry and explore opportunity arising from overseas market. This strategy includes, where applicable, establishing overseas enterprises, investing in manufacturing facilities abroad, and adapting products and services to meet local market requirements. The Group also monitors global trends in rail transportation to keep business development aligned with emerging opportunities and regulatory developments in international markets. Additionally, the Group works on developing a global industrial layout to improve its ability to deliver integrated rail transit solutions. By collaborating with the subordinate main operating plants of CRRC Group, the strategy supports innovation, enhances supply chain efficiency, and sustains growth in international business segments.

(iv) The Group’s massive operation scale and future development plans and strategies

The Company is a leading traction converter system supplier in the PRC’s rail transit industry, and can produce traction converter systems for various vehicle models in the fields of locomotives, bullet trains and urban rail. The Company has a full spectrum of traction converter system products and a dominant market share.

In the urban rail sector, the Company ranked the first in terms of the domestic market share for 13 consecutive years from 2012 to 2024. With regard to the rail transit business, the Company maintained a domestic market share of above 50% in 2024 for its urban rail traction system, leading the industry for 13 consecutive years. With regard to emerging equipment business, the Group has actively expanded into industries other than rail transit, including new energy power generation, new energy vehicle electric drive system, marine equipment, industrial converters, etc. For example, in 2024, the Group’s power modules for new energy passenger vehicles achieved installation of 2.256 million sets, ranking the second with a market share of 13.7% in the PRC; and the Group’s new energy passenger vehicle electric drive systems achieved annual installation of 251,000 sets, ranking the eighth in the PRC.

Going forward, the Group is confident to further capitalise on its industrial advantages and leading market position, and to capture the growth opportunities arising from the positive outlook of China’s railway industry leveraging on the favourable government policies.

LETTER FROM THE BOARD

The determination of the New CRRC Group Caps is influenced by the size of operations and industry position of the Group. Due to its market share in traction converter systems and ranking in the urban rail sector, robust and adaptable transaction caps are required to support the transaction volume and variety from its business activities. The Group's expansion into sectors such as new energy vehicle electric drive system, new energy power generation and marine equipment also creates a need for higher transaction limits, allowing the Group to procure products and services across different areas without frequent administrative changes to the transaction caps.

(v) *The leading industry position and business potential of the CRRC Group of Companies*

CRRC Group is a large-scale state-owned enterprise. CRRC is the world's leading and diverse rolling stock supplier with advanced technology and has consecutively ranked the first in the international market in terms of sales volume of rolling stock equipment for years. Leveraging their leading industry position, the CRRC Group of Companies will continue to support and provide the Group with resources on industrial experience and technologies, and to help the Group enhance its technical capability and market share and establish the branding of the Group's products in both the domestic and international markets. This will in turn contribute to the growth in the Group's transaction amounts with the CRRC Group of Companies in relation to the mutual supply of products and services.

The industry position and business potential of the CRRC Group of Companies also play a pivotal role in determining the New CRRC Group Caps in the coming years. Given CRRC Group's established reputation and its ability to maintain the highest sales volumes internationally, there is an ongoing expectation of increased demand for mutual supply of products and services. The Group's business potential, characterised by its continuous innovation, robust research and development capabilities, and strategic market positioning, suggests that transaction volumes will grow as new opportunities in areas such as new energy vehicle electric drive system, new energy power generation, and marine equipment are realised. Consequently, the New CRRC Group Caps must be sufficiently robust and adaptable to accommodate this anticipated growth and diversity of transactions, ensuring that the Group can fully leverage the advantages provided by CRRC Group's industry leadership and future business development.

(vi) *Existing and future contracts*

Based on the supply and procurement plans of the parties, the Group has certain existing supply contracts entered into, and expected to secure further supply contracts to be entered into, with the CRRC Group of Companies, relating to (a) various models of electric locomotives; (b) electric locomotives, electric multiple units and subways for overseas export; (c) city subways and inter-city rails; (d) electric multiple units; and (e) the emerging industry business, which will contribute to the transaction amounts between the Group and the CRRC Group of Companies under the 2026-2028 CRRC Group Mutual Supply Agreement.

LETTER FROM THE BOARD

(vii) Potential fluctuations in prices of railway products and services

For the period of 2020 to 2024, China's annual inflation rates, (i) as measured by the Consumer Price Index, were in the range of 0.2 to 2.5; (ii) as measured by the Producer Price Index, were in the range of (3.0) to 8.1; and (iii) as measured by the Purchasing Price Index, were in the range of (3.6) to 11.0. It is also noted that the average year-on-year increase in the railway transport service price index from 2022 to 2024 was 1.5%.

Given the historical price fluctuations in the railway industry as well as general inflation reflected in consumer, producer and purchasing price indexes in the PRC, there may be possible rises in prices of the products and/or services to be supplied by and/or to the Group during the term of the 2026-2028 CRRC Group Mutual Supply Agreement, which requires buffers of approximately 10% to 15% for the transaction amounts in determining the New CRRC Group Caps.

(viii) The historical transaction amounts

In determining the New CRRC Group Caps, the Company has also taken into consideration the historical transaction amounts under the 2023-2025 CRRC Group Mutual Supply Agreement as shown in the section headed "Historical Transaction Records with the CRRC Group of Companies" above, and noted the relatively low utilisation rates of the Existing CRRC Group Caps, which were primarily attributable to the complicated and uncertain macro-economic environment with a slowdown in growth momentum across domestic and international markets during that period. Looking ahead, promoted by the recent supportive government policies and initiatives, the outlook of China's railway industry remains positive, and the Company expects the industry to experience a rebound and sustained growth in the years to come.

Additionally, in line with the increasing trend in both the actual transaction amounts between the Group and the CRRC Group of Companies and the utilisation rates of the Existing CRRC Group Caps for the two years ended 2023 and 2024, the Company estimates that the transaction amounts between the Group and the CRRC Group of Companies for the mutual supply of products and services will continue to increase on a year-on-year basis for the next three years.

LETTER FROM THE BOARD

After taking into the above factors and assumptions, the Board (including the independent non-executive Directors) is of the view that the New CRRC Group Caps represent the estimated transaction demand which is in line with the Group's business development plan and the industry's growth prospects for the next three years, and is fair and reasonable and in the interest of the Company and its shareholders as a whole, despite the relatively low utilisation rates of the Existing CRRC Group Caps under the 2023-2025 CRRC Group Mutual Supply Agreement as explained above.

5. Information of the Group

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

6. Information of CRRC Group

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

LETTER FROM THE BOARD

7. Reasons for entering into the 2026-2028 CRRC Group Mutual Supply Agreement

In relation to the purchase of products and/or services, the Group has been procuring certain parts and components and services for the manufacture of its products from the CRRC Group of Companies for many years. As a result of such long-term business relationship, the CRRC Group of Companies has been familiar with the Group's product standards and technical parameters, and has been able to respond quickly and in a cost efficient manner to any new requirements that the Group may request. In order to fulfil product standards and technical parameters required by the Group's customers, the Group needs the CRRC Group of Companies to supply from time to time certain parts and components produced with CRRC Group's proprietary process and technology, and services for skills and technical know-how. The Directors believe that even if other suppliers may be able to manufacture the relevant parts and components according to the same specifications, such suppliers may not be able to meet the time constraints imposed by the Group's customers in requesting the relevant parts and components as they may not be familiar with the requirements of the Group's customers. In contrast, the products provided by the CRRC Group of Companies have more competitive advantages in terms of technology, quality and cost. As CRRC Group is a large scale state-owned enterprise, the CRRC Group of Companies have more resources and other competitive edge over its competitors in providing the required parts and components. The CRRC Group of Companies and the Group have developed a well-established mutual understanding in the business needs of each other. The business communications and transactions between the Group and the CRRC Group of Companies had been and are being conducted efficiently and effectively. In addition, due to long-term cooperation, the CRRC Group of Companies are more familiar with the requirements of the Group's customers. Furthermore, as some of the members of the Group and the CRRC Group of Companies are in close proximity, the Group will benefit from lower transportation cost and time required for delivery for some of the products compared to procuring the same from Independent Third Party suppliers, and faster after-sale service response.

In relation to the supply of products and/or services, the Group has been supplying certain parts and components and services to the CRRC Group of Companies for many years. The parties have established a solid business relationship based on factors such as the continuity of historical product support and in-depth cooperation in technology research and development. As the Group has been focused on and specialised in research, development, manufacture and sale of products including power converters, control systems, electrical systems and electric components etc. for the railway industry, urban railway industry and non-railway purposes, the Directors believe that the CRRC Group of Companies prefers acquiring such products including electrical systems and electrical components from the Group as the Group processes with the technical expertise and staff equipped with the relevant skills and specialities for providing technical services, after-sales services, maintenance services, management services in support of the products supplied. In addition, the Directors further believe that the CRRC Group of Companies can reduce the procurement costs and obtain operating efficiency through making centralised and/or bulk purchases from the Group.

LETTER FROM THE BOARD

Further, the Group's purchases from and/or sales to the CRRC Group of Companies are on terms no less favourable to the Group than terms available to or from (as appropriate) the Independent Third Parties. The transactions contemplated under the 2026-2028 CRRC Group Mutual Supply Agreement are necessary for and are beneficial to the Company and therefore is of commercial benefit to the Company and the Group as a whole. Entering into the 2026-2028 CRRC Group Mutual Supply Agreement will facilitate the operation and growth of the Group's business and minimise the costs and time of the Group in acquiring similar products from the Independent Third Parties (if so available) as it may involve various testing and commissioning process to ensure the products to be embedded and assembled into the final products of the customers are compatible and satisfactory.

It is the understanding of the Group that the CRRC Group of Companies always adhere to the road of internationalization, expand overseas marketing channels, and has expanded the breadth and depth in developing overseas market to improve the global industrial layout. Accordingly, the Group anticipates that the expected transactions in relation to the mutual supply of products and services between the Group and the CRRC Group of Companies will be further increased. Due to the nature of the railway industry in the PRC, in particular after the merger of former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司) and former CSR Group (中國南車集團公司), there are a few industry players with comparable established size that are able to provide a wide variety of products and services that can serve the Group's business needs in a timely manner. As disclosed above, the parties have established a solid and long term business relationship with continuity of historical product support and in-depth cooperation in technology research and development. The Board believes that the CRRC Group of Companies and the Group have formed a complementary business relationship with mutual benefits to each other and have developed a well-established mutual understanding in the business needs of each other. The business communications and transactions between the Group and the CRRC Group of Companies have been and are being conducted efficiently and effectively. As such, it is commercially advantageous and in the best interests of the Group and the Shareholders to continue such business relationship with the CRRC Group of Companies. Throughout the years of cooperation between the Group and the CRRC Group of Companies, the Board is of the view that the CRRC Group of Companies have been not only reliable customers which provide reliable source of revenue, but also reliable suppliers for providing the Group with timely and stable supply of the required and customised products and services. After consideration of the factors stated above, the Board is of the view that there is no material risk that such solid business relationship will not continue. In addition, the Company has expanded into the fields of basic devices, new energy vehicle electric drive system, new energy power generation, marine equipment and industrial converter, which will further diversify our customer base and create opportunities for the Group's business growth. The complete industry chain structure and expanding new business portfolio not only drive the growth in the profitability of the Group, but also let the Group play an important role to master the whole industry chain resources and build a supplier system with self-developed core technologies and effective cost control, and help to diversify the customers and suppliers base of the Group.

LETTER FROM THE BOARD

Notwithstanding the expected increase in the transactions in relation to the mutual supply of products and services between the Group and the CRRC Group of Companies, the Board considered one of the aims for entering into the 2026-2028 CRRC Group Mutual Supply Agreement is to provide an option for the Group to procure or sell the products and services to CRRC Group Companies in addition to the Independent Third Party suppliers or customers, as the same pricing policy is adopted for both the CRRC Group of Companies and the Independent Third Party suppliers in relation to the purchase of products and/or services by the Group, and the same measures and procedures are adopted for supply of products and/or services apply to CRRC Group of Companies and the Independent Third Parties.

8. Non-exempt Continuing Connected Transactions

CRRC ZELRI is the controlling shareholder of the Company. CRRC Group directly and indirectly holds approximately 51.45% equity interest in CRRC in aggregate. CRRC directly holds the entire equity interest in CRRC ZELRI. CRRC Group is the ultimate controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) for the New CRRC Group Caps exceeds 5%, the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps constitute a non-exempt continuing connected transaction of the Company which are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. Listing Rules Requirements

A meeting of the Board was held on 30 October 2025 at which the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps were reviewed and approved. At the said meeting of the Board, Mr. Li Donglin, Mr. Shang Jing and Mr. Xu Shaolong abstained from the consideration of and voting on the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps and hence no other Director has abstained from voting on the relevant Board resolution.

The Directors, excluding Mr. Li Donglin, Mr. Shang Jing and Mr. Xu Shaolong but including the independent non-executive Directors, consider that the 2026-2028 CRRC Group Mutual Supply Agreement and the transactions contemplated thereunder have been or will be entered into in the ordinary and usual course of business of the Group, and the terms thereof and the New CRRC Group Caps are on normal commercial terms or if there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) the Independent Third Parties which are fair and reasonable and in the interests of the Company and its shareholders as a whole. The 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are conditional upon, among others, the Independent Shareholders' approval in respect thereof.

LETTER FROM THE BOARD

10. Independent Board Committee and Independent Financial Adviser

An Independent Board Committee (which consists only of independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the 2026-2028 CRRC Group Mutual Supply Agreement and the transactions contemplated thereunder have been or will be entered into in the ordinary and usual course of business of the Group and the terms thereof and the New CRRC Group Caps are on normal commercial terms or if there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) the Independent Third Parties which are fair and reasonable and in the interests of the Company and its shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations on the same by the Independent Financial Adviser.

The Company has appointed VBG Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

Your attention is drawn to the letter from the Independent Board Committee set out on page 29 of this circular, the letter from VBG Capital set out on pages 30 to 48 of this circular which contains the recommendation of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser and the principal factors and reasons considered by the Independent Financial Adviser, considers that the 2026-2028 CRRC Group Mutual Supply Agreement was entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, the terms thereof and the New CRRC Group Caps are on normal commercial terms or if there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) the Independent Third Parties which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

LETTER FROM THE BOARD

11. Voting Arrangement

As at the Latest Practicable Date, CRRC ZELRI, CRRC Zhuzhou and CRRC Hong Kong were interested in approximately 44.21%, 0.74% and 4.82% respectively of the entire issued share capital of the Company.

Each of the CRRC ZELRI, CRRC Zhuzhou and CRRC Hong Kong is an associate of CRRC Group and shall therefore abstain from voting at the EGM on resolution to consider and approve the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

As at the Latest Practicable Date, as far as the Company was aware, having made all reasonable enquiries:

- (i) each of CRRC ZELRI, CRRC Zhuzhou and CRRC Hong Kong controlled or were entitled to exercise control over the voting rights in respect of its respective Shares;
- (ii) (A) there were no voting trust or other agreement or arrangement or understanding entered into by or binding upon any of CRRC ZELRI, CRRC Zhuzhou and CRRC Hong Kong;
- (B) there were no obligations on or entitlement of any of CRRC ZELRI, CRRC Zhuzhou and CRRC Hong Kong as at the Latest Practicable Date, whereby any of CRRC ZELRI, CRRC Zhuzhou or CRRC Hong Kong had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of its respective Shares to other third parties, either generally or on a case-by-case basis; and
- (iii) there were no discrepancies between the beneficial shareholding interest of any of CRRC ZELRI, CRRC Zhuzhou and CRRC Hong Kong in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the EGM.

LETTER FROM THE BOARD

III. EGM

The votes at the EGM will be taken by poll.

Notices convening the EGM to be held at Room 301, Times Hotel, Times Road, Shifeng District, Zhuzhou, the PRC on Monday, 15 December 2025 at 11:00 a.m. are set out on pages 49 to 50 of this circular.

To be eligible to attend and vote at the EGM, all transfer documents together with the relevant Share certificates must be lodged, for holders of the H Shares, with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 9 December 2025.

Proxy forms for appointing proxy are published together with this circular on the websites of the Company (<http://www.tec.crrczic.cc>) and the Stock Exchange (www.hkex.com.hk). Whether or not you intend to attend the EGM, you are requested to complete and return the proxy forms in accordance with the instructions printed thereon not less than 24 hours before the time appointed for holding the EGM or the adjournment thereof.

Completion and return of the proxy forms will not preclude you from attending and voting in person at the EGM or at any adjournment thereof if you so wish.

IV. RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the resolution to be proposed at the EGM is in the best interests of the Company and the Shareholders as a whole. As such, the Board recommends the Shareholders to vote in favour of the resolution set out in the EGM Notice which are to be proposed at the EGM.

V. FURTHER INFORMATION

Further information of the Company is set out in the appendix to this circular for your information.

Yours faithfully,
For and on behalf of the Board
Li Donglin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



株洲中车时代电气股份有限公司

ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

25 November 2025

To the Independent Shareholders

Dear Sir/Madam

CONTINUING CONNECTED TRANSACTIONS WITH CRRC GROUP

We refer to the circular issued by the Company to the Shareholders of even date (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meaning in this letter unless the context otherwise requires.

Under the Listing Rules, the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are subject to the approval of the Independent Shareholders. We have been appointed by the Board to consider the terms of the 2026-2028 CRRC Group Mutual Supply Agreement and to advise the Independent Shareholders as to whether, in our opinion, such transactions and such terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. VBG Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from VBG Capital as set out in the Circular. Having taking into account the principal factors and reasons considered by and the advice of the Independent Financial Adviser as set out in its letter of advice, we consider that the 2026-2028 CRRC Group Mutual Supply Agreement was entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and the terms thereof and the New CRRC Group Caps are on normal commercial terms or if there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) the Independent Third Parties which are fair and reasonable and the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote at the upcoming EGM in favour of the ordinary resolution to approve the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

Yours faithfully,

For and on behalf of the
Independent Board Committee

Lam Siu Fung

Li Kaiguo

Zhong Ninghua

Feng Xiaoyun

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps for the purpose of inclusion in this circular.



建泉融資有限公司
VBG Capital Limited

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

25 November 2025

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS WITH CRRC GROUP

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 25 November 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalized terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

On 30 October 2025, the Company and CRRC Group entered into the 2026-2028 CRRC Group Mutual Supply Agreement to set out a framework for the mutual provision of products and services between the Group and the CRRC Group of Companies for three years commencing from 1 January 2026 and ending on 31 December 2028.

According to the Letter from the Board, the transactions contemplated under the 2026-2028 CRRC Group Mutual Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and are subject to the reporting, announcement, circular and independent shareholders’ approval requirements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Li Kaiguo, Mr. Zhong Ninghua, Mr. Lam Siu Fung and Ms. Feng Xiaoyun (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the 2026-2028 CRRC Group Mutual Supply Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps at the EGM. We, VBG Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from having acted as the independent financial adviser of the Company relating to a continuing connected transaction of which a circular was published by the Company on 7 November 2024, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the 2026-2028 CRRC Group Mutual Supply Agreement in compliance with Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion with regard to the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Company (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Company were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the independent financial adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the CRRC Group of Companies or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the 2026-2028 CRRC Group Mutual Supply Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

Shareholders should note that as the New CRRC Group Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of revenue or cost to be recorded from the 2026-2028 CRRC Group Mutual Supply Agreement. Consequently, we express no opinion as to how closely the actual revenue and cost to be recorded under the 2026-2028 CRRC Group Mutual Supply Agreement will correspond with the New CRRC Group Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the 2026-2028 CRRC Group Mutual Supply Agreement

Information on the Group

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

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During the past three years, the Group robustly rebounded from the aftermath of the Covid-19 pandemic and its financial performance has swiftly restored the growing momentum. The Group's total revenue jumped successively by approximately 13.4% and 21.2% year-on-year from approximately RMB18.1 billion in 2022 to approximately RMB22.0 billion in 2023 and further to approximately RMB24.9 billion in 2024. The Group's profitability also jumped extensively in a row from 2022 to 2024 with net profit peaking at approximately RMB3.9 billion in 2024.

Information on CRRC Group

As extracted from Letter from the Board, CRRC Group is a state-owned enterprise of the PRC. The principal scope of business of CRRC Group is the authorized state-owned asset management and state-owned equity management, capital operation, investment and investment management, asset management and trust management; research and development, sale, leasing and technological services of transportation and urban infrastructure, new energy, energy conservation and environmental protection equipment; design, manufacture and repair of locomotive trains, urban railway transport trains, railway hoisting machinery, various mechanical and electrical equipment and parts, electronic equipment, environmental protection equipment and products; import and export of goods, technology and agency.

Reasons for and possible benefits of the 2026-2028 CRRC Group Mutual Supply Agreement

As advised by the Directors, the reasons for and possible benefits of the 2026-2028 CRRC Group Mutual Supply Agreement are as follows:

- (a) In relation to the purchase of products and/or services, the Group has been procuring certain parts and components and services for the manufacture of its products from the CRRC Group of Companies for many years. As a result of such long-term business relationship, the CRRC Group of Companies have been familiar with the Group's product standards and technical parameters, and have been able to respond quickly and in a cost-efficient manner to any new requirements that the Group may request. In order to fulfil product standards and technical parameters required by the Group's customers, the Group needs the CRRC Group of Companies to supply from time to time certain parts and components produced with CRRC Group's proprietary process and technology, and services for skills and technical know-how. Products provided by the CRRC Group of Companies have more competitive advantages in terms of technology, quality and cost. As CRRC Group is a large scale state-owned enterprise, the CRRC Group of Companies have more resources and other competitive edge over their competitors in providing the required parts and components. Furthermore, as the locations of some of the members of the Group and CRRC Group of Companies are in close proximity, the Group will benefit from lower transportation cost and time required for delivery of some of the products as compared to procuring the same from Independent Third Party suppliers, and faster after-sale service response.

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- (b) In relation to the supply of products and/or services, the Group has been supplying certain parts and components and services to the CRRC Group of Companies for many years. The parties have established a solid business relationship based on factors such as the continuity of historical product support and in-depth cooperation in technology research and development. As the Group has been focusing on and specialized in research, development, manufacture and sale of products including power converters, control systems, electrical systems and electric components etc. for the railway industry, urban railway industry and non-railway purposes, the Directors believe that the CRRC Group of Companies prefer acquiring such products from the Group as the Group possesses the technical expertise and staff equipped with the relevant skills and specialities for providing technical services, after-sales services, maintenance services, management services in support of the products supplied. Furthermore, the Directors believe that the CRRC Group of Companies can reduce the procurement costs and obtain operating efficiency through making centralized and/or bulk purchases from the Group.
- (c) Due to the nature of the railway industry in the PRC, in particular after the merger of former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司) and former CSR Group (中國南車集團公司), there are a few industry players with comparable established size that are able to provide a wide variety of products and services that can serve the Group's business needs in a timely manner. Throughout the years of cooperation between the Group and the CRRC Group of Companies, the CRRC Group of Companies have been not only reliable customers which provide reliable source of revenue, but also reliable suppliers for providing the Group with timely and stable supply of the required and customized products and services.

In view of (i) the well-established cooperative relationship between the Group and the CRRC Group of Companies for mutual provision of products and services; (ii) the CRRC Group of Companies' good understanding of the service requirements of the Group; (iii) procurement from some of the CRRC Group of Companies could lower transportation cost and time; (iv) the supply of products and services by the CRRC Group of Companies is indispensable to the Group's business operations given the nature of the railway industry in the PRC with a few industry players of comparable established size and products scope; and (v) the revenue transactions under the 2026-2028 CRRC Group Mutual Supply Agreement will continue to generate considerable income to the Group, we are of the opinion that the entering into of the 2026-2028 CRRC Group Mutual Supply Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

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2. Principal terms of the 2026-2028 CRRC Group Mutual Supply Agreement

Summarized below are the principal terms of the 2026-2028 CRRC Group Mutual Supply Agreement as extracted from the Letter from the Board:

Date:	30 October 2025
Parties:	(a) CRRC Group; and (b) the Company.
Term:	Three years commencing from 1 January 2026 and ending on 31 December 2028.
Scope of products and services:	The Company agreed to supply and procure its subsidiaries to supply to the CRRC Group of Companies certain products and equipment, raw materials, parts and components, technical services, after-sales services, maintenance services, engineering contracting, management services and other related services, and related facilities for research and development, production and testing purposes. Products to be supplied by the Group are expected to include but not limit to locomotive traction converters, electric multiple unit traction converters, urban railcar traction converters and their respective auxiliary power supply equipment and control systems, and other related parts and components. Services to be provided supplied by the Group are expected to be mainly technical support services and maintenance services which are mostly specific to and tailor-made for the relevant products to be supplied. CRRC Group agreed to supply and procure its subsidiaries and/or their respective associates and/or subordinate entities (excluding the Group) to supply to the Group certain products and equipment, raw materials, parts and components, technical services, after-sales services, maintenance services, engineering contracting, management services and other related services, and related facilities for research and development, production and testing purposes. Products to be supplied by the CRRC Group of Companies are expected to include but not limit to electrical components such as motors, transformers, reactors, urban rail housing, transmission control devices and other related parts and components. Services to be provided by the CRRC Group of Companies are expected to be mainly technical services such as basic technology research, platform development, product testing and performance improvements, which are mostly specific to and tailor-made for the relevant products to be supplied.

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Pricing policy:

The pricing for products and/or services supplied by and/or to the CRRC Group of Companies will be determined on the following principles in order of priority:

- (a) the prices prescribed by the government of the PRC or any regulatory authority(ies) (if any) (the “**Government-prescribed Prices**”);
- (b) the pricing guidelines or prices to be determined by the parties within the range as set by the government of the PRC or any regulatory authority(ies) (if any) (the “**Government-guided Prices**”), where no Government-prescribed Prices are available or applicable;
- (c) the final confirmed prices through the bidding and tendering process conducted in accordance with the applicable laws, rules and regulations (if any) (the “**Bidding Prices**”), where neither the Government-prescribed Prices nor the Government-guided Prices are available or applicable;
- (d) the market prices determined in accordance with the following order: (1) the prevailing prices charged by Independent Third Parties providing the same types of products and/or services under normal commercial circumstances in the locality where such products and/or services are provided or its surrounding regions; or (2) the prevailing prices charged by Independent Third Parties providing the same types of products and/or services under normal commercial circumstances, where none of the Government-prescribed Prices, the Government-guided Prices or the Bidding Prices are available or applicable (the “**Market Prices**”); and
- (e) the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit (which is determined with reference to the nature and historical price of products and/or services, current market price (if applicable) of the similar products and/or services and the Group’s forecasted demand and increase in the market price of such products and/or services in the remaining term), where none of the above pricing principles are available or applicable (the “**Agreed Prices**”).

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In connection with the aforesaid pricing policy under the 2026-2028 CRRC Group Mutual Supply Agreement, we noted that prices of the products and/or services supplied by and/or to the CRRC Group of Companies shall be determined firstly based on the Government-prescribed Prices, followed by the Government-guided Prices. As advised by the Directors, the Government-prescribed Prices and Government-guided Prices include prices or pricing range set by the government authorities such as the National Development and Reform Commission (國家發展和改革委員會) and the National Railway Administration (國家鐵路局) (the “NRA”). For example, the Standard Quota for Design Budget of Basic Railway Construction Projects (《鐵路基本建設工程設計概(預)算費用定額》) issued by the NRA in December 2024 clearly sets out the price range references or limits for railway products such as locomotives. The Group will constantly monitor and ensure adherence to the applicable Government-prescribed Prices and Government-guided Prices as and when applicable. In light of that those standards are legitimate and impartial for the entire railway industry, we consider such pricing basis to be fair and reasonable.

As for pricing policies (c) and (d) above where both the Government-prescribed Prices and the Government-guided Prices are unavailable, we have further discussed with the Directors and understand that the Group has formulated a series of measures and procedures for its purchase of products and/or services, and similarly for its supply of products and/or services. With regard to the purchase side, the measures and procedures include Procurement Management Measures (《採購管理辦法》), Framework Agreement Sourcing Management Procedures (《框架合同尋源管理流程》) and Competitive Bidding Procurement Management Procedures (《競標採購管理流程》) etc., and they are applicable to both transactions with connected persons and the Independent Third Parties. The centralized procurement centre of the Company has maintained and operated a procurement management platform (<http://scm.csrzic.com>) as well as the CRRC’s procurement management platform, CRRC Go 2.0 (<http://www.crrcgo.cc/>). Through the procurement management platform, the Group prepares and approves sourcing plans, and executes and approves contracts. Procurement requirements are published via the CRRC Go 2.0 platform, so that the qualified suppliers (including but not limited to the CRRC Group of Companies) may respond to such procurement request by providing quotations or submitting bids to the platform, with the final selection also completed on the platform. In general, to be eligible as the Group’s qualified supplier, the supplier should be a legal entity with fixed business operation facilities and operational system, and has past the Group’s qualification assessment and assessment on sample products produced. The Group will, to the extent where the Market Prices approach is applicable, obtain and compare the quotations and bids from the suppliers, and further conduct researches on industry websites and obtain and compare price references from the market to the extent that those products and/or services are of comparable nature, quality, quantity and condition, and select the supplier in accordance with the established methods and procedures to ensure that the procurement is fair and reasonable.

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In relation to the above, we have randomly selected and obtained from the Company 15 tender documents in respect of the Group's procurement of products and/or services from the CRRC Group of Companies pursuant to the 2023-2025 CRRC Group Mutual Supply Agreement. As the sample check is in addition to other due diligence work we performed to assess the pricing policy, the sample size is for reference only. Those non-exhaustive samples were selected by us on a random basis, five each year without specific criteria and covered the period from 2023 to 2025 with a broad spectrum of contract sum of below RMB1 million (five samples in total), between RMB1 million to RMB10 million (six samples in total) and over RMB10 million (four samples in total). We therefore consider them to be sufficient, fair and representative. After reviewing the same, we noted that the most competitive supplier was selected through public procurement. As such, pricing policy (c) pursuant to the 2026-2028 CRRC Group Mutual Supply Agreement was conformed to.

With regard to the supply side, the measures and procedures include Administrative Measures for Sales Business and Accounts Receivables (《銷售業務和應收賬款管理辦法》), Administrative Measures for Rewards and Punishments of Sales Receipts (《銷售回款獎懲管理辦法》), Management Procedures for Sales Contract Review and Execution (《銷售合同評審與簽訂管理流程》) and Bidding Management Procedures (《投標管理流程》). The legal department of the Company maintains and operates a legal and sales contract management system and sets up different approval procedures to regulate the supply of the Group's products and/or services. The Group will conduct research on industry websites and compare prices of recent similar transactions of the Group in the market to the extent that those products and/or services are of comparable nature, quality, quantity and condition, so as to ensure that the prices of products and/or services to be supplied to the CRRC Group of Companies would be fair and reasonable to the Group and no less favourable to the Group than those offered to the Independent Third Parties.

In relation to the above, we have randomly selected and obtained from the Company (i) 15 sales agreements/record in respect of the Group's supply of products and/or services to the CRRC Group of Companies pursuant to the 2023-2025 CRRC Group Mutual Supply Agreement; and (ii) 15 sales agreements/record in respect of the Group's supply of similar products and/or services (to the extent possible) to its Independent Third Party customers. As the sample check is in addition to other due diligence work we performed to assess the pricing policy, the sample size is for reference only. Those non-exhaustive samples were selected by us on a random basis, five each year without specific selection criteria and covered the period from 2023 to 2025 with a broad spectrum of contract sum of below RMB1 million (8 samples in total), between RMB1 million to RMB10 million (12 samples in total) and over RMB10 million (10 samples in total). We therefore consider them to be sufficient, fair and representative. After reviewing the same, we noted that for similar types of products and/or services supplied by the Group to the CRRC Group of Companies and the Independent Third Party customers, their unit price and payment terms were comparable. As such, pricing policy (d) pursuant to the 2026-2028 CRRC Group Mutual Supply Agreement was conformed to.

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As for pricing policies (e) under which the Agreed Prices are adopted, we understand from the Directors that the relevant products and/or services are usually specific or tailor-made items which are not readily available in the market for making meaningful comparison. In determining whether the profit is a reasonable profit under the pricing principle of Agreed Prices, the Company will take into account the historical profit margin of at least two similar products or services supplied by (or to) the Independent Third Parties (if available) or the relevant industry profit margin (if available) for reference in conjunction with the prevailing market and business condition. The Company will also consider, where applicable, the historical gross profit margin of the relevant business (and for reference only, the gross profit margins of the Group in respect of (i) rail transit equipment business; (ii) emerging equipment business and (iii) other business for the two years ended 31 December 2024 were in the range of approximately (i) 37-38%; (ii) 25-29% and (iii) 17%-19%, respectively) and will generally charge a reasonable profit at such reference rates (if applicable) depending on specific products and services required and prevailing market and business condition. Such data will provide an objective reference point for assessing the reasonableness of the profit margin of a particular product/service. Additionally, professional insight will be incorporated in the pricing and assessment process whereby experts in the Group with sufficient industry experience could opine on the fairness and reasonableness of the relevant price (and the profit margin) by reference to the comparable price and/or historical transaction price of the most similar items and take into account various factors, including the type of the products or services, the complexity of the products and technologies involved, the estimated costs and resources required in the research and development, production and/or provision of the products/services, as well as the prevailing market and business condition. Such experts are usually technical experts from the relevant product/business unit of the Group and are familiar with and/or closely involved in the research and development, production and/or operation processes of relevant products or the provision of related services. The experts' opinions on pricing are recorded and maintained in the Company's internal system to ensure traceability and accountability. This structured approach ensures that the determination of the "reasonable profit" is not arbitrary but based on objective data, expert insight, and prevailing market conditions, thereby ensuring that such price (and profit margin) is on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. For our due diligence purpose, we have requested the Company to provide us with the resume of the relevant experts of the Group. We noted their industry experience and proficiency as they all received at least tertiary education in fields related to automation, mechanical engineering, computer science and technology, civil engineering etc. and have joined the Group for more than eight years. In light of also the Group's prolonged history of operations, reputation and past successes within the PRC railway industry, there is no reasonable ground for us to doubt the relevant expertise and industry knowledge of the Group in determining the Agreed Prices.

With the above being the case, we concur with the Directors that the terms of the 2026-2028 CRRC Group Mutual Supply Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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3. The New CRRC Group Caps

The table below illustrates the New CRRC Group Caps for the expenditure transactions and revenue transactions contemplated under the 2026-2028 CRRC Group Mutual Supply Agreement:

	The New CRRC Group Caps (<i>RMB million</i>)		
	2026	2027	2028
Expenditure transactions			
Amount to be paid to the CRRC Group of Companies by the Group for the provision of the products and/or services	4,500	6,700	10,100
Revenue transactions			
Amounts to be paid to the Group by the CRRC Group of Companies for the provision of the products and/or services	16,300	21,100	27,500

Our assessment on the New CRRC Group Caps

In assessing the fairness and reasonableness of the New CRRC Group Caps, we have studied the Group's existing operations and future development blueprint in further depth and performed independent market research on the following factors which will essentially affect the future demand for railway products and/or services of the Group from the CRRC Group of Companies (and vice versa): (1) prospects of the railway industry, especially under the supportive policies of the PRC government; (2) development of new technologies, new industries, new business types and new models; (3) the recent growing trend of the railway industry; and (4) the possible inflation and rise in prices of the railway products and services.

The Group's existing operations and future development blueprint

As aforementioned, the Company is mainly engaged in the research, development, design, manufacture and sale of railway transportation equipment products, as well as provision of relevant services.

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As advised by the Directors, the Company is a leading traction converter system supplier in the PRC's rail transit industry, and can produce traction converter systems for various vehicle models in the fields of locomotives, bullet trains and urban rail. The Company has a full spectrum of traction converter system products and a dominant market share. In the field of railway engineering machinery, the Group is one of the three manufacturers of road maintenance machinery designated by the State Railway Group. With about 79 administrative licenses, it can produce more than 50 kinds of products in multiple series, including heavy-duty railway vehicles, catenary vehicles, large road maintenance machinery, and urban rail transit engineering vehicles. In the field of power semiconductors, the Company has built industrial bases for 6-inch bipolar devices, 8-inch insulated gate bipolar transistors (IGBT) and 6-inch silicon carbide, and possesses a complete set of independent technologies for chips, modules, components and applications. The full spectrum of high-reliability IGBT products manufactured by the Company have terminated the monopoly of foreign companies in core devices for rail transit and ultra-high vacuum transmission.

Moreover, among its key technology breakthroughs, the Company completed the fully-furnished electric multiple unit (EMU) prototype and the finalization and upgrade of permanent magnet traction system for CR450, with leading efficiency and lightweight indicators in the industry, and achieved wide application of autonomous driving for 20,000-ton heavy-haul train at Shuohuang, securing locomotive autonomous driving orders of nearly RMB100 million. With permanent magnet traction growing rapidly and representing almost half of the total demand, the Company's market share outperformed the traditional peers. The Group also completed the first installation of electrical system for electric transmission continuous tamping vehicle, and secured the first ground-breaking order for large-size high-speed rail laying machine. The Group's communication signal business continued to expand, with revenue hitting a record high. In particular, its urban rail signal segment won bids for three lines in 2024. The seamless transformation of the signal system of Changsha Metro Line 2 was successfully completed, setting a new benchmark for domestic substitution. The Group's proprietary fully automatic operation system achieved the first demonstration application at Ningbo Metro Line 8, satisfying the conditions for operation. In addition, its power supply system segment won all four projects of Chongqing Metro.

Going forward, the Group is confident to further capitalize on its industrial advantages and leading market position, and to capture the growth opportunities arising from the positive outlook of the railway industry.

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Prospects of the railway industry

Based on our independent research, the PRC government has promulgated a series of favorable policies for its railway sector, aiming to expand and modernize the network, attract private investment, and enhance efficiency. With reference to an article titled “China to roll out new railway operating plan” published in January 2024 by the State Council of the PRC at https://english.www.gov.cn/news/202401/08/content_WS659bd434c6d0868f4e8e2df1.html, China is set to implement a new railway operating plan starting from 10 January 2024, aimed at improving passenger and cargo transport capacity. Under the new plan, 233 passenger trains will be newly added across the country, bringing the total count to 11,149. A total of 22,264 freight trains will operate nationwide after the adjustment, an increase of 40 compared with the current schedule. Coupled with the launch of new train lines and stations nationwide, the adjustment aims to bolster connectivity in areas such as the Guangdong – Hong Kong – Macao Greater Bay Area and the Beijing-Tianjin-Hebei region. Efforts will also be made to enhance the efficiency of freight logistics, thereby safeguarding livelihoods and boosting social and economic development.

With reference to another article titled “High-speed rail travel enhanced” published in June 2024 by the State Council of the PRC at https://english.www.gov.cn/news/202406/14/content_WS666b9e48c6d0868f4e8e8188.html, China will unveil a revamped national railway schedule, introducing a host of enhancements aimed at bolstering the country’s strategic interests and propelling regional socioeconomic progress. A notable addition to the new schedule is the inauguration of a high-speed railway loop linking Shanghai with the provinces of Zhejiang, Jiangsu and Anhui. Spanning more than 1,200 kilometers, it will start from Shanghai Railway Station in the heart of the city and then connect with key urban centers including Suzhou, Nanjing, Hangzhou and Huangshan Mountain before returning to Shanghai Hongqiao Railway Station. The loop line encompasses 21 stations and traverses several popular tourist cities in the Yangtze River Delta Region. Another standout feature of the new schedule is the introduction of swifter high-speed trains connecting Beijing with South China’s Guangdong province and neighboring Hong Kong. Bullet trains will race along the Beijing-Guangzhou High-speed Railway at a speed of 350 kilometers per hour, reducing the travel time between the two cities to 7 hours and 16 minutes, 22 minutes faster than before. Faster sleeper trains to Hong Kong are also poised to commence operations from Beijing and Shanghai, promising a refined travel experience for cross-border passengers and streamlining the journey between Hong Kong and the mainland.

According to the Guidelines on Developing National Comprehensive Transport Network (《國家綜合立體交通網規劃綱要》) jointly promulgated by the Central Committee of the Communist Party of China and the State Council of the PRC in February 2021, it is expected that by 2035, the total scale of the national comprehensive transport network will be about 700,000 kilometers (excluding foreign parts of international land routes, air routes, sea routes and postal routes), of which 200,000 kilometers will belong to the railway network.

According to the “14th Five-Year Plan” Modern Integrated Transportation System Development Plan (《“十四五”現代綜合交通運輸體系發展規劃》) published by the State Council of the PRC in December 2021, it is expected that by 2025, (i) the operation mileage of the railways will reach 165,000 kilometers, of which 50,000 kilometers will be the operation mileage of high-speed railways; and (ii) 10,000 kilometers will be the operation mileage of urban rail transit.

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Furthermore, the government is currently in the process of formulating the new railway development plan under the 15th Five-Year Plan which will focus on, among other things, improving the railway network and enhancing transport efficiency.

The supportive government policies to further enhance and modernize the nation's railway network would facilitate the development of the Group's rail transit maintenance services. Furthermore, the continuing growth of the railway industry is expected to further boost the business growth of, and hence the transaction amounts between, the Group and the CRRC Group of Companies for the mutual supply of products and services.

Development of new technologies, new industries, new business types and new models

Under the new energy proposal defined in the report of the 20th CPC National Congress, it is expected that the ongoing implementation of the Outline for the Construction of Nation with Strong Transportation System (《交通強國建設綱要》), the “carbon peak and neutrality” strategy and other national initiatives will bring significant opportunities to the Company in developing rail transit and new energy equipment business. The Outline for the Construction of Nation with Strong Transportation System explicitly proposes to promote intelligent and digital transportation equipment as well as intelligent transportation, and advocate low-carbon and eco-friendly development. For the development of advanced rail transit equipment, China aims to develop a new generation of green, intelligent, high-speed and heavy-duty rail transit equipment system. In the context of the “carbon peak and neutrality” strategy, China vigorously improves railway transport capacity under the “highway to railway” initiative, thereby generating great growth potential to heavy-duty freight locomotives. As a core part of China's new infrastructure plan, it is expected that intercity high-speed railway/urban rail transit will enjoy attractive development opportunities. Driven by smart technologies and integrated innovation, the urban rail industry together with the rail transit maintenance market will witness a significant growth. At the same time, the low-carbon energy transformation will fuel the rapid development of new energy vehicle electric drive systems, semiconductor devices and sensors.

With reference to the China New Energy Power Generation Report 2025 published by the State Grid Energy Research Institute in July 2025, China is expected to add 430 gigawatts (GW) to 500 GW of new renewable energy capacity in 2025. New energy is expected to maintain an average annual growth of 300 GW during the 15th Five-Year Plan period (2026-30). On the other hand, according to the data released by the Ministry of Public Security of the PRC, China registered a record 5.6 million new energy vehicles (NEVs) in the first half of 2025, representing a year-on-year jump of approximately 27.9% and accounting for approximately 45.0% of all new automobile registrations during the same period, underscoring the acceleration of China's clean energy transition in the transportation sector. By the end of June 2025, the total number of NEVs on China's roads reached 36.9 million, representing 10.3% of the nation's overall automobile fleet.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As represented by the Directors, the Group has actively expanded into industries other than rail transit and carries out business operations in the fields of new energy power generations, new energy vehicle electric drive system etc. with an aim to grasp the aforesaid tremendous new market opportunities. In the new energy power generation market, the Group's IGBT modules saw rapidly growing shipment volume; the 7.5th generation ultra-fine trench-gate products reached the international leading level in terms of efficiency and current output capability; and its semiconductor project phase III at Yixing production line went into operation successfully. The Group also achieved a rapid breakthrough in the new energy market, with its power modules for NEVs achieved installation of approximately 2.3 million sets in 2024. Besides, the Group's new energy vehicle electric drive systems recorded a further growth in annual sales volume, with annual installation of 251,000 sets. The Group successfully developed the fourth-generation electric drive platform integrated bearing electric drive assembly, reducing system loss by more than 10%.

It is expected that the new national energy proposals as aforementioned would continue to facilitate the development of the Group's basic devices, new energy vehicle electric drive system, new energy power generation and other emerging industry businesses, and broaden the Group's products range. Such new development is expected to further boost the business growth of, and hence the transaction amounts between, the Group and the CRRC Group of Companies for the mutual supply of products and services.

Recent growing trend of the railway industry

We noted from our independent research that there has been a prompt dynamic recovery of the national railway industry after the Covid-19 pandemic. Based on the data released by the Ministry of Transport of the PRC, in 2023, the total passenger volume and passenger turnover were approximately 3.9 billion and 1,472.9 billion passengers per kilometers, increasing substantially by approximately 130.4% and 123.9%, respectively, as compared to 2022. In 2024, the total passenger volume surpassed 4.3 billion, being the historic hike; whilst the total passenger turnover peaked at approximately 1,579.9 billion passengers per kilometers.

On the other hand, based on the data released by the National Railway Administration of the PRC, China completed railway fixed asset investment of approximately RMB850.6 billion in 2024, up by approximately 11.3% as compared to 2023. During the same year, 3,113 kilometers of new lines were put into operation, including 2,457 kilometers of high-speed railways. The national railway operating mileage reached 162,000 kilometers, including 48,000 kilometers of high-speed railway operating mileage. The double line rate was approximately 60.8%. The electrification rate was approximately 76.2%. In 2024, the total number of railway locomotives in China was around 22,500, including 7,800 diesel locomotives and 14,700 electric locomotives. The total number of railway passenger trains in China was around 81,000, of which 4,806 were EMUs. The number of railway freight trains in China was approximately 1.0 million.

The business of both the Group and the CRRC Group of Companies would likely be benefited from the recent growth of the railway industry, which will trigger their mutual demand for products and services under the 2026-2028 CRRC Group Mutual Supply Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Possible inflation and rise in prices of railway products and services

To understand the possible inflation and rise in prices of railway products and services, we found the following relevant data released by the National Statistics Bureau of the PRC:

Year-on-year change	2020	2021	2022	2023	2024
Consumer price index	2.5	0.9	2.0	0.2	0.2
Producer price index	(1.8)	8.1	4.1	(3.0)	(2.2)
Purchasing price index	(2.3)	11.0	6.1	(3.6)	(2.2)

It is noted that each of the consumer price, producer price and purchasing price indices had been climbing persistently for two years in 2021 and 2022. In the recent two years, the producer price and purchasing price indices demonstrated a slight downward movement. On a separate note, it is noted that the average year-on-year increase in the railway transport service price index from 2022 to 2024 was 1.5%. Given the historical price fluctuation, possible inflation and rise in prices of railway products and services in future cannot be ruled out.

After considering the above essential factors affecting the future demand for railway products and/or services of the Group from the CRRC Group of Companies (and vice versa), we are of the view that the New CRRC Group Caps are fair and reasonable estimation of the future amounts of the transactions contemplated under the 2026-2028 CRRC Group Mutual Supply Agreement judging from (i) the Group's massive operation scale, industry leading position and development potential; (ii) the positive outlook of the railway industry leveraging on the government's supportive policies; (iii) the development of new technologies, new industries, new business types and new models which will further enhance the Group's future advancement; (iv) the recent growing trend of the railway industry; and (v) the possible future inflation and rise in prices of railway products and services.

On the other hand, we noted that the utilization rates of the Existing CRRC Group Caps ranged from around 35% to 70% for 2023 and 2024, which were not at high levels. As advised by the Directors, the relatively low utilization rates of the Existing CRRC Group Caps were primarily attributable to subdued demand within the railway industry, delays in project approvals, and a relatively more restrictive policy environment that limited the pace of infrastructure development. These factors exerted certain impact on the railway industry and also affected the transactions between the Group and the CRRC Group of Companies. However, the current outlook for the railway industry has improved markedly, as evidenced by the government's introduction of more favourable policies, increased infrastructure investment and fostered efforts to improve railway innovation and technology. Such positive changes are expected to mitigate the factors that previously constrained cap utilization and drive higher transaction volumes and greater utilization of the New CRRC Group Caps in the coming years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon our further discussion with the Directors, we were advised that the railway industry is a vital national industry. At the same time, attributable to the prominent market position of the Company and the CRRC Group, both parties are required to respond timely and efficiently should there be any new government initiatives and priorities leading to evolving products and services' needs. Any additional demand for railway products and/or services may be massive given the scale of each railway infrastructure project. Therefore, it is necessary and reasonable for the Company to ensure that the New CRRC Group Caps are robust enough so as to provide sufficient flexibility for it to cope with any unforeseeable market changes.

Additionally, as advised by the Directors, the industry position and business potential of the CRRC Group of Companies also play a pivotal role in determining the New CRRC Group Caps in the coming years. The CRRC Group is a large-scale state-owned enterprise. CRRC is the world's leading and diverse rolling stock supplier with advanced technology and has consecutively ranked the first in the international market in terms of sales volume of rolling stock equipment. Thus, the Group would like to leverage on the CRRC Group's profound international reputation to further explore the overseas railway market and achieve brand building for its own products and services. Future supply and procurement of the parties include various models of electric locomotives, EMUs and subways for overseas export, city subways and inter-city rails.

Taking into account the aforesaid factors, we concur with the Directors that the historical utilization rate of the Existing CRRC Group Caps may not be valid reference for the fairness and reasonableness of the New CRRC Group Caps and that it is fair and reasonable for the Company to ensure that the New CRRC Group Caps are robust enough amidst the unique nature of the railway industry and the leading industry position of the CRRC Group of Companies. Moreover, based on our study of the actual transaction amounts under the 2023-2025 CRRC Group Mutual Supply Agreement, we noted that from 2023 to 2024, both the expenditure transactions and revenue transactions illustrated a year-on-year surge of over 30%. Accordingly, we are of the view that the year-on-year increment of around 50% and 30% of the New CRRC Group Caps for the expenditure transactions and revenue transactions from 2027 to 2028 are acceptable.

Based on all the foregoing, we concur with the Directors that the New CRRC Group Caps are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Internal control and compliance with the Listing Rules

As referred to in the Letter from the Board, the Group has adopted a series of internal control measures to supervise its continuing connected transactions, details of which are set out under the section headed “Internal control procedures” of the Letter from the Board.

The Directors further confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the total amounts of the transactions must be restricted by the New CRRC Group Caps for the three years ending 31 December 2028; (ii) terms of the 2026-2028 CRRC Group Mutual Supply Agreement (together with the New CRRC Group Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors’ annual review on the terms of the 2026-2028 CRRC Group Mutual Supply Agreement (together with the New CRRC Group Caps) must be included in the Company’s subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide annually a letter to the Board confirming, among other things, that the transactions are carried out in accordance with the terms under relevant agreements and the pricing policies of the Company in all material respects, and the New CRRC Group Caps are not being exceeded.

In addition, we notice that to enhance the effectiveness of internal control, the Company conducted quarterly review of the transactions contemplated under the 2023-2025 CRRC Group Mutual Supply Agreement. In particular, the finance center of the Company will calculate and prepare a summary for continuing connected transactions with the CRRC Group of Companies each quarter to assess whether the relevant continuing connected transactions will exceed the annual caps. On top of such quarterly review, the relevant personnel of the Company also perform routine check on the continuing connected transactions. In the event that the actual transaction amounts are expected to exceed the annual caps, they shall report to the Board immediately so that the Company will promptly take necessary actions and procedures to comply with relevant requirements under the Listing Rules. In this relation, we noted from the Company’s announcements in respect of such quarterly review published from 2023 to August 2025 that the transactions contemplated under the 2023-2025 CRRC Group Mutual Supply Agreement had been entered into in the ordinary and usual course of business of the Group, were on normal commercial terms which were fair and reasonable insofar as the interests of the Company and the Shareholders are concerned as a whole, were conducted in accordance with the Group’s pricing policies and the terms of the relevant agreements governing such transactions, and were within the annual cap amounts of the relevant years. We are also not aware of any internal control deficiency in the historical continuing connected transactions conducted by the Company. As confirmed by the Company, the Company will continue to conduct quarterly review of the transactions contemplated under the 2026-2028 CRRC Group Mutual Supply Agreement and publish the relevant results on the Stock Exchange’s website.

Having (i) the effective implementation of the internal control measures of the Group as proven by the fact that the Group had no historical non-compliance with regard to continuing connected transactions; (ii) the stipulated requirements for continuing connected transaction of the Listing Rules as well as (iii) the enhanced quarterly review of the Company in place, the transactions contemplated under the 2026-2028 CRRC Group Mutual Supply Agreement will be monitored and hence the interest of the Independent Shareholders would be safeguarded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the 2026-2028 CRRC Group Mutual Supply Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the 2026-2028 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 20 years of experience in corporate finance.

NOTICE OF EGM



株洲中车时代电气股份有限公司

ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

NOTICE OF 2025 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the first extraordinary general meeting (“**EGM**”) for 2025 of Zhuzhou CRRC Times Electric Co., Ltd. (the “**Company**”) will be held by the Company at Room 301, Times Hotel, Times Road, Shifeng District, Zhuzhou, the People’s Republic of China (the “**PRC**”) on Monday, 15 December 2025 at 11:00 a.m. for the shareholders of the Company to consider and, if thought fit, pass the following resolution. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the Company’s circular dated 25 November 2025 (the “**Circular**”).

ORDINARY RESOLUTION

1. To consider and approve the resolution on the entering into of the 2026-2028 CRRC Group Mutual Supply Agreement between the Company and CRRC Group and the estimated amount of the ordinary connected transactions.

By Order of the Board

Li Donglin

Chairman

Zhuzhou, the PRC, 25 November 2025

Notes:

1. All times stated in this notice refer to Hong Kong time.
2. The votes at the EGM will be taken by poll.
3. Where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such Share at the EGM, and the service of this notice to that person shall be deemed to have served on all joint holders of such Share.
4. In order to determine the entitlements of Shareholders to attend and vote at the EGM, the register of members of the Company will be temporarily closed from Wednesday, 10 December 2025 to Monday, 15 December 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfer documents together with the relevant Share certificates must be lodged, for holders of the H Shares, with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong or, for holders of the A Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC, not later than 4:30 p.m. on Tuesday, 9 December 2025.
5. Holders of the H Shares and the A Shares whose names appear on the register of members of the Company on Monday, 15 December 2025 are entitled to attend and vote at the EGM and may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

NOTICE OF EGM

6. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited, for holders of the H Shares, to the H Share registrar of the Company or, for holders of the A Shares, the registered office address of the Company, not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof.
7. The address of the H Share registrar of the Company is as follows:
- Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong
8. The registered office address of the Company is as follows:
- Times Road
Shifeng District, Zhuzhou
Hunan Province, 412001
The People's Republic of China
Tel: (86) 731 2849 8028
9. The principal place of business of the Company in Hong Kong is as follows:
- 46th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel: (852) 2189 7268
10. The EGM is expected to take half a day. Shareholders or their proxies attending the EGM shall be responsible for their own transportation, accommodation and other expenses. Shareholders or their proxies shall produce their identification documents for verification when attending the EGM.

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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 respects 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 OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange in other ways pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix C3 to the Listing Rules.

As at the Latest Practicable Date, the Directors were not aware of any Director who is a director or employee of the entities which had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any member of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

4. INTEREST IN CONTRACTS

Save as disclosed herein, no contract or arrangement of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at the date of this circular.

5. INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates were interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors or the Independent Financial Adviser had any interest, direct or indirect, in any asset which since 31 December 2024, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGES

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024, the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

8. CONSENT AND QUALIFICATION OF EXPERT

The Independent Financial Adviser is a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO. Its letter of advice to the Independent Board Committee and the Independent Shareholders dated as of the date of this circular was given for the purpose of incorporation in this circular.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they respectively appear in this circular.

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

9. DOCUMENTS ON DISPLAY

Copies of the following documents are available on (i) the website of the Company (<http://www.tec.crrczic.cc>); and (ii) the website of the Stock Exchange (www.hkexnews.hk) during the period of 14 days from the date of this circular.

- (a) the 2026-2028 CRRC Group Mutual Supply Agreement;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 30 to 48 of this circular; and
- (c) the consent letter of the Independent Financial Adviser as referred to in the paragraph headed “8. Consent and Qualification of Expert” in this Appendix.

10. MISCELLANEOUS

This circular is prepared in both Chinese and English versions. In case of any inconsistencies, the Chinese version shall prevail.