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If you are in doubt about this circular, you should consult your stockbroker, other registered dealer in securities, 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 and reply slip 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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(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
(2) PROPOSED RE-ELECTION OF DIRECTORS
(3) GENERAL MANDATE TO ISSUE SHARES
AND
(4) NOTICE OF ANNUAL GENERAL MEETING

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



Pelican Financial Limited

A notice convening the annual general meeting for year 2018 of Zhuzhou CRRC Times Electric Co., Ltd. to be held at Shangri-La Hotel, Nanchang, No. 699, Cui Lin Road, Honggutan New District, Nanchang, Jiangxi Province, the PRC on Thursday, 20 June 2019 at 9:00 a.m. is set out in Appendix III to this circular. Whether or not you intend to attend the meeting, 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 meeting 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 meeting or at any adjournment thereof if you so wish.

If you intend to attend the meeting in person or by proxy, you should also complete and return the accompanying reply slip in accordance with the instructions printed thereon on or before Friday, 31 May 2019.

30 April 2019

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DEFINITIONS

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

“2017-2019 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 28 March 2016
“2019 Approved CRRC Group Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the 2017-2019 CRRC Group Mutual Supply Agreement for the year ending 31 December 2019 approved by the then Independent Shareholders on 23 June 2016
“2020-2022 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 26 March 2019
“AGM”	the annual general meeting for year 2018 of the Company to be held at Shangri-La Hotel, Nanchang, No.699, Cui Lin Road, Honggutan New District, Nanchang, Jiangxi Province, the PRC on Thursday, 20 June 2019 at 9:00 a.m. (or any adjournment thereof)
“AGM Notice”	the notice of the AGM set out in Appendix III to this circular
“Articles”	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
“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
“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 A shares and the H shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange respectively; CRRC is directly and indirectly held as to approximately 51.43% in aggregate by CRRC Group and holds the entire equity interest in the Parent Company

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 their respective associates (including the Parent Group but excluding the Group)
“CRRC Hong Kong”	CRRC Hong Kong Capital Management Co., Limited, a wholly-owned subsidiary of CRRC
“CRRC Investment & Leasing”	中車投資租賃有限公司 (CRRC Investment & Leasing Co., Ltd.), a wholly-owned subsidiary of CRRC
“CRRC Zhuzhou”	中車株洲電力機車有限公司 (CRRC Zhuzhou Locomotive Co., Ltd.), which is held as to 100% by CRRC
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic share(s) of RMB1.00 each in the share capital of the Company
“EMUs”	electric multiple units
“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 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps
“Independent Financial Adviser”	Pelican Financial Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders

DEFINITIONS

“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 2020-2022 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
“Issue Mandate”	a general mandate which is exercisable by the Board to allot, issue and deal with additional Domestic Shares and/or H Shares not exceeding 20% of the Domestic Shares and the H Shares respectively in issue as at the date of passing of the relevant Shareholders’ resolution
“Latest Practicable Date”	24 April 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information of this circular
“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 2020-2022 CRRC Group Mutual Supply Agreement for a term of three years commencing from 1 January 2020 to 31 December 2022 to be approved by the then Independent Shareholders at the AGM
“Parent Company”	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
“Parent Group”	the Parent Company and its subsidiaries (excluding the Group)
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this circular
“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 Domestic Share(s) and/or the H Share(s)

DEFINITIONS

“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

This circular contains translation of HKD to RMB at the rate of HKD1 = RMB0.854 for the purpose of illustration only. The translation shall not be taken as representation that any amounts in HKD or RMB could be converted at such rate or at any other rate.

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. Yang Shouyi (*Vice Chairman*)
Mr. Liu Ke'an
Mr. Yan Wu

Registered office:

Times Road
Shifeng District
Zhuzhou
Hunan Province
PRC 412001

Non-executive Director:

Mr. Zhang Xinning

Principal place of business

in Hong Kong:

Unit 1106, 11th Floor
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Chan Kam Wing, Clement
Mr. Pao Ping Wing
Ms. Liu Chunru
Mr. Chen Xiaoming
Mr. Gao Feng

30 April 2019

To the Shareholders

Dear Sir/Madam,

(1) CONTINUING CONNECTED TRANSACTIONS WITH CRRC GROUP
(2) PROPOSED RE-ELECTION OF DIRECTORS
(3) GENERAL MANDATE TO ISSUE SHARES
AND
(4) NOTICE OF ANNUAL GENERAL MEETING

1. INTRODUCTION

The purpose of this circular is to give you the AGM Notice and to provide you with information relating to (1) the continuing connected transactions with CRRC Group, including (i) details of the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps; and (iii) the recommendation of the Independent Board Committee regarding the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps to the Independent Shareholders; (2) the re-election of the Directors; and (3) the grant of the Issue Mandate, among other resolutions as set out in the AGM Notice, to be considered, and if thought fit, passed at the AGM.

LETTER FROM THE BOARD

2. CONTINUING CONNECTED TRANSACTIONS WITH CRRC GROUP

(a) Background

Reference is made to the announcement dated 26 March 2019 issued by the Company in relation to 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

In view of the prospective expiry of the 2017-2019 CRRC Group Mutual Supply Agreement on 31 December 2019, on 26 March 2019, the Company entered into the 2020-2022 CRRC Group Mutual Supply Agreement with CRRC Group for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

(b) Principal Terms of the 2020-2022 CRRC Group Mutual Supply Agreement

The principal terms of the 2020-2022 CRRC Group Mutual Supply Agreement are summarised as follows:

Date: 26 March 2019

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 (including electrical systems and electrical components), parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes. The products supplied by the Group include but are not limited to locomotive traction converters, EMU traction converters, urban railcar traction converters and their respective auxiliary power supply equipment and control systems, and other related parts and components. The services supplied by the Group are mostly specific to and tailor-made for the relevant products supplied.

CRRC Group agreed to supply and procure its subsidiaries and their respective associates (including the Parent Group but excluding the Group) to supply to the Group certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes. The products supplied by the CRRC Group of Companies include but are not limited to motors, gearboxes, transformers, reactors, urban rail housing, connectors, and other related parts and components. The services supplied by the CRRC Group of Companies are mostly specific to and tailor-made for the relevant products supplied.

LETTER FROM THE BOARD

- Payment terms: Subject to the terms of the actual product and service contracts to be entered into between the respective group companies of the Group and the CRRC Group of Companies, payments for the products and/or services supplied by and/or to the CRRC Group of Companies will generally be settled within three months and six months respectively, by way of cash or such other manners as agreed by the parties.
- Term: A term of three (3) years commencing on 1 January 2020 and ending on 31 December 2022.
- Pricing basis: 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 range of prices pursuant to the pricing guidelines or pricing recommendations 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 which are offered to or by Independent Third Parties in the ordinary and usual course of business, where none of the government-prescribed prices, government-guided prices or the bidding prices are available or applicable; and
 - (e) the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit margin (which is determined by reference to the nature of products and/or services, current market price of the similar products and/or services (if any) 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 prices are available or applicable.

LETTER FROM THE BOARD

Products and/or services supplied to the CRRC Group of Companies

Due to the unique business nature of the Group, most of the products and/or services supplied to the CRRC Group of Companies are strongly correlated to the specifications and requirements of the ultimate models of the locomotive trains and urban railway transport trains that the ultimate customers designated which are mostly specific to and tailor-made for the relevant technical and proprietary process and technology. For parts and components which are produced by the Group using CRRC Group's proprietary process and technology, since Independent Third Parties in the market are unlikely and are not expected to possess the specifications for the production of such parts and components, no direct comparable market price is available for those parts and components. In such case, the parties will try to make references to the market prices of similar products based on the prices offered by or to Independent Third Parties (if so available) and if this is not available, the parties will then resort to the last pricing principle and go for the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit margin to determine the price.

With reference to the Group's historical transactions with the CRRC Group of Companies, for the reasons stated in the paragraph above, most of the products and/or services supplied by the Group to the CRRC Group of Companies are supplied to the CRRC Group of Companies only and not to Independent Third Parties, and are therefore priced using the pricing principle (e) relating to cost-plus basis as set out on page 7 of this circular. For products and/or services which are priced on a cost-plus basis, the Company will ensure that the profit margin received for the products and/or services supplied to the CRRC Group of Companies is no less favourable than and in line with the profit margin received for similar products and/or services supplied to Independent Third Parties.

With respect to the few products and/or services which are supplied by the Group to both the CRRC Group of Companies and Independent Third Parties, based on the Group's historical transactions with the CRRC Group of Companies, such products and/or services are mainly priced using the pricing principle (d) relating to market price. The Company will ensure that the price offered to the CRRC Group of Companies for such products and/or services will not be lower than those offered to Independent Third Parties by referencing the historical transaction price offered to Independent Third Parties for similar products and/or services.

LETTER FROM THE BOARD

Products and/or services supplied by the CRRC Group of Companies

With reference to the Group's historical transactions with the CRRC Group of Companies, most of the products and/or services supplied by the CRRC Group of Companies are priced using the pricing principles (c) and (d) based on confirmed prices through a bidding and tender process and market price respectively as set out on page 7 of this circular, as government-prescribed prices and government-guided prices are either not available or not applicable for such products and/or services. In determining whether the price 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 has established effective methods and procedures by obtaining and comparing price references from the market to the extent that those products and/or services are of comparable nature, quality, quantity and condition. The Group has maintained and operated an online procurement platform (<http://scm.csrzic.com/>) where it posts its purchase orders or invitations to tender for its registered suppliers (including but not limited to the CRRC Group of Companies) to provide quotations or submit bids. A publicly disclosed guideline for registration is available on the website which is open for potential suppliers who are able to meet the qualifications to register as the Group's qualified suppliers. Subject to the availability of the products and/or services of comparable nature, quality, quantity and condition and the quotations received therefor, the Group will use its best endeavours to compare at least two quotations from Independent Third Parties for each order or invitation for price references. Notwithstanding that the procurement platform is in place to ensure that the price 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, in order to further safeguard the Company's interest, the 2020-2022 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.

Internal control procedures adopted by the Company for the implementation of non-exempt continuing connected transactions

In addition, to ensure that the transactions conducted under the 2020-2022 CRRC Group Mutual Supply Agreement will be conducted in accordance with the terms thereof, on normal terms (or on terms no less favourable than terms available to or from Independent Third Parties) and in accordance with the pricing policies of the Company, all of the actual product and service contracts to be entered into under the 2020-2022 CRRC Group Mutual Supply Agreement and the terms thereof (including the proposed pricing terms) will be subject to the pre-set contract reviewing procedures of the Company, which, depending on, among others, the consideration of the relevant contract, may include but not limited to the contract being reviewed by several departments of the Company such as the securities legal department, planning and development department, finance department, technology management department, audit and risk control department, and finally being approved at the management level before execution. The Group will closely monitor the execution and performance of such contracts and the transaction amounts thereof, which will be quarterly reviewed by the independent non-executive Directors and published by way of announcement to consider whether the relevant transactions:

- (1) have been or will be entered into in the ordinary and usual course of business of the Group;
- (2) have been or will be on normal commercial terms which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned;

LETTER FROM THE BOARD

- (3) have been or will be conducted in accordance with the Group's pricing policies and the terms of the relevant agreements governing such transactions; and
- (4) have been or will be within the New CRRC Group Caps.

The Directors (including the independent non-executive Directors) consider that such methods and procedures can ensure that the transactions contemplated under the 2020-2022 CRRC Group Mutual Supply Agreement will be conducted on normal commercial terms and in the interests of the Company and its shareholders as a whole.

(c) Historical Transaction Records with the CRRC Group of Companies

Set out below is a summary of the transaction records of the transactions under the 2017-2019 CRRC Group Mutual Supply Agreement for the two years ended 31 December 2017 and 2018:

	Year ended 31 December	
	2017	2018
	<i>(RMB millions)</i>	
Amount paid to the CRRC Group of Companies by the Group for the provision of the products and/or services	1,802.6	2,093.2
Amount paid to the Group by the CRRC Group of Companies for the provision of the products and/or services	6,411.8	6,703.8

The aggregate annual amounts of the transactions under the 2017-2019 CRRC Group Mutual Supply Agreement for the two years ended 31 December 2017 and 2018 did not exceed the respective maximum aggregate annual values as approved by the then Independent Shareholders on 23 June 2016.

As at the Latest Practicable Date, the 2019 Approved CRRC Group Caps have not been exceeded.

The Board anticipates that the aggregate annual amounts of the transactions under 2017-2019 CRRC Group Mutual Supply Agreement for the year ending 31 December 2019 will not exceed the 2019 Approved CRRC Group Caps.

LETTER FROM THE BOARD

(d) New CRRC Group Caps

The Company expects that the New CRRC Group Caps under the 2020-2022 CRRC Group Mutual Supply Agreement for the three years ending 31 December 2020, 2021 and 2022 will be as follows:

	Year ending 31 December		
	2020	2021	2022
	<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	4,200	4,600	5,000
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	13,650	14,950	16,250

The New CRRC Group Caps are determined with reference to the following: (1) the expected growth of railway industry in the PRC; (2) the expected growth of urban rail industry in the PRC; (3) the potential of overseas market (through grasping the opportunities arising from the “One Belt and One Road” strategic opportunity put forward by the PRC government, keeping abreast of the “going out” steps of the PRC rail transportation equipment industry and exploring opportunities arising from overseas markets with the subordinate main operating plants of CRRC Group); (4) the industry position and the business potential of the CRRC Group of Companies which enhance the technical capability and market share of the Company, establish the branding of the Company’s products in the international market and provide the Company with abundant resources on industrial experience and technologies; (5) the business development plan of the Group; (6) the existing supply contracts entered into, and the anticipated supply contracts to be entered into, and supply plans, between the Group and the CRRC Group of Companies, together with the anticipated market demand and tender plans, relating to (a) various models of electric locomotives; (b) electric locomotives, EMUs and subways for overseas export; (c) city subways and inter-city rails; and (d) EMUs; and (7) the historical transaction amounts under the 2017-2019 CRRC Group Mutual Supply Agreement as shown in the section headed “Historical Transaction Records with the CRRC Group of Companies” above.

LETTER FROM THE BOARD

While the Company recognises that the utilisation rate of the annual caps for the years ended 31 December 2017 and 2018 were below 50%, the Company has adjusted the expected transaction amounts and therefore proposed the above amounts for the New CRRC Group Caps for the year ending 31 December 2020, representing a decrease of 30%-35% as compared to 2019 Approved CRRC Group Caps. When determining the New CRRC Group Caps for the years ending 31 December 2021 and 2022, the Company also takes into consideration that its “Three-Year Action Plan (2018-2020)” has just been implemented and expects that its business scale will expand continuously. The principal business activities of the Group are related to the railway industry and urban railway industry in the PRC and to a certain extent, overseas market. In view of the favourable investment, development and support of the PRC government in the industry as evidenced by (i) the PRC government policies, such as the 13th Five-Year Plan (2016-2020) and the 2016 White Paper of the Development of China’s Transport, and (ii) the actual and proposed fixed-asset investment in railway lines by China Railway Corporation in 2018 and 2019 respectively, the Board is of the view that there are ample opportunities for sustainable growth for the Group’s products and/or services in the coming years.

Aside from macro-economic factors, during the year ended 31 December 2018, the Company has secured a number of new orders, such as magnet traction system, rapid rail change cars and multi-platform railcars. The Company expects that such news orders will translate into an increase of the Group’s sales and revenues for the coming years. The Board is of the view the New CRRC Group Caps are justifiable and commercially feasible in light of the upcoming business opportunities.

(e) Information of the Group

The Group is mainly engaged in the research, development, manufacture and sale of locomotive train power converters, control systems, urban railway train electrical systems and other train borne electrical systems, as well as engaged in the research, development, manufacture and sale of electric components for the railway industry, urban railway industry and non-railway purposes.

(f) 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.

LETTER FROM THE BOARD

(g) Reasons for Entering into the 2020-2022 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 standards and specifications, 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 specifications 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 for the parts and components which are produced with CRRC Group's proprietary process and technology, 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 as they may not be familiar with other requirements of the Group's customers and therefore the quality of these products may not be as high as those supplied by the CRRC Group of Companies or even may not conform to the standards of the Group's customers.

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. As a result, the Group and the CRRC Group of Companies have a solid business relationship. As the Group has been focused on and specialised in research, development, manufacture and sale of power converters, control systems, electrical systems and electric components for the railway industry, urban railway industry and non-railway purposes, the Directors believe that the CRRC Group of Companies prefers acquiring such 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, management services in support of the products supplied. In addition, the Directors further believe that the CRRC Group of Companies prefers making centralised and/or bulk purchase from the Group in order to reduce the procurement costs and to obtain operating efficiency.

Further, the Group's purchases from and/or sales to the CRRC Group of Companies are on terms which are not less favourable than those obtainable by the Group from Independent Third Parties. The transactions contemplated under the 2020-2022 CRRC Group Mutual Supply Agreement are necessary for and are beneficial to the Company and therefore are of commercial benefit to the Company and the Group as a whole. Entering into the 2020-2022 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 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 has rendered more efforts in developing overseas market and has received a large number of orders from overseas. 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.

LETTER FROM THE BOARD

(h) Non-exempt Continuing Connected Transactions

The Parent Company is the controlling shareholder of the Company. CRRC Group directly and indirectly holds approximately 51.43% equity interest in CRRC in aggregate. CRRC directly holds the entire equity interest in the Parent Company. 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 2020-2022 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.

(i) Listing Rules Requirements

A meeting of the Board was held on 26 March 2019 at which the 2020-2022 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. Yang Shouyi, Mr. Liu Ke'an and Mr. Zhang Xinning abstained from the consideration of and voting on the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps due to conflict of interests.

The Directors, excluding Mr. Li Donglin, Mr. Yang Shouyi, Mr. Liu Ke'an and Mr. Zhang Xinning and the independent non-executive Directors (who will form their views after having received the advice of the Independent Financial Adviser), consider that the 2020-2022 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) Independent Third Parties which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned. The 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are conditional upon, among others, the Independent Shareholders' approval in respect thereof.

The Company will disclose information in relation to the 2020-2022 CRRC Group Mutual Supply Agreement in its subsequent published annual report and accounts in accordance with Rule 14A.71 of the Listing Rules.

(j) 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 in relation to the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps, taking into account the recommendations on the same by the Independent Financial Adviser.

LETTER FROM THE BOARD

Pelican Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

(k) Voting Arrangement

As at the Latest Practicable Date, the Parent Company, CRRC Zhuzhou, CRRC Investment & Leasing and CRRC Hong Kong are interested in approximately 50.16%, 0.85%, 0.80% and 0.57% respectively of the entire issued share capital of the Company.

Each of the Parent Company, CRRC Zhuzhou, CRRC Investment & Leasing and CRRC Hong Kong is an associate of CRRC Group and shall therefore abstain from voting at the AGM on resolutions to consider and approve the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

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

- (i) each of the Parent Company, CRRC Zhuzhou, CRRC Investment & Leasing 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 the Parent Company, CRRC Zhuzhou, CRRC Investment & Leasing and CRRC Hong Kong;
- (B) there were no obligations on or entitlement of any of the Parent Company, CRRC Zhuzhou, CRRC Investment & Leasing and CRRC Hong Kong as at the Latest Practicable Date, whereby any of the Parent Company, CRRC Zhuzhou, CRRC Investment & Leasing 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 the Parent Company, CRRC Zhuzhou, CRRC Investment & Leasing 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 AGM.

LETTER FROM THE BOARD

3. PROPOSED RE-ELECTION OF DIRECTORS

References are made to the announcement dated 12 July 2018 and 17 August 2018 issued by the Company in relation to, among others, the appointment of (i) Mr. Yang Shouyi (“**Mr. Yang**”) as the vice chairman of the Board and an executive Director with effect from 12 July 2018 till the conclusion of the AGM and will be subject to re-election by the Shareholders at the AGM; and (ii) Mr. Gao Feng (“**Mr. Gao**”) as an independent non-executive Director with effect from 17 August 2018 till the conclusion of the AGM and will be subject to re-election by the Shareholders at the AGM. The Board proposes that Mr. Yang be re-elected as an executive Director and Mr. Gao be re-elected as an independent non-executive Director, each subject to the approval by the Shareholders at the AGM.

In accordance with the terms of reference of the Nomination Committee and the Company’s nomination policy, taking into account a wide range of diversity aspects (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) and having due regard for the benefits of diversity on the Board as set out in the board diversity policy of the Company, the Nomination Committee:

- (a) has evaluated the performance and the contribution of each of (i) Mr. Yang since his appointment on 12 July 2018 up to the date of evaluation; and (ii) Mr. Gao since his appointment on 17 August 2018 up to the date of evaluation; and
- (b) has assessed the independence of Mr. Gao and is satisfied that Mr. Gao has remained independent; and
- (c) is of the view that each of (i) Mr. Yang and (ii) Mr. Gao has provided valuable contributions and objective and balanced views to the Board in relation to the Company’s affairs and, having considered the depth and breadth of professional experience, skills and knowledge of each of (i) Mr. Yang and (ii) Mr. Gao, is satisfied that each of them will continue to contribute to the diversity of the Board.

Accordingly, the Nomination Committee recommended to the Board to propose the re-election of Mr. Yang as an executive Director and Mr. Gao as an independent non-executive Director. Particulars of Mr. Yang and Mr. Gao as required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules are set out in Appendix II to this circular.

4. GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting for year 2017 of the Company held on 8 June 2018, a special resolution was passed granting the Board the Issue Mandate to allot, issue and deal with additional Domestic Shares and/or H Shares not exceeding 20% of the Domestic Shares and the H Shares respectively in issue as at 8 June 2018.

LETTER FROM THE BOARD

Considering that the Issue Mandate granted at the annual general meeting of the Company held on 8 June 2018 will have expired at the conclusion of the AGM, the Board will seek approval from the Shareholders at the AGM, by way of a special resolution, for granting the Issue Mandate, subject to the conditions as set out in the resolution for the grant of the Issue Mandate, subject to the conditions as set out in the AGM Notice.

Any exercise of the power by the Board under the Issue Mandate will have to comply with the Articles, the Company Law of the PRC and the Listing Rules and all other applicable laws, rules, regulations and requirements of relevant governmental and/or regulatory authorities.

In order to ensure flexibility and discretion for the Board to issue new Shares, the Board believes that it is in the best interests of the Company and the Shareholders as a whole for the Issue Mandate to be granted.

5. THE AGM

The votes at the AGM will be taken by poll.

Notice of the AGM to be held at Shangri-La Hotel, Nanchang, No.699, Cui Lin Road, Honggutan New District, Nanchang, Jiangxi Province, the PRC on Thursday, 20 June 2019 at 9:00 a.m. is set out in Appendix III to this circular.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be temporarily closed from Tuesday, 21 May 2019 to Thursday, 20 June 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the AGM, 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 Domestic 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 Monday, 20 May 2019.

In order to determine shareholders' entitlements to the final dividend, the register of members of the Company will be temporarily closed from Wednesday, 26 June 2019 to Monday, 1 July 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to the final dividend, 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 Domestic 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, 25 June 2019.

LETTER FROM THE BOARD

A proxy form for appointing proxy is despatched together with this circular and published on the website of the Stock Exchange (www.hkex.com.hk). Whether or not you intend to attend the AGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time appointed for holding the AGM or the adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or at any adjournment thereof if you so wish.

If you intend to attend the AGM in person or by proxy, you should also complete and return the accompanying reply slip in accordance with the instructions printed thereon on or before Friday, 31 May 2019.

6. RECOMMENDATION

(a) In relation to the 2020-2022 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 20 of this circular, the letter from the Independent Financial Adviser set out on pages 21 to 38 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 2020-2022 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 2020-2022 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) Independent Third Parties which are fair and reasonable insofar as the interests of the Company and the Shareholders as a whole are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the AGM to approve the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

(b) In relation to the proposed re-election of the Directors

The Board considers that the re-election of Directors mentioned above is in the best interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the AGM to approve the re-election of the Directors.

LETTER FROM THE BOARD

(c) **In relation to the grant of the Issue Mandate**

The Board considers that the grant of the Issue Mandate mentioned above is in the best interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the special resolution to be proposed at the AGM to approve the grant of the Issue Mandate.

7. FURTHER INFORMATION

Further information of the Company is set out in the Appendices 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)

30 April 2019

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 2020-2022 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 2020-2022 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 insofar as the interests of the Company and the Independent Shareholders as a whole are concerned. Pelican Financial 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 the Independent Financial Adviser 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 2020-2022 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) Independent Third Parties which are fair and reasonable insofar as the interests of the Company and the Shareholders as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote at the upcoming AGM in favour of the ordinary resolution to approve the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

Yours faithfully,

For and on behalf of the
Independent Board Committee

Chan Kam Wing, Clement

Pao Ping Wing

Liu Chunru

Chen Xiaoming

Gao Feng

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38-40 Leighton Road, Causeway Bay, Hong Kong

30 April 2019

*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 the Independent Board Committee and the Independent Shareholders in respect of the 2020-2022 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 of the Company dated 30 April 2019 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

With reference to the Letter from the Board, in view of the prospective expiry of the 2017-2019 CRRC Group Mutual Supply Agreement on 31 December 2019, on 26 March 2019, the Company entered into the 2020-2022 CRRC Group Mutual Supply Agreement with CRRC Group for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

The Parent Company is the controlling shareholder of the Company. CRRC Group directly and indirectly holds approximately 51.43% equity interest in CRRC in aggregate. CRRC directly holds the entire equity interest in the Parent Company. 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 2020-2022 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Board currently comprises four executive Directors, one non-executive Director, and five independent non-executive Directors. The Independent Board Committee, which currently comprises of all the independent non-executive Directors, Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Ms. Liu Chunru, Mr. Chen Xiaoming and Mr. Gao Feng, has been established to advise the Independent Shareholders regarding the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited is not connected with the Directors, chief executive or substantial shareholders of the Company or the CRRC Group of Companies or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, other than our role as independent financial adviser to the Company, regarding its continuing connected transactions on property leasing framework agreement as disclosed in the announcement dated 17 August 2018, there was no other engagement between the Company and us. In addition, apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the CRRC Group of Companies or the directors, chief executive or substantial shareholders of the Company or the CRRC Group of Companies or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps at the AGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions. Our procedures include, among others, review of relevant agreements, documents and information provided by the Company and validated them, to a reasonable extent, with the relevant public or third-party information, market statistics and data and/or with those information, facts and representations provided, and the opinions expressed, by the Company, the Directors and/or the management of the Group. The documents reviewed include, among others, the 2017-2019 CRRC Group Mutual Supply Agreement, the 2020-2022 CRRC Group Mutual Supply Agreement, the financial information of the Group including the Company's annual results for the year ended 31 December 2018 (the "**2018 Annual Results**"), and the Circular. In addition, we have also discussed and obtained other relevant information with the Company regarding the continuing connected transactions contemplated/contemplating under the 2017-2019 CRRC Group Mutual Supply Agreement and the 2020-2022 CRRC Group Mutual Supply Agreement. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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 verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps, we have considered the following principal factors and reasons:

1. Background of the 2020-2022 CRRC Group Mutual Supply Agreement

The 2017-2019 CRRC Group Mutual Supply Agreement will expire on 31 December 2019. As the Group expects to continue the transactions contemplated under the 2017-2019 CRRC Group Mutual Supply Agreement, on 26 March 2019, the Company entered into the 2020-2022 CRRC Group Mutual Supply Agreement with CRRC Group for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

2. Background information of the Group

The Group is mainly engaged in the research, development, manufacture and sale of locomotive train power converters, control systems, urban railway train electrical systems and other train-borne electrical systems. In addition, the Group is also engaged in the research, development, manufacture and sale of electric components for the railway industry, urban railway industry and non-railway purposes.

3. Background 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CRRC Group is a wholly State-owned enterprise of the PRC and the controlling shareholder of CRRC. CRRC is a joint stock company established in the PRC with limited liability, the A shares and the H shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange respectively. CRRC is directly and indirectly held as to approximately 51.43% in aggregate by CRRC Group and holds the entire equity interest in the Parent Company.

4. Reasons for and benefits of entering into the 2020-2022 CRRC Group Mutual Supply Agreement

In view of the prospective expiry of the 2017-2019 CRRC Group Mutual Supply Agreement on 31 December 2019, on 26 March 2019, the Company entered into the 2020-2022 CRRC Group Mutual Supply Agreement with CRRC Group for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

We understand that 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 standards and specifications and has been able to respond quickly and in a cost-efficient manner to any new requirements that the Group may request. The Group's customers would from time to time request certain parts and components with specifications which need to be produced with CRRC Group's proprietary process and technology. The Directors believe that even if other suppliers could manufacture these parts and components according to the same specifications, such suppliers may not be familiar with other requirements of the Group's customers and may not be able to meet with the time constraints imposed as well as the standard of quality as those supplied by the CRRC Group of Companies and/or required by the Group's customers.

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. As a result, the Company and the CRRC Group of Companies have built a solid business relationship. As the Group has been focusing on and specialising in research, development, manufacture and sale of power converters, control systems, electrical systems and electric components for the railway industry, urban railway industry and for non-railway purposes, the Group possesses technical expertise and staff talents of the relevant skills and specialities for providing technical services, after-sales services and management services in support of the products supplied, which the Directors believe has led the CRRC Group of Companies to procure such electrical systems and electrical components from the Group. In addition, the Directors believe that the CRRC Group of Companies incline towards making centralised and/or bulk purchases from the Group in order to reduce the procurement cost and to achieve operational efficiency. The three years' procurement and supply relationship with the CRRC Group of Companies to be established pursuant to the 2020-2022 CRRC Group Mutual Supply Agreement will contribute to the expansion of the Group's sales and revenue which will in turn contribute to the stabilisation of the business of the Group, by minimising the production cost and time of the Group, as procuring similar products from Independent Third Parties (if so available) can be more cumbersome than procuring from the CRRC Group of Companies due to the additional testing, back-testing and commissioning procedures to ensure that the products procured are compatible and satisfactory. Further, the Group's purchases from and/or sales to the CRRC Group of Companies are on terms which are not less favourable than those obtainable by the Group from Independent Third Parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, the terms of the mutual supply transactions under the 2017-2019 CRRC Group Mutual Supply Agreement between the Group and the CRRC Group of Companies has been subject to the quarterly review by the independent non-executive Directors, and the disclosure of their views in respect of such transactions have been made to the Shareholders by way of announcements (the “**Quarterly Announcements**”). We have reviewed the Quarterly Announcements, up to the fourth quarter ended 31 December 2018, the relevant transactions carried out pursuant under the 2017-2019 CRRC Group Mutual Supply Agreement were 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 financial years respectively. As advised by the Company, it will continue to publish the Quarterly Announcements on the Stock Exchange’s website after entering into the 2020-2022 CRRC Group Mutual Supply Agreement.

Having considered the above long history of cooperation between the Group and the CRRC Group of Companies, we are of the view that the transactions contemplating under the 2020-2022 CRRC Group Mutual Supply Agreement, which was entered into in view of the prospective expiry of the 2017-2019 CRRC Group Mutual Supply Agreement, are consistent with the Group’s established relationship with the CRRC Group of Companies and will facilitate the smooth operations of the Group’s business in the coming years and minimise any disruptions to the Group’s existing business. In view of the above, the transactions contemplated under the 2020-2022 CRRC Group Mutual Supply Agreement, which have the same nature as the transactions contemplated under the 2017-2019 CRRC Group Mutual Supply Agreement, fall within the ordinary and usual course of business of the Group, and the entering into of the 2020-2022 CRRC Group Mutual Supply Agreement is in the ordinary and usual course of business of the Group and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the 2020-2022 CRRC Group Mutual Supply Agreement

The 2020-2022 CRRC Group Mutual Supply Agreement was entered on 26 March 2019 and sets out the major terms such as scope of products and services to be provided, pricing basis, term and payment method for the transactions contemplated thereunder between the Company and CRRC Group for a term of three years commencing on 1 January 2020 and ending on 31 December 2022. Further details of the 2020-2022 CRRC Group Mutual Supply Agreement are also set out in the Letter from the Board. Set out below are the principal terms of the 2020-2022 CRRC Group Mutual Supply Agreement:

(a) *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 (including electrical systems and electrical components), parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes. The products supplied by the Group include but are not limited to locomotive traction converters, EMU traction converters, urban railcar traction converters and their respective auxiliary power supply equipment and control systems, and other related parts and components. The services supplied by the Group are mostly specific to and tailor-made for the relevant products supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CRRC Group agreed to supply and procure its subsidiaries and their respective associates (including the Parent Group but excluding the Group) to supply to the Group certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes. The products supplied by the CRRC Group of Companies include but are not limited to motors, gearboxes, transformers, reactors, urban rail housing, connectors, and other related parts and components. The services supplied by the CRRC Group of Companies are mostly specific to and tailor-made for the relevant products supplied.

(b) Pricing basis

Pursuant to the 2020-2022 CRRC Group Mutual Supply Agreement, 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:

- (i) the prices prescribed by the government of the PRC or any regulatory authority(ies) (if any) (“**government-prescribed prices**”);
- (ii) the range of prices pursuant to the pricing guidelines or pricing recommendations 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;
- (iii) 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;
- (iv) the market prices which are offered to or by Independent Third Parties in the ordinary and usual course of business, where none of the government-prescribed prices, government-guided prices or the bidding prices are available or applicable; and
- (v) the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit margin (which is determined by reference to the nature of products and/or services, current market price of the similar products and/or services (if any) 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 prices are available or applicable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed with the Company, the priority is set from (i) to (v) such that the pricing mechanism (ii), (iii), (iv) and (v) will be applied only if the preceding pricing mechanism(s) are not applicable. As discussed with the management of the Group, it is still not clear whether there will be government-prescribed prices and government-guided prices available. If there is no government-prescribed prices and government-guided prices at the time of executing a transaction pursuant to the 2020-2022 CRRC Group Mutual Supply Agreement, the prices for the relevant products and services supplied by and/or to the CRRC Group of Companies will be determined either based on (iii), (iv) or (v) above. For procurements of products and services from the CRRC Group of Companies, we understood from the management of the Group that the Group normally posts its purchase orders or invitation of tenders on a website (<http://scm.csrzic.com/>) operated by the Group and opened for its registered suppliers (including but not limited to the CRRC Group of Companies) to provide their quotations or bid the tenders. The Group can therefore compare the prices offered by the CRRC Group of Companies with such market prices offered by other registered suppliers (if any). Subject to the availability of the products and/or services of comparable nature, quality, quantity and condition and the quotations received thereof, the Group will use its best endeavours to compare at least two quotations from Independent Third Parties for each order or invitation for price references. Notwithstanding that the procurement platform is in place to ensure that the price 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, in order to further safeguard the Company's interest, the 2020-2022 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. For sales of products and services to the CRRC Group of Companies, we have reviewed products sold to the CRRC Group of Companies which have similar products being sold to Independent Third Parties. In our review, we noted that the sale prices of those products sold to the CRRC Group of Companies is in line with those similar products sold to Independent Third Parties.

On the other hand, based on the Group's historical transactions with the CRRC Group of Companies and our discussion with the management, we noted that there are only few products and/or services which are supplied by the Group to both the CRRC Group of Companies and Independent Third Parties and can be priced with reference to comparable market prices. It is noted that most of the products and/or services supplied by the Group to the CRRC Group of Companies are supplied exclusively to the CRRC Group of Companies, as these products and/or services have specifications and requirements which are mostly specific to and tailor-made for CRRC Group's proprietary process and technology and are used by the Group. For parts and components which are produced by the Group using CRRC Group's proprietary process and technology, since Independent Third Parties in the market are unlikely and not expected to possess the technology required for the production for such specifications, no direct comparable market price is available for those parts and components. In such cases, pricing is determined with references to the market prices of similar products (if so available) and if is not available, the parties will then resort to that last pricing principle and go for the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit margin to determine the price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the above reasons, with reference to the Group's historical transactions with the CRRC Group of Companies, the pricing principles of (iii) and (iv) above which are based on confirmed prices through a bidding and tender process and market price respectively have been most commonly adopted when determining the prices for the products and/or services to be supplied by the CRRC Group of Companies; and the pricing principle (v) relating to cost-plus basis has been most commonly adopted when determining the prices for the products and/or services to be supplied to the CRRC Group of Companies, in cases when the products and/or services are supplied only to the CRRC Group of Companies but not to Independent Third Parties, and direct comparable market prices are not available. With respect to the few products and/or services which are supplied by the Group to both the CRRC Group of Companies and Independent Third Parties, the pricing principle of (iv) relating to market price has been most commonly adopted.

We have reviewed five samples of the sales agreements (the "**Sales Agreements**") and five samples of purchase agreements (the "**Purchase Agreements**"), selected on a random sampling basis, entered into between the Group and the CRRC Group of Companies for the year ended 31 December 2018. In our review, we noted that all of them were entered into through public tenders, and no government-prescribed prices and government-guided prices were in place as pricing bases. In regard to products and/or services supplied by the CRRC Group of Companies to the Group, we have obtained the terms as offered by Independent Third Parties for similar products as those contained in the Purchase Agreements. Based on our comparison, we noted that the prices and/or payment terms for those products supplied by CRRC Group of Companies are in line with the terms of the similar products as offered by Independent Third Parties.

In regard to products and/or services supplied by the Group to the CRRC Group of Companies, where there are no direct comparable market prices, we have obtained Sales Agreements where there are similar products offered to Independent Third Parties and we have compared the terms of the products offered to Independent Third Parties against those products contained in the Sales Agreements. In our review, we noted that the prices and/or payment terms for those products supplied to the CRRC Group of Companies are in line with the terms of the similar products as offered to Independent Third Parties.

Furthermore, we noted from the annual report of the Company for year ended 31 December 2017 and the 2018 Annual Results (the "**Financial Reports**") that quarterly review of the continuing connected transactions contemplated under the 2017-2019 CRRC Group Mutual Supply Agreement, have been conducted according to Chapter 14A of the Listing Rules, and that the independent non-executive Directors have reviewed and confirmed that the continuing connected transactions under the 2017-2019 CRRC Group Mutual Supply Agreement were entered into, among other things, on normal commercial terms or if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than those available from Independent Third Parties. In addition, the Financial Reports also confirm that the Company's auditors have issued quarterly reports to the independent non-executive Directors in respect of the continuing connected transactions under the 2017-2019 CRRC Group Mutual Supply Agreement pursuant to Chapter 14A of the Listing Rules. We have obtained and reviewed copies of the aforementioned letters from the Company's auditors and noted that there was no inconsistency between the disclosure in the Financial Reports and the letters from the Company's auditors. Further, the 2020-2022 CRRC Group Mutual Supply Agreement will, pursuant to the Listing Rules, continue to be subject to the quarterly review by the independent non-executive Directors, details of which must be included in the Company's subsequent published annual and interim reports and quarterly confirmation by the auditors of the Company that the continuing connected transactions will be conducted in accordance with its terms and that the proposed annual caps are not being exceeded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition to the quarterly review of the Group's continuing connected transactions, the Company has also published Quarterly Announcements to disclose the views of independent non-executive Directors in respect of the continuing connected transactions contemplated under the 2017-2019 CRRC Group Mutual Supply Agreement and whether they are carried out in accordance with the terms of the 2017-2019 CRRC Group Mutual Supply Agreement. As discussed in the section earlier above, we have reviewed the relevant Quarterly Announcements and noted that the Company will continue to publish the Quarterly Announcements on the Stock Exchange's website after entering into the 2020-2022 CRRC Group Mutual Supply Agreement.

In light of the above and in particular that: (i) the pricing basis of the 2020-2022 CRRC Group Mutual Supply Agreement are the same as to those set out in the 2017-2019 CRRC Group Mutual Supply Agreement; (ii) for procurements of products and services from the CRRC Group of Companies, the Group has its own online procurement platform where it can obtain and compare quotations from Independent Third Parties with those offered by the CRRC Group of Companies, subject to the availability of comparable products and/or services; (iii) for sales of products and services to the CRRC Group of Companies, it is noted that the sale prices of similar products being sold to the CRRC Group of Companies and Independent Third Parties have been in line with each other; (iv) the Group will only resort to the last pricing principle if direct comparable market price is not available (in cases when products and/or services supplied to/from the CRRC Group of Companies have specifications particularly tailored for CRRC Group's proprietary process and technology which Independent Third Parties may not possess); and (v) the continuing connected transactions under the 2020-2022 CRRC Group Mutual Supply Agreement will continue to be subject to the quarterly review by the independent non-executive Directors and quarterly confirmation by the Company's auditors, we are of the view that the Company's pricing methods and procedures are effective and reasonable measures in ensuring the pricing terms for the 2020-2022 CRRC Group Mutual Supply Agreement will be conducted on normal commercial terms or terms no less favorable to the Group than terms available from/to Independent Third Parties, and are in the interests of the Company and the Shareholders as a whole.

(c) *Payment terms*

Pursuant to the 2020-2022 CRRC Group Mutual Supply Agreement, 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 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.

As mentioned above, the Board has engaged the Company's auditors to perform certain agreed procedures on the Group's continuing connected transactions, who would report the result to the Board quarterly, and the Directors (including the independent non-executive Directors) have reviewed and confirmed quarterly that the continuing connected transactions of the Group (including the transactions contemplated under the 2017-2019 CRRC Group Mutual Supply Agreement) were entered into, among other things, on normal commercial terms or if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than those available to or from (as appropriate) Independent Third Parties (which terms, as confirmed by the Company, included the payment terms).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, we have also discussed and reviewed the payment terms of transactions contemplated under the 2017-2019 CRRC Group Mutual Supply Agreement, which includes (i) the Group's provision of products and services to the CRRC Group of Companies; and (ii) the Group's procurement of products and services from the CRRC Group of Companies. We noted that the payment terms for sales/purchases of products and services by the Group/CRRC Group of Companies are in line with the Group's credit periods of trade receivables (6-month) and trade payables (3-month) respectively as disclosed in the Financial Reports.

In light of the above, we consider that the payment terms of the 2020-2022 CRRC Group Mutual Supply Agreement, which are the same as those set out in the 2017-2019 CRRC Group Mutual Supply Agreement, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

6. The New CRRC Group Caps

(a) *New CRRC Group Caps*

Set out below are the New CRRC Group Caps under the 2020-2022 CRRC Group Mutual Supply Agreement for each of the three years ending 31 December 2022:

2020-2022 CRRC Group Mutual Supply Agreement

	Year ending 31 December		
	2020	2021	2022
	<i>(RMB millions)</i>		
1. 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	4,200	4,600	5,000
<i>Approximate growth/(decline) rate from the preceding year's annual cap</i>	<i>(32.5)% (Note 1)</i>	<i>9.5%</i>	<i>8.7%</i>
2. 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	13,650	14,950	16,250
<i>Approximate growth/(decline) rate from the preceding year's annual cap</i>	<i>(30.7)% (Note 2)</i>	<i>9.5%</i>	<i>8.7%</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The growth/decline rate is calculated based on the 2019 Approved CRRC Group Cap in relation to the products and/or services provided or to be provided by the CRRC Group of Companies of RMB6,221 million and the corresponding New CRRC Group Cap for the year ending 31 December 2020.
2. The growth/decline rate is calculated based on the 2019 Approved Group CRRC Cap in relation to the to the products and services provided or to be provided by the Group of RMB19,700 million and the corresponding New CRRC Group Cap for the year ending 31 December 2020.

As set out in Letter from the Board, the New CRRC Group Caps are determined with reference to the following: (1) the expected growth of the railway industry in the PRC; (2) the expected growth of the urban rail industry in the PRC; (3) the potential of the oversea market (through grasping the opportunities arising from the “One Belt and One Road” strategic opportunity put forward by the PRC government, keeping abreast of the “going out” steps of the PRC rail transportation equipment industry and exploring opportunity arising from overseas market with the subordinate main operating plants of CRRC Group); (4) the industry position and the business potential of the CRRC Group of Companies which enhance the technical capability and market share of the Company, establish the branding of the Company’s products in the international market and provide the Company with abundant resources on industrial experience and technologies; (5) the business development plan of the Group; (6) the existing supply contracts entered into, and the anticipated supply contracts to be entered into, and supply plans, between the Group and the CRRC Group of Companies, together with the anticipated market demand and tender plans, relating to (a) various models of electric locomotives; (b) electric locomotives, EMUs and subways for overseas export; (c) city subways and inter-city rails; and (d) EMUs; and (7) the historical transaction amounts under the 2017-2019 CRRC Group Mutual Supply Agreement.

(a) Expected growth of the PRC railway industry and the urban rail industry and the potential of the oversea market

The transactions contemplating under the 2020-2022 CRRC Group Mutual Supply Agreement relate to the business prospects of the Group and the CRRC Group of Companies, which are influenced by the development of the railway industry and the urban rail industry in the PRC as well as the potential of the oversea market.

PRC railway industry

The PRC government has endeavored to construct a modernized and internationalized transport system with the goal to continue to develop and modernize the PRC.

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Under the 13th Five-Year Plan (2016 – 2020) and the 2016 White Paper of the Development of China's Transport¹, the development of the railway is one of the key infrastructure projects in the PRC. According to the 13th Five-Year Plan, the PRC government expects that the total rail fixed assets investments to be in region of approximately RMB3,500 billion to RMB3,800 billion of which approximately RMB3,000 billion will be invested for the development of new railway lines.

Amid a wider push to boost infrastructure spending, China Railway Corp also highlights the plan to invest in new railway lines of 6,800 kilometers in 2019 in the PRC, which represents an increase of approximately 40% as compared to the length of tracks laid in 2018. According to China Railway Corp, the PRC has already invested approximately RMB802.9 billion in fixed assets relating to rails in 2018, which was above the initial budget of RMB732 billion, demonstrating the financial capability and commitment of the PRC to accelerate and facilitate railway construction with the view to further urbanize the PRC.

In view of the above, we are optimistic in the PRC railway industry as the development of the PRC railway is expected to continue given the PRC government goal to further modernize the PRC.

PRC urban rail industry

Urban railway can be classified as a type of high-capacity public transport generally found in the urban and suburban areas whereby passenger services are provided on designated lines between stations (i.e. common urban rail transit), which typically include metro, light rail and tram. The PRC government has invested significantly in such transportation system in order to ease the traffic problem which appears to happen in many of its major cities, as well as to improve the efficiency of the transportation system to tackle concerns of not being able to further develop in densely populated cities.

As highlighted in the 13th Five-Year Plan, it is expected that more than 60 cities will have urban rail transit systems and will have a total length of urban rail transit lines reaching 8,000 km by the end of 2020. The continual development of the urban rail transit lines is expected to be needed in order satisfy the demand for travelling and commuting in the urban and metropolitan areas in the PRC. As such, it is anticipated that there will new development opportunities for different types of urban rail transit, such as urban rapid transit.

Having considered the above, it is expected that there will be sustainable growth in the PRC's urban rail industry in the coming years.

¹ Please refer to http://english.gov.cn/archive/white_paper/2016/12/29/content_281475528034734.htm

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The potential of the oversea market

The PRC government has also announced rail expansion plans which include the “One Belt and One Road” initiative and the gradual implementation of international rail plans for the Euroasian high speed railway, high speed railway in Central Asia and Pan-Asian highspeed railway etc. These initiative and policies are expected to be new drivers for PRC companies operating within the railway/rolling stock industry to expand their services to the overseas market.

In light of the strong support from the PRC government for the development of the PRC’s railway industry and the urban rail industry and the PRC government encouragement for the relevant market players to expand overseas, we are of the view that there is ample of growth opportunities for the Group’s products and/or services which is conducive to the expansion of the Group’s sales and revenue.

(b) The industry position and the business potential of the CRRC Group of Companies

As set out in the 2018 Annual Results, for the year ended 31 December 2018, the Group had made continuous efforts to consolidate its rail transit business and develop new non-rail businesses. For the year ended 31 December 2018, the Group’s revenue and net profit both increased by approximately 3.4%, which was mainly driven by the annual growth of its metropolitan rail transportation equipment and EMUs businesses of approximately 22.1% and 8.1% respectively. The increase in these two segments were mainly due to the delivery of Wuhan Metro Line 7, Zhengzhou Metro Line 5 and other products, and the product delivery of the China standard electric multiple units. In particular, we note that for the year ended 31 December 2018, newly secured orders for the Group’s metropolitan rail transportation equipment had reached a record high and its market share of traction system products had topped the industry.

In light of the Company’s established market presence and the ample growth opportunities for the Group’s products and/or services as a result of the development of the PRC’s railway industry as mentioned above, we concurred with the Directors that that the Group would have further business potential through its business relationship with the CRRC Group of Companies, which would enhance the technical capability and market share of the Company, establish the branding of the Company’s products in the international market and provide the Company with abundant resources on industrial experience and technologies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) *Business development of the Group*

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2018 as extracted from the 2018 Annual Results:

	For the year ended 31 December	
	2018	2017
	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Audited)
Revenue		
– Locomotives	2,397.3	2,692.1
– EMUs	3,715.7	3,438.0
– Metropolitan rail transportation equipment	3,149.5	2,579.4
– Railway maintenance machineries related products	3,176.7	3,041.1
– Signal & communication products	788.7	652.6
– Key electric part and component products	1,690.6	1,763.8
– Marine engineering products and others	739.4	976.7
	<u>15,657.9</u>	<u>15,143.7</u>
Total Revenue	15,657.9	15,143.7
Net Profit	2,650.5	2,562.2

The Group's total revenue increased by approximately 3.4% from approximately RMB15,143.7 million for the year ended 31 December 2017 to approximately RMB15,657.9 million for the year ended 31 December 2018. For the year ended 31 December 2018, the Group's three main business sectors, locomotives, EMUs and metropolitan rail transportation equipment, continued to contribute to more than half of the Company's revenue. In particular, the strongest revenue growth was achieved by the metropolitan rail transportation equipment business, which increased by approximately RMB570.1 million in revenue, representing an increase of approximately 22.1% as compared with the year ended 31 December 2017. The Group's net profit also increased by approximately 3.4% from approximately RMB2,562.2 million for the year ended 31 December 2017 to approximately RMB2,650.5 million for the year ended 31 December 2018. The increase in the net profit was mainly due to the increase in revenue.

As set out in the 2018 Annual Results, the Group also has made new breakthroughs in technology, products and markets, which mainly include:

- In respect of the traction systems for locomotives, the Company has secured its foothold in the market with power head EMUs delivered in batches and put into operation; and actively promoted new products such as big data and expert diagnosis systems, passing no-voltage sectors by electronic switching as well as automatic driving systems for locomotives.

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- In respect of the traction systems for electric multiple units, the Company delivered China's standard electric multiple units with a speed of 350km/h in batches and the prototype of China's standard electric multiple units with a speed of 250km/h was loaded and achieved smooth running.
- In respect of the urban rail transit, newly secured orders throughout the year hit another record high with market share of traction system products topping the industry; and several batch orders were secured for the permanent magnet traction system.
- In respect of railway engineering machinery, the Company struck a balance among delivery of products, R&D of new products and marketing promotion and secured a batch order for rapid rail change cars and multi-platform railcars. The Company completed business integration and established a joint venture with CRRC Taiyuan.
- In respect of signal & communication products, transit signal system "went out of Hunan" for the first time and self-owned Automatic Train Protection System (ATP) was first installed and utilized in the China's standard electric multiple units with a speed of 250km/h. In respect of parts and components, press pack insulated gate bipolar transistor (IGBT) and IGBT module for automobiles secured bulk sales and IGCT landed a batch order.
- In respect of new industries, products of Specialist Machine Developments (Shanghai) Co., Ltd. were launched and domestic market was steadily expanded. The Company delivered electric drive system for EVs in batches and established a joint venture with German Hofer.

Looking forward, the Company will also make use of its established presence and know-how to strengthen its presence established market whilst also striving to tap into emerging or oversea markets to expand its business. In addition, as discussed with the management, the Company will fully leverage the advantages of its business relationship with the CRRC Group of Companies to maintain a broad vision and enhance cooperation, so as to strengthen its leading position in the industry. The anticipated supply contracts to be entered into, and supply plans, between the Group and the CRRC Group of Companies, together with the anticipated market demand and tender plans, relating to (a) various models of electric locomotives; (b) electric locomotives, EMUs and subways for overseas export; (c) city subways and inter-city rails; and (d) EMUs, are expected to remain strong as result of the continual growth of the CRRC Group of Companies and its oversea expansion.

In view of the Group's continual strong financial performance for the year ended 31 December 2018, new breakthroughs in markets and increased opportunities to transact with the CRRC Group of Companies due to its growth in business, the outlook of the Group is expected to remain promising.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) *Historical transactions amounts under the 2017-2019 CRRC Group Mutual Supply Agreement*

Set out below is a summary of the transaction records of the transactions under the 2017-2019 CRRC Group Mutual Supply Agreement for the years ended 31 December 2017 and 2018:

2017-2019 CRRC Group Mutual Supply Agreement

		Year ending 31 December	
		2017	2018
		<i>(RMB millions)</i>	
1.	Amount paid to the CRRC Group of Companies by the Group for the provision of the products and/or services (<i>Note 1</i>)	1,802.6	2,093.2
	<i>Utilisation rate as compared to the approved annual caps</i>	<i>41.7%</i>	<i>40.4%</i>
2.	Amount paid to the Group by the CRRC Group of Companies for the provision of the products and/or services (<i>Note 2</i>)	6,411.8	6,703.8
	<i>Utilisation rate as compared to the approved annual caps</i>	<i>46.9%</i>	<i>40.9%</i>

Notes:

1. The approved annual caps for the amounts paid to the CRRC Group of Companies by the Group for the CRRC Group of Companies' products and/or services for the years ended 31 December 2017 and 2018 were RMB4,320 million and RMB5,184 million respectively.
2. The approved annual caps for the amounts paid to the Group by the CRRC Group of Companies for the Group's products and/or services for the years ended 31 December 2017 and 2018 were RMB13,680 million and RMB16,400 million respectively.

The aggregate annual amounts of the transactions under the 2017-2019 CRRC Group Mutual Supply Agreement for the two years ended 31 December 2017 and 2018 did not exceed the respective maximum aggregate annual values as approved by the then Independent Shareholders on 23 June 2016.

As at the Latest Practicable Date, the 2019 Approved CRRC Group Caps have not been exceeded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, the Board anticipates that the aggregate annual amounts of the transactions under the 2017-2019 CRRC Group Mutual Supply Agreement for the year ending 31 December 2019 will not exceed the 2019 Approved CRRC Group Caps. Should the aggregate annual amounts of the transactions under the 2017-2019 CRRC Group Mutual Supply Agreement for the year ending 31 December 2019 exceed the 2019 Approved CRRC Group Caps, the Company will re-comply with the relevant requirements under Rule 14A.61 of the Listing Rules.

As noted in the table above, the utilisation rates for the approved annual caps for the amount paid by the Group to the CRRC Group of Companies under the 2017-2019 CRRC Group Mutual Supply Agreement for the two years ended 31 December 2017 and 2018 were approximately 41.7% and 40.4% respectively. The utilisation rate for the approved annual caps for the amount paid to the Group by the CRRC Group of Companies under the 2017-2019 CRRC Group Mutual Supply Agreement for the two years ended 31 December 2017 and 2018 were approximately 46.9% and 40.9% respectively. Despite the decreased in utilisation rates in 2018, given the factors as discussed and described above including the expected growth of the railway industry and the urban rail industry in the PRC; the potential of the overseas market; the business potential of the CRRC Group of Companies including its overseas expansion; the business development of the Group; the historical utilisation rate in respect of provision of products and services by the CRRC Group of Companies to the Group, which was still in the region between 40% to 50% for year ended 31 December 2018; and the historical utilisation rate in respect of provision of products and/or services by the Group to the CRRC Group of Companies, which was in the region between 40% to 50% for year ended 31 December 2018, we are of the view that it is reasonable to set the New CRRC Group Caps for the year ending 31 December 2020 to represent a decrease in the region of 30% to 35% as compared with the 2019 Approved CRRC Group Caps.

Furthermore, we understood from the management and our review of the past sales and purchase agreements that the CRRC Group of Companies may at times make bulk purchases from the Group, and due to the particular nature of the products transacted, the amounts involved could be rather large at times. As such, to obtain operational efficiency and reduce the time of publishing announcements and/or obtaining shareholders' approval in case of revision of the New CRRC Group Caps, we are of the view that while the New CRRC Group Cap is set to be approximately two times larger than the historical transaction amount for similar transactions during 2017 and 2018, it is reasonable that the New CRRC Group Cap is set higher than the historical transaction amount in order to accommodate for any contingencies, in particular, large purchase/supply orders which may occur frequently in this industry and also the expected increase in the business of the Group as discussed above.

We also noted from the management that, during the year ended 31 December 2018, the Company has secured a number of new orders on magnet traction system, rapid rail change cars and multi-platform railcars. The Company expects that such new orders will translate into a boost in the Group's sales and revenues for the coming years. We therefore concur with the Directors that the New CRRC Group Caps are justifiable and commercially feasible in light of the upcoming business opportunities and that the Group will be able to utilise The New CRRC Group Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After taking into consideration of the above factors and in particular: (i) the 13th Five-Year Plan will continue to support the growth of the PRC's railway industry; (ii) the urban rail industry is expected to grow in the coming years in order to ease the traffic problem which appears to happen in many of the major cities in the PRC; (iii) the potential of the overseas market as a result of the "One Belt and One Road" initiative and the gradual implementation of international rail plans; (iv) the continual growth of CRRC and its overseas expansion; (v) the increase in the revenue of the Group for the year ended 31 December 2018; (vi) the expected growth of the Group and its various new business development; and (vii) the historical transaction amounts under the 2017-2019 CRRC Group Mutual Supply Agreement, we are of the view that it is reasonable to set the New CRRC Group Caps for the year ending 31 December 2020 to represent a decrease in the region of 30% to 35% as compared with the 2019 Approved CRRC Group Caps and that the New CRRC Group Caps for the years ending 31 December 2021 and 2022, each representing an increase of approximately 9.5% and 8.7% respectively as compared with the previous year determined annual caps given the stable growth in the revenue of the Group. Therefore, we concur with the view of the Directors that the New CRRC Group Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps at the AGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) relating to the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps at the AGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li[^]
Director

[^] Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.

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, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors, supervisors 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 10 to the Listing Rules.

As at the Latest Practicable Date, save for Mr. Li Donglin (the chairman of the Board, an executive Director and the chairman of the board of directors of the Parent Company), Mr. Yang Shouyi (the vice chairman of the Board, an executive Director and a director and the general manager of the Parent Company) and Mr. Zhang Xinning (a non-executive Director and the chief engineer of CRRC), the Directors are 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 nor supervisors 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 2018, 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 2018, 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 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 AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of MinterEllison LLP in Hong Kong at Level 32 Wu Chung House 213 Queen's Road East Hong Kong during normal business hours from the date of this circular up to and including 20 June 2019:

- (a) the 2020-2022 CRRC Group Mutual Supply Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 20 of this circular; and
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 21 to 38 of this circular and the consent letter from the Independent Financial Adviser.

10. MISCELLANEOUS

The English text of this circular shall prevail over its Chinese text in case of any discrepancies.

APPENDIX II BIOGRAPHICAL DETAILS OF THE PROPOSED DIRECTORS

The biographical details of the Directors proposed to be re-elected at the AGM are set out as follows:

EXECUTIVE DIRECTOR

Yang Shouyi

Yang Shouyi, aged 56, vice chairman and an executive director, and also the chairman of the risk control committee and a member of the strategy committee of the Company. Mr. Yang is a senior engineer. Mr. Yang joined the Parent Company in 1984 and served as the deputy director, the director of the research and development centre, the vice chief engineer and the director of the investment planning division of the Parent Company between January 2001 and December 2004.

He was the assistant to the president of the Company from December 2004 to March 2006. He continued to hold various positions in the Parent Company between April 2006 and August 2017, including the assistant to the director, the deputy general manager, the deputy secretary of the Chinese Communist Party (“**Party**”), the secretary of Party discipline inspection commission, chairman of the labour union, supervisor and the chairman of the supervisory board. Between August 2017 and May 2018, he was the vice chairman of the board of directors and the Party secretary of the Parent Company. Mr. Yang has been a director, the general manager and the deputy Party secretary of the Parent Company since May 2018 and the chairman of the board of directors of Times New Materials since August 2018. Mr. Yang graduated from the then Huazhong Institute of Technology (currently known as Huazhong University of Science and Technology) with a bachelor’s degree in Measurement Technology and Automatic Instrumentation in 1984 and from the then Northern Jiaotong University (currently known as Beijing Jiaotong University) with a master’s degree in Railway Traction Electrification and Automation in 1994.

Mr. Yang has entered into an executive Director service contract with the Company for a term commencing from 12 July 2018 until the conclusion of the AGM. Mr. Yang will retire and offer for re-election at the AGM. Upon re-election as an executive Director at the AGM, the subsisting executive Director service contract shall remain valid, and his term of office will be ended on the date on which the next session of the Board are elected at the general meeting of the Company for the year 2019 expected to be held in 2020 or for such shorter period as may be decided at the AGM until determined by either party giving three months’ prior written notice. Mr. Yang has waived his entitlement to receive a director’s fee as an executive Director of the Company since 12 July 2018.

APPENDIX II BIOGRAPHICAL DETAILS OF THE PROPOSED DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTOR

Gao Feng

Gao Feng, aged 42, an independent non-executive director and also a member of the strategy committee and the audit committee of the Company. Mr. Gao is professorate senior engineer. Mr. Gao graduated from the Department of Electrical Engineering and Applied Electronic Technology of Tsinghua University with a bachelor's degree and a master's degree in Engineering in July 2000 and July 2003, respectively. He also obtained a doctor's degree in Electrical Engineering from University of Washington in the United States of America in June 2008. Mr. Gao served as a senior researcher at the sustainable energy and electrical grid laboratory at Technical University of Berlin in Germany from January 2008 to April 2010. Between April 2010 to April 2015, he has been a senior researcher, chief scientist in smart energy of IBM China Research Institute and the vice chairman of IBM Global Smart Energy Professional Group. Since April 2015, Mr. Gao has served as the vice president of the Energy Internet Research Institute of Tsinghua University and is responsible for the daily administration. Since June 2015, Mr. Gao has been a director of Beijing Tsingsoft Technology Co., Ltd.* (北京清軟創新科技股份有限公司), a company (stock code: 833852) whose shares are traded on New OTC Market in China.

Mr. Gao has entered into an independent non-executive Director service contract with the Company for a term commencing from 17 August 2018 until the conclusion of the AGM. Mr. Gao will retire and offer for re-election at the AGM. Upon re-election as an independent non-executive Director at the AGM, the subsisting independent non-executive Director service contract shall remain valid, and his term of office will be ended on the date on which the next session of the Board are elected at the general meeting of the Company for the year 2019 expected to be held in 2020 or for such shorter period as may be decided at the AGM until determined by either party giving three months' prior written notice.

Save for the information set out in this Appendix, there is no other matter that needs to be brought to the attention of the Shareholders or other information that should be disclosed under Rule 13.51(2) of the Listing Rules.



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 ANNUAL GENERAL MEETING FOR YEAR 2018

NOTICE IS HEREBY GIVEN that the annual general meeting (the “AGM”) of Zhuzhou CRRC Times Electric Co., Ltd. (the “Company”) for year 2018 will be held at Shangri-La Hotel, Nanchang, No.699, Cui Lin Road, Honggutan New District, Nanchang, Jiangxi Province, the People’s Republic of China (the “PRC”) on Thursday, 20 June 2019 at 9:00 a.m. for the following purposes:

As Ordinary Resolutions

1. To consider and approve the report of the board of directors (the “Directors”) of the Company (the “Board”) for the year ended 31 December 2018.
2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2018.
3. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018 and the auditors’ report thereon.
4. To consider and approve the profits distribution plan of the Company for the year ended 31 December 2018 and declare a final dividend for the year ended 31 December 2018.
5. To consider and approve the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP, as the auditors of the Company until the conclusion of the next annual general meeting of the Company and to authorise the Board to fix the auditor’s remuneration.
6. To consider and approve the following:

“**THAT** the 2020-2022 CRRC Group Mutual Supply Agreement dated 26 March 2019 entered into between CRRC Group and the Company (the details of which are set out in the circular dated 30 April 2019 despatched by the Company to its shareholders), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose, the New CRRC Group Caps and the transactions contemplated thereunder be and are hereby approved and that the directors of the Company be and are hereby authorised to take any step as they consider necessary, desirable or expedient in connection therewith.”
7. To consider and approve the re-election of Mr. Yang Shouyi as an executive Director and his emolument.
8. To consider and approve the re-election of Mr. Gao Feng as an independent non-executive Director and his emolument.

As Special Resolution

9. To consider and approve the grant to the Board a general mandate to allot, issue and deal with additional domestic shares (the “**Domestic Shares**”) and/or H shares (the “**H Shares**”, together with the Domestic Shares, the “**Shares**”) of the Company subject to the following conditions:
- (a) subject to paragraphs (c) to (e) below, the Board be and is hereby authorised to exercise, whether by a single exercise or otherwise, all the powers of the Company to allot, issue and deal with additional Domestic Shares and/or H Shares during the Relevant Period (as defined in paragraph (g) below);
 - (b) the authority granted under paragraph (a) above shall authorise the Board to make an offer or agreement or grant an option during the Relevant Period which would or might require Shares to be allotted and issued either during or after the end of the Relevant Period;
 - (c) the aggregate number of Domestic Shares and/or H Shares allotted or agreed to be allotted (whether pursuant to an option or otherwise) by the Board pursuant to the authority granted under paragraphs (a) and (b) above shall not exceed 20% of the total number of Domestic Shares and H Shares respectively in issue at the date of passing of this special resolution;
 - (d) the Board shall only exercise the authority granted under paragraphs (a) and (b) above in accordance with the Articles of Association of the Company (the “**Articles**”), the Company Law of the People’s Republic of China and the Listing Rules and all other applicable laws, rules, regulations and requirements of relevant governmental and/or regulatory authorities;
 - (e) authority granted under paragraphs (a) and (b) above shall be conditional upon the approval of the China Securities Regulatory Commission and/or any other governmental or regulatory authorities as required by the laws, rules and regulations of the PRC being obtained by the Company;
 - (f) subject to paragraph (e) above, the Board be and is hereby authorised to:
 - (i) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary or appropriate in connection with the issue of such new Shares; and
 - (ii) increase the registered capital of the Company pursuant to the issue of such new Shares and make such corresponding amendments to the Articles as it thinks fit so as to reflect the new capital structure of the Company; and

- (g) for the purpose of this special resolution, “**Relevant Period**” means the period from the passing of this special resolution until the earliest of:
- (i) the expiration of a period of twelve months following the passing of this special resolution;
 - (ii) the conclusion of the next annual general meeting following the passing of this special resolution; and
 - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting.

By Order of the Board
Li Donglin
Chairman

Zhuzhou, the PRC, 30 April 2019

Notes:

1. All times stated in this notice refer to Hong Kong time.
2. The votes at the AGM 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 AGM, 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 entitlement to attend and vote at the AGM, the register of members of the Company will be temporarily closed from Tuesday, 21 May 2019 to Thursday, 20 June 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the AGM, 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 Domestic 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 Monday, 20 May 2019.
5. In order to determine shareholders’ entitlements to the final dividend, the register of members of the Company will be temporarily closed from Wednesday, 26 June 2019 to Monday, 1 July 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to the final dividend, 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 Domestic 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, 25 June 2019.
6. Holders of the H Shares and the Domestic Shares whose names appear on the register of members of the Company at the close of business on Monday, 20 May 2019 are entitled to attend and vote at the AGM and may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.
7. 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 Domestic Shares, the registered office address of the Company, not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof.

8. Shareholders who intend to attend the AGM in person or by proxy should complete and return the attached reply slip by hand or by post, for holders of the H Shares, to the principal place of business of the Company in Hong Kong or, for holders of the Domestic Shares, to the registered office address of the Company, on or before Friday, 31 May 2019.
9. The address of the H Share registrar of the Company is as follows:
- Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
10. 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
11. The principal place of business of the Company in Hong Kong is as follows:
- Unit 1106, 11th Floor Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong
Tel: (852) 2189 7268
12. The AGM is expected to take half a day. Shareholders or their proxies attending the AGM 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 AGM.

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 Yang Shouyi, our other executive Directors are Liu Ke'an and Yan Wu, our non-executive Director is Zhang Xinning, and our independent non-executive Directors are Chan Kam Wing, Clement, Pao Ping Wing, Liu Chunru, Chen Xiaoming and Gao Feng.