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中国铁建

CRCC High-Tech Equipment Corporation Limited

中國鐵建高新裝備股份有限公司

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

(Stock code: 1786)

**CONTINUING CONNECTED TRANSACTIONS;
PROPOSED ADOPTION OF THE ADMINISTRATIVE RULES OF EXTERNAL
GUARANTEE;
PROPOSED ADOPTION OF THE REMUNERATION POLICY OF DIRECTORS AND
SUPERVISORS;
PROPOSED APPOINTMENT OF AUDITORS; AND
PROPOSED DISTRIBUTION OF FINAL DIVIDEND**

**Independent Financial Adviser to the Independent Board Committee and the Independent
Shareholders in respect of the Continuing Connected Transactions**



大有融資有限公司
MESSIS CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 30 of this circular. A letter from the Independent Board Committee in respect of: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits is set out on pages 31 to 32 of this circular. A letter from Messis Capital Limited, the Independent Financial Adviser, in respect of the same to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 56 of this circular.

The AGM will be held at the office building of the Company at No. 384, Yangfangwang, Jinma Town, Kunming City, Yunnan Province, the PRC at 9:00 a.m. on Tuesday, 21 June 2016. Please refer to the notice of the AGM dated 5 May 2016 published on the Stock Exchange's website and the Company's website.

25 May 2016

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DEFINITIONS

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

“AGM”	the annual general meeting to be held by the Company at the office building of the Company at No. 384, Yangfangwang, Jinma Town, Kunming City, Yunnan Province, the PRC at 9:00 a.m. on Tuesday, 21 June 2016
“Board”	the board of Directors of our Company
“CBRC”	China Banking Regulatory Committee (中國銀行業監督管理委員會)
“China” or “PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“China Civil Engineering Construction”	China Civil Engineering Construction Ltd. (中國土木工程集團有限公司), a limited liability company incorporated in the PRC, a wholly-owned subsidiary of CRCC, our Shareholder and a connected person of our Company
“China Railway Construction Investment Group”	China Railway Construction Investment Group Co., Ltd. (中國鐵建投資集團有限公司), a limited liability company incorporated in the PRC, a wholly-owned subsidiary of CRCC, our Shareholder and a connected person of our Company
“Company”	CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares are listed on the Main Board of the Stock Exchange
“CRC”	China Railway Corporation (中國鐵路總公司), a wholly state-owned enterprise established in the PRC and an Independent Third Party

DEFINITIONS

“CRCC”	China Railway Construction Corporation Limited (中國鐵建股份有限公司), a joint stock limited company incorporated in the PRC and our controlling Shareholder. Its H shares are listed on the Main Board of the Stock Exchange (stock code: 01186) and its A shares are listed on the Shanghai Stock Exchange (stock code: 601186)
“CRCC China-Africa Company”	CRCC China-Africa Construction Limited (中鐵建中非建設有限公司), a limited liability company incorporated in the PRC, a wholly-owned subsidiary of CRCC, our Shareholder and a connected person of our Company
“CRCC Finance”	CRCC Finance Company Limited (中國鐵建財務有限公司), a limited liability company incorporated in the PRC, a subsidiary of CRCC and a connected person of our Company
“CRCC Group”	CRCC and its subsidiaries (excluding our Group)
“CRCC International Group”	CRCC International Group Co., Ltd. (中國鐵建國際集團有限公司), a limited liability company incorporated in the PRC, a wholly-owned subsidiary of CRCC, our Shareholder and a connected person of our Company
“Director(s)”	director(s) of our Company
“Domestic Share(s)”	ordinary shares in the share capital of the Company, with nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Financial Services Framework Agreement”	a financial services framework agreement entered into between the Company and CRCC Finance on 30 March 2016 to renew the Previous Financial Services Framework Agreement, pursuant to which CRCC Finance agrees to provide deposit services to the Group for the term commencing from the date of AGM and ending on 31 December 2018
“Group”	our Company and its subsidiaries

DEFINITIONS

“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of Directors consisting of Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing, who are independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits
“Independent Financial Adviser”	Messis Capital Limited, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits
“Independent Shareholders”	the Shareholders other than CRCC and its four wholly-owned subsidiaries, namely China Railway Construction Investment Group, CRCC International Group, China Civil Engineering Construction and CRCC China-Africa Company who will abstain from voting on the resolutions at the AGM with respect to: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits

DEFINITIONS

“Independent Third Party”	the party not connected with the Company and its connected persons (as defined in the Listing Rules) as far as the Directors are aware after having made all reasonable enquires
“Large Maintenance Machinery and Accessories Sales Framework Agreement”	a large maintenance machinery and accessories sales framework agreement entered into between the Company and CRCC on 23 November 2015, pursuant to which our Group agreed to: (i) sell various kinds of large railway track maintenance machines; and (ii) provide other related or ancillary products and services, mainly including sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates
“Latest Practicable Date”	19 May 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing”	listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	16 December 2015, the date on which the H Shares are listed and from which dealings are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“One Belt, One Road”	the initiative related to the “New Silk Road Economic Belt” and “Maritime Silk Road of the 21st Century” which was initially proposed by Mr. Xi Jinping, the President of the PRC, in September 2014 and was formally proposed by National Development and Reform Commission of the PRC, Ministry of Foreign Affairs of the PRC and Ministry of Commerce of the PRC on 28 March 2015
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“Previous Financial Services Framework Agreement”	a financial services framework agreement entered into between the Company and CRCC Finance on 23 November 2015, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from the Listing Date and ending on the date of AGM
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares in the capital of the Company with nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“%”	percent

LETTER FROM THE BOARD



中国铁建

CRCC High-Tech Equipment Corporation Limited

中國鐵建高新裝備股份有限公司

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

(Stock code: 1786)

Executive Directors:

Mr. Ren Yanjun (*Chairman*)

Mr. Ma Yunkun

Mr. Jiang He

Mr. Yu Yuanlin

Non-executive Directors:

Mr. Li Xuefu

Mr. Wu Zhixu

Independent non-executive Directors:

Mr. Sun Linfu

Mr. Yu Jiahe

Mr. Wong Hin Wing

***Registered office and principal
place of business in the PRC:***

No. 384, Yangfangwang

Jinma Town

Kunming City

Yunnan Province

PRC

***Principal place of business in Hong
Kong:***

23/F, Railway Plaza

39 Chatham Road South

Tsim Sha Tsui

Kowloon

Hong Kong

25 May 2016

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS;
PROPOSED ADOPTION OF THE ADMINISTRATIVE RULES OF EXTERNAL
GUARANTEE;
PROPOSED ADOPTION OF THE REMUNERATION POLICY OF DIRECTORS AND
SUPERVISORS;
PROPOSED APPOINTMENT OF AUDITORS;
AND
PROPOSED DISTRIBUTION OF FINAL DIVIDEND**

I. INTRODUCTION

The purpose of this circular is, among other things, to provide you with more information in respect of: (i) continuing connected transactions in relation to (a) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery

LETTER FROM THE BOARD

and Accessories Sales Framework Agreement and (b) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits; (ii) the proposed adoption of the Administrative Rules of External Guarantee; (iii) the proposed adoption of the Remuneration Policy of Directors and Supervisors; (iv) the proposed appointment of auditors; and (v) the proposed distribution of final dividend, to enable you to make an informed decision on whether to vote in favour of or against the relevant resolutions at the AGM.

II. CONTINUING CONNECTED TRANSACTIONS

A. Revision to the Annual Caps for the Transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement

1. Background

Reference is made to the prospectus of the Company dated 3 December 2015 and the announcement of the Company dated 30 March 2016 in relation to, among other things, the Large Maintenance Machinery and Accessories Sales Framework Agreement.

On 23 November 2015, the Company entered into the Large Maintenance Machinery and Accessories Sales Framework Agreement with CRCC for the term commencing from the Listing Date and ending on 31 December 2017, pursuant to which our Group agreed to: (i) sell various kinds of large railway track maintenance machines; and (ii) provide other related or ancillary products and services, mainly including sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates.

The existing annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement were RMB179.1 million and RMB220.6 million, respectively. Based on internal estimation, the Board is of the view that such existing annual caps will not be sufficient for the Group's current requirements. Therefore, the Board proposes to revise the annual caps for the two years ending 31 December 2017 to RMB1,000 million and RMB1,100 million, respectively. Other than the above change, all existing terms and conditions of the Large Maintenance Machinery and Accessories Sales Framework Agreement have remained unchanged.

LETTER FROM THE BOARD

2. Large Maintenance Machinery and Accessories Sales Framework Agreement

Details of the Large Maintenance Machinery and Accessories Sales Framework Agreement are as follows:

- Date:*** 23 November 2015
- Parties:*** Our Company (as the supplier of products and services); and CRCC (as the purchaser of products and services).
- Nature of transactions:*** Our Group agreed to: (i) sell various kinds of large railway track maintenance machines comprising all products of our Group, which are categorized into seven major series based on functions, namely, tamping machine series, stabilization machine series, ballast cleaning machine series, ballast regulator series, materials logistics machine series, rail processing machine series and other machinery; and (ii) provide other related or ancillary products and services, mainly including the sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates.
- Term:*** The term of the Large Maintenance Machinery and Accessories Sales Framework Agreement commenced on the Listing Date and will end on 31 December 2017, subject to early termination by either party giving at least three months' prior written notice to the other party.
- Parties can extend or renew such terms by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.
- Conditions precedent:*** The transactions contemplated under the Large Maintenance Machinery and Accessories Sales Framework Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

On 1 December 2015, the Stock Exchange has granted a conditional waiver to our Company from strict compliance with the announcement and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules for such non-exempt continuing connected transactions, subject to the sponsor of the Company in connection with its Listing and the Directors, including the independent non-executive Directors, confirming that in their views: (i) the transactions have been and shall be entered into in the ordinary and usual course of business of the Company, on normal commercial terms or better that are fair and reasonable and in the interests of the Company's Shareholders as a whole; and (ii) the proposed annual caps for the transactions are fair and reasonable and in the interests of the Company's Shareholders as a whole.

The revision to the annual caps for the two years ending 31 December 2017 for the transactions under such agreement is conditional upon the relevant resolution being approved by the Independent Shareholders at the AGM.

Pricing policy:

In line with the general pricing policy of fairness and reasonableness set out in the Large Maintenance Machinery and Accessories Sales Framework Agreement, the prices for products and services under such agreement shall be determined based on the following pricing principles:

- (i) where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices at which the same type of products and services provided by us to an Independent Third Party customer on normal commercial terms;

LETTER FROM THE BOARD

- (ii) where there are no market prices for the relevant products which are applicable to new types of large railway track maintenance machines to be tailor-made for the specifications required by the CRCC Group for its specific business needs, the price shall be determined according to the price to be agreed between the parties; the agreed price will be calculated based on the actual costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance, incurred in providing such products plus reasonable profits; we will charge a mark-up rate, taking into consideration of the specific types of products, for the transactions on a cost-plus basis. Such mark-up rate charged to the CRCC Group is not lower than 15% for all cases, which is the same mark-up rate charged to an Independent Third Party customer. The Board is of the view that such mark-up rate is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

***Internal control procedures
for pricing policy:***

In order to ensure that the sales of large railway track maintenance machinery and accessories and the provision of other related or ancillary products and services from our Group to the CRCC Group will not be prejudicial to the interests of our Company and our minority Shareholders, our Company adopts the following measures in negotiating the prices and terms of the transactions to be carried out under the Large Maintenance Machinery and Accessories Sales Framework Agreement:

- (i) the prices will generally be agreed following arm's length negotiation between the parties with reference to the prevailing market prices;

A large portion of our purchase orders is won through public tenders with our largest customer group (i.e. CRC and its affiliated enterprises), local railway operators and railway construction companies (including the CRCC Group).

LETTER FROM THE BOARD

In order to determine the prevailing market prices, we will make reference to the prices we offer to at least two Independent Third Party customers for the same or similar products or services; we will also primarily take into account the following factors to determine the market prices, to ensure that the prices will be no less favorable to our Company than those of the same type of products and services we provide to the Independent Third Party customers:

- (a) in respect of large railway track maintenance machines, we take into account our costs and market condition to determine the prices of our products. We adjust our prices with reference to various factors, such as the prevailing market condition, market prospect and competition;
 - (b) in respect of parts and components, we determine the prices of our parts and components primarily based on the cost, and adjust our prices with reference to market conditions, logistic requirements, expected profit margins and safety of rails operations;
 - (c) in respect of railway line maintenance services, we primarily take into account our costs, timeline, operation quality requirements and operation environment (such as the climate and topographical requirements) to determine the prices of our services;
 - (d) in respect of overhaul services, we determine our prices primarily based on the condition of the machines to be overhauled;
- (ii) in respect of the principle of the cost plus a reasonable profit margin, we will take into account all relevant factors in determining the underlying costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance; and

LETTER FROM THE BOARD

(iii) in the unlikely event that no comparable market prices can be taken which are applicable to new types of large railway track maintenance machines to be tailor-made for the specifications required by the CRCC Group for its specific business needs, experts in our Group with sufficient industry experience could opine on the fairness and reasonableness of the prices to ensure that the prices would be fair and reasonable to our Company and no less favourable to our Company than the prices our Group offers to the Independent Third Party customers. Such experts in our Group are the overall project consultant of our research center with senior engineer certificate, head of our cost management department with the qualification of certified public accountant, head of our procurement center and head of our marketing department. These experts have adopted a comprehensive evaluation model to determine the prices with reference to the historical transaction prices of the most similar types of machines and also take into account other factors, which include technical specifications, actual costs, payment terms, product quality and geographical areas where we provide products, etc. The prices of such new types of large railway track maintenance machines will be submitted to our general manager for approval.

Payment term:

The actual settlement price and the method of payment shall be determined based on the principles, instructions, conditions and terms of the Large Maintenance Machinery and Accessories Sales Framework Agreement and set out in the specific agreements or order forms to be entered into by the parties.

The payment terms will be on market terms which are no less favourable than those available to Independent Third Parties.

LETTER FROM THE BOARD

Other major terms:

To implement the transactions contemplated under the Large Maintenance Machinery and Accessories Sales Framework Agreement, the parties will enter into specific agreements or order forms which specify and record the specific terms (such as the types of large maintenance machinery and accessories, the prices and the payment and delivery terms) and operative provisions of those transactions to be determined in accordance with the terms under the Large Maintenance Machinery and Accessories Sales Framework Agreement.

3. Historical figures

The aggregate amounts of transactions with respect to the sales of large railway track maintenance machinery and accessories, as well as the provision of other related or ancillary products and services by our Group to CRCC and its associates for the three years ended 31 December 2015 were approximately RMB47.8 million, RMB78.0 million and RMB73.3 million, respectively.

The aggregate amounts of transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement for the two years ended 31 December 2015 increased significantly as compared with that for the year ended 31 December 2013. Such increase was mainly attributable to the significant increase in the sales of our large railway track maintenance machines which were used in overseas railway construction projects undertaken by CRCC and/or its associates in 2014 and 2015.

LETTER FROM THE BOARD

4. Proposed revised annual caps

The existing annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement are RMB179.1 million and RMB220.6 million, respectively. Based on internal estimation, the Board is of the view that such existing annual caps will not be sufficient for the Group's current requirements. Therefore, the Board proposes to revise the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement as follows:

	12 months ending 31 December 2016	12 months ending 31 December 2017
	<i>(RMB million)</i>	<i>(RMB million)</i>
Sales:		
<i>Amounts payable to our Group by CRCC and its associates with respect to the sales of large railway track maintenance machinery and accessories and the provision of other related or ancillary products and services</i>	1,000	1,100

5. Basis of proposed revised annual caps

In arriving at the above proposed revised annual caps, our Company has considered the following factors:

- (i) the historical transaction amounts incurred between our Group and the CRCC Group for the three years ended 31 December 2015 as set out above;
- (ii) in February 2016, CRCC formulated its procurement plan of fixed assets for CRCC and its subsidiaries (including the Company), which indicated its existing demand on the Company's large railway track maintenance machines for the year of 2016 and is still subject to growth when CRCC enters into new contracts or wins more bids which in turn requires more large railway track maintenance machines from the Company in 2016. Pursuant to such procurement plan, the existing demands from the CRCC Group on the Company's large railway track maintenance machines amounted to approximately RMB230 million, which had already exceeded the existing annual cap of RMB179.1 million for the year ending 31 December 2016;

LETTER FROM THE BOARD

- (iii) according to the major operating results of CRCC for the first quarter of 2016, the aggregated value of newly-signed contracts in respect of CRCC's railway business has increased significantly by approximately 45.94% as compared to that of the same period in 2015. As a result, the demands from the CRCC Group on the Company's large railway track maintenance machines as well as parts and components, railway line maintenance services and overhaul services are expected to increase significantly in light of such newly-signed contracts;
- (iv) our products and services to the CRCC Group under the Large Maintenance Machinery and Accessories Sales Framework Agreement are classified into two categories based on geographical locations of projects, namely, (x) our sales of large railway track maintenance machines as well as parts and components, provision of railway line maintenance services and provision of overhaul services to the CRCC Group that will be used in its domestic projects; and (y) our sales of large railway track maintenance machines as well as parts and components and provision of railway line maintenance services to the CRCC Group that will be used in its overseas railway construction projects. We sell a wide range of products, including large railway track maintenance machines of various technical specifications (such as different gauges, axle loads, etc.) and price ranges, in order to cater to the varied speed, climate, topographical and logistics requirements of the railway industry. Details are set out as follows:
- (a) domestic projects of the CRCC Group: our sales of large railway track maintenance machines as well as parts and components, provision of railway line maintenance services and provision of overhaul services to the CRCC Group that will be used in its domestic projects are expected to reach approximately RMB400 million in aggregate for the year ending 31 December 2016:
- (1) in accordance with CRCC's procurement plan for large railway track maintenance machines in 2016 and the contracts that were entered into between our Group and the CRCC Group, our sales of large railway track maintenance machines as well as parts and components to the CRCC Group that will be used in its domestic projects are expected to increase significantly for the year ending 31 December 2016;
- (2) in order to obtain the specific demands from CRCC, the marketing department of the Company conducted a thorough market research with CRCC and its subsidiaries in March 2016. According to the results of such market research, the CRCC Group has already intended to purchase large railway track maintenance machines as well as parts and components, and

LETTER FROM THE BOARD

require provision of overhaul services from the Company which will be used in their domestic projects with an amount of approximately RMB233 million and RMB20 million, respectively;

- (3) according to the regulations enacted by National Railway Administration of the PRC and relevant competent authorities, the large railway track maintenance machinery would be due for overhaul after being used for 10 to 13 years, or achieving certain level of workload; as such, the CRCC Group's demand for our overhaul services is expected to increase in the two years ending 31 December 2017 as more railway track maintenance machines supplied to the CRCC Group are expected to be due for overhaul; and
 - (4) taking into account macro-economic conditions, such as the "One Belt, One Road" initiative adopted by the PRC government, we are expected to maintain a steady growth in such sales of large railway track maintenance machines as well as parts and components and provision of overhaul services to the CRCC Group for the year ending 31 December 2017;
- (b) *overseas railway construction projects of the CRCC Group*: our sales of large railway track maintenance machines as well as parts and components and provision of railway line maintenance services to the CRCC Group that will be used in its overseas railway construction projects are expected to reach approximately RMB600 million in aggregate for the year ending 31 December 2016:
- (1) as disclosed in the announcement of CRCC on its annual results for the year ended 31 December 2015, the PRC government is vigorously implementing the "venturing abroad" strategy in the railway industry and CRCC is implementing its overseas development strategies, which in turn leads to a significant increase in the demands on the Company's products and services under the Large Maintenance Machinery and Accessories Sales Framework Agreement in respect of the overseas projects;
 - (2) we have recently participated in certain overseas railway construction projects undertaken or to be undertaken by the CRCC Group, which call for a significant increase in our supply of large railway track maintenance machines as well as parts and components and provision of railway line maintenance services for the year ending 31 December 2016;

LETTER FROM THE BOARD

- (3) in recent years, CRCC has undertaken more and more overseas railway construction projects, which in turn leads to a significant increase in the demands on the Company's products and services under the Large Maintenance Machinery and Accessories Sales Framework Agreement in respect of the overseas projects. For example, as announced by CRCC on 25 December 2015, a subsidiary of CRCC entered into the Dakar to Bamako Railway Repair and Reconstruction Project (Section Senegal) Contract with the National Railway Administration of Senegal with a contract value of approximately US\$1,256.97 million. As announced by CRCC on 28 December 2015, a subsidiary of CRCC entered into the Dakar to Bamako Railway Repair and Reconstruction Project (Section Mali) Framework Agreement with the National Trucking and Shipping Bureau of the Republic of Mali with an agreement value of approximately US\$1,468.81 million;
- (4) in respect of CRCC's projects (especially overseas railway construction projects), the tendering and procurement of large railway track maintenance machines are not conducted simultaneously with those of the construction projects. In practice, CRCC is not able to determine the relative specific procurement plan of railway track maintenance machines immediately after winning a bid of construction project, which means that there is usually a lag time between winning a bid of construction project and determining its procurement plan of railway track maintenance machines and then entering into related contracts correspondingly with the Company. For example, as announced by CRCC on 21 November 2014, a subsidiary of CRCC entered into a business contract on the Nigeria Coastal Railway Project with the Federal Ministry of Transport of Nigeria with a contract value of approximately USD11.97 billion. It is expected that CRCC will purchase large railway track maintenance machines from the Company for such Nigeria coastal railway project in 2016; and
- (5) taking into account macro-economic conditions, such as the "One Belt, One Road" initiative adopted by the PRC government, the overseas development strategies of the CRCC Group as well as the enhanced international recognition of the brands under our Company, we are expected to maintain a steady growth in such sales of large railway track maintenance machines as well as parts and components and provision of railway line maintenance services to the CRCC Group for the year ending 31 December 2017.

LETTER FROM THE BOARD

The Company will ensure that the existing annual cap for the year ending 31 December 2016 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement will not be exceeded before obtaining the Independent Shareholders' approval as required under Chapter 14A of the Listing Rules.

6. Reasons for and benefits of the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement

In the ordinary and usual course of our business, our Group sells large railway track maintenance machinery and accessories and provides other related or ancillary services to CRCC and/or its associates. The Board is of the view that such transactions are beneficial to our Group for the following reasons:

- (i) in accordance with the relevant regulations of competent authorities for all constructions of new railway lines, railway line maintenance (such as tamping, formation and rehabilitation) must be conducted before the inspection and acceptance of such railway lines; CRCC and/or its associates, which are primarily engaged in the railway construction operations, require such products for carrying out railway track maintenance work before the inspection and acceptance of the new railway lines they have constructed;
- (ii) our Company and CRCC and/or its associates have established a long-term relationship, and understand respective planning of operations, quality control as well as certain specific requirements of both parties; and
- (iii) the prices and terms for the sales of large railway track maintenance machinery and accessories and the provision of other related or ancillary services by us to CRCC and/or its associates would be no less favourable to our Company than those we offer to any Independent Third Party.

The Board (including the independent non-executive Directors, whose opinion is formed after taking into account the advice provided by the Independent Financial Adviser) is of the view that: (i) the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed revised annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

None of the Directors has material interest in the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement and therefore, no Director has abstained from voting on such Board resolution.

7. Internal control procedures for the implementation of the Large Maintenance Machinery and Accessories Sales Framework Agreement

Our Company has adopted the following internal control measures to ensure that the terms of the Large Maintenance Machinery and Accessories Sales Framework Agreement are fair and reasonable and such transactions are on normal commercial terms:

- (i) our Company has adopted and implemented a management system on connected transactions. Under the relevant system, our finance department is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the Large Maintenance Machinery and Accessories Sales Framework Agreement. In addition, the finance department, marketing department, international department, legal affairs department and other relevant operation departments of our Company are jointly responsible for evaluating the transaction terms under such agreement, in particular, the fairness of the pricing terms under such agreement;
- (ii) the independent non-executive Directors have also reviewed and will continue to review the continuing connected transactions to ensure that the transactions have been entered into on normal commercial terms and according to the Large Maintenance Machinery and Accessories Sales Framework Agreement governing them on terms that are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and provide confirmation in our annual report; and
- (iii) the auditor of our Company will also conduct an annual review on the pricing policies and annual caps of such agreement, and provide confirmation in our annual report.

B. Renewal of the Previous Financial Services Framework Agreement

1. Background

Reference is made to the prospectus of the Company dated 3 December 2015 and the announcement of the Company dated 30 March 2016 in relation to, among other things, the Financial Services Framework Agreement.

LETTER FROM THE BOARD

On 23 November 2015, the Company entered into the Previous Financial Services Framework Agreement with CRCC Finance, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from the Listing Date and ending on the date of AGM.

On 30 March 2016, the Company entered into the Financial Services Framework Agreement with CRCC Finance to renew the Previous Financial Services Framework Agreement, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from the date of AGM and ending on 31 December 2018. Other than the above change, all existing terms and conditions of the Previous Financial Services Framework Agreement have remained unchanged.

2. Financial Services Framework Agreement

Details of the Financial Services Framework Agreement are as follows:

Date: 30 March 2016

Parties: Our Company (as the service recipient); and
CRCC Finance (as the service provider).

Nature of transactions: CRCC Finance agreed to provide deposit services to the Group.

Term: The term of the Financial Services Framework Agreement will commence upon the conclusion of the AGM and expire on 31 December 2018, subject to early termination by either party giving at least three months' prior written notice to the other party.

Parties can extend or renew such terms by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

Conditions precedent: The Financial Services Framework Agreement is conditional upon the resolution regarding the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits being approved by the Independent Shareholders at the AGM.

LETTER FROM THE BOARD

Pricing policy:

Pursuant to the Financial Services Framework Agreement, CRCC Finance shall accept deposits from our Group at interest rates not lower, and thus no less favourable to our Group, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature.

Other major terms:

Our Group and CRCC Finance will enter into specific agreement to set out specific terms with respect to the financial services contemplated under the Financial Services Framework Agreement in accordance with the aforementioned principle terms thereunder.

3. Historical figures

The historical maximum daily balance of the deposits (including accrued interest) placed by our Group with CRCC Finance for each of the three years ended 31 December 2015 was approximately RMB1,711.0 million, RMB1,406.7 million and RMB470.4 million, respectively.

The historical maximum daily balance of the deposits (including accrued interest) placed by our Group with CRCC Finance for the year ended 31 December 2015 decreased significantly as compared with that for each of the two years ended 31 December 2014. Such decrease was mainly attributable to the following reasons: (i) prior to the Listing of our Company, which was a spin-off of our Group from CRCC by way of a separate Listing on the Stock Exchange, our Company was requested to satisfy the needs for centralized capital management with CRCC and place a proportion of our deposits with CRCC Finance, which resulted in a high level of historical maximum daily balance of the deposits in 2013 and 2014; (ii) our largest customer group, namely CRC and its affiliated enterprises, typically settled the payments for its purchase orders collectively at the end of the year or at the beginning of the year, which also resulted in a high level of historical maximum daily balance of the deposits in 2013 and 2014; and (iii) in order to ensure that the historical maximum daily balance of the deposits in 2015 did not exceed the existing cap under such agreement, our Company placed deposits with more independent commercial banks in 2015.

LETTER FROM THE BOARD

4. Proposed maximum daily balance of the deposits

The proposed maximum daily balance of the deposits (including accrued interest) to be placed by our Group with CRCC Finance for the period from the date of AGM to 31 December 2016 and the two years ending 31 December 2018 are as follows:

	From the date of AGM to 31 December 2016	12 months ending 31 December 2017	12 months ending 31 December 2018
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
<i>Maximum daily balance of the deposits to be placed by our Group with CRCC Finance</i>	1,200	1,200	1,200

5. Basis of proposed maximum daily balance of the deposits

In arriving at the above proposed maximum daily balance of the deposits, our Company has considered the following factors:

- (i) the cash and bank balances and pledged deposits of the Group prepared in accordance with International Financial Reporting Standards, amounted to approximately RMB1,972.3 million as at 31 December 2015, which increased significantly as compared to approximately RMB486.9 million as at 31 December 2014;
- (ii) taking into account macro-economic conditions, such as the “One Belt, One Road” initiative adopted by the PRC government, the development and overseas expansion of the PRC railway industry, we are expected to maintain a steady growth in revenue from manufacturing and sales of large railway track maintenance machines as well as sales of parts and components and revenue from provision of overhaul services and railway line maintenance services, which leads to a steady growth in our cash flow and deposits for the three years ending 31 December 2018; and
- (iii) the historical maximum daily balance of the deposits (including accrued interest) placed by our Group with CRCC Finance for each of the three years ended 31 December 2015 as set out above was approximately RMB1,711.0 million, RMB1,406.7 million and RMB470.4 million, respectively, and the average number for such historical amounts is approximately RMB1,196.0 million.

LETTER FROM THE BOARD

6. Reasons for and benefits of the transactions under the Financial Services Framework Agreement

Our Group is expected to benefit from CRCC Finance's familiarity of our industry and our Group's operations. Through years of cooperation, CRCC Finance has become familiar with our Group's capital structure, business operations, funding needs, cash flow pattern, cash management and our overall financial management system, which may enable CRCC Finance to render more expedient, efficient and flexible deposit services to our Group than other commercial banks and independent financial institutions in the PRC. The terms of the Financial Services Framework Agreement were negotiated on an arm's length basis and in the ordinary and usual course of business of our Group.

With respect to deposits placed by our Group with CRCC Finance, our Group will be able to receive interest at rates not lower, and thus no less favourable to our Group, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature.

For the avoidance of doubt, our Group is not prohibited or restricted in any way to use deposit services provided by other commercial banks or independent financial institutions in the open market, and we retain discretion to make our selection according to business needs as well as the fees and quality of such deposit services. Our Group may (but is not obliged to) utilize the deposit services provided by CRCC Finance so as to deploy and manage our financial resources flexibly and efficiently.

The Board (including the independent non-executive Directors, whose opinion is formed after taking into account the advice provided by the Independent Financial Adviser) is of the view that: (i) the transactions under the Financial Services Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed maximum daily balance of the deposits to be placed under the Financial Services Framework Agreement for the period from the date of AGM to 31 December 2016 and the two years ending 31 December 2018 are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

None of the Directors has material interest in the transactions under the Financial Services Framework Agreement and therefore, no Director has abstained from voting on such Board resolution.

LETTER FROM THE BOARD

7. Internal control measures to ensure safety of the funds of our Group deposited with CRCC Finance

Our Company has adopted the following monitoring and internal control measures to ensure that the terms of the Financial Services Framework Agreement are fair and reasonable and such transactions are on normal commercial terms:

- (i) before our Company or any of our subsidiaries enters into any deposit services with CRCC Finance, our Group will obtain quotes from other independent financial institutions for similar deposit services for the same duration; such quotes, together with the offer from CRCC Finance, will be reviewed and the offer from CRCC Finance has to pass our internal approval process before it can be accepted;
- (ii) CRCC Finance shall set up and maintain, or procure the setting up and maintenance of, a secured and stable on-line system through which the relevant subsidiary of our Company, which deposits money with them, can view the balance of such deposits at any time on any day;
- (iii) CRCC Finance shall, in taking the deposits from our Group, not affect the normal use of the deposits by our Group; CRCC Finance shall ensure that their deployment of the funds will not inhibit or restrict the ability of our Group from utilizing our deposits, and if the funding needs of our Group do not exceed the total deposits placed by our Group with CRCC Finance, CRCC Finance shall ensure that there will be sufficient funds for our Group's timely withdrawal to meet the funding needs of our Group;
- (iv) CRCC Finance shall facilitate any annual inspection by our Group of the management of the deposits placed by our Group with CRCC Finance, including inspection of records of fund flows, interest rates and payments provided to our deposits, the balance of our deposits placed, and other information and records that may be required by our auditors for the purpose of reporting on the relevant continuing connected transactions;
- (v) CRCC Finance will provide its annual financial report and other documents and information to our Company at our request;
- (vi) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions every year to ensure that the transactions have been entered into in the ordinary and usual course of business of our Company, on normal commercial terms or better and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole, and provide confirmation in our annual report; and

LETTER FROM THE BOARD

- (vii) the auditor of our Company will also conduct an annual review on the pricing policies and annual caps of such agreement, and provide confirmation in our annual report.

C. Implications under the Listing Rules

CRCC is a controlling Shareholder, which directly and indirectly holds approximately 65% of the total issued share capital of the Company as at the Latest Practicable Date, and thus is a connected person of the Company under the Listing Rules. Therefore, the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. Since the highest applicable percentage ratio for the proposed revised annual caps for the two years ending 31 December 2017 for the transactions under such agreement is more than 5%, the transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CRCC Finance is a subsidiary of CRCC, which is owned as to 94% by CRCC as at the Latest Practicable Date, and thus is a connected person of the Company under the Listing Rules. Therefore, the transactions under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. Since the highest applicable percentage ratio for the transactions contemplated under such agreement is more than 5%, the transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

D. General Information

CRCC and its subsidiaries (excluding the Group) is primarily engaged in: (i) construction operations; (ii) survey, design and consultancy operations; (iii) manufacturing operations (except the business of the Group); (iv) real estate development operations; and (v) logistics and materials trading.

CRCC Finance is a non-banking financial institution incorporated in the PRC on 28 March 2012 and is subject to *the Administrative Measures on Finance Companies within Group Enterprises* (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by PBOC and CBRC. The establishment of such non-banking financial institutions is subject to approval by CBRC and its operation is subject to the ongoing supervision of CBRC. Non-banking financial institutions shall comply with applicable regulations relating to interest rates issued by PBOC and CBRC.

In the PRC, finance companies within group enterprises are only permitted under applicable PRC laws and regulations to provide financial services to enterprises within the same parent group. Therefore, CRCC Finance only provides financial services to members of the CRCC Group, including our Group.

LETTER FROM THE BOARD

III. PROPOSED ADOPTION OF THE ADMINISTRATIVE RULES OF EXTERNAL GUARANTEE

In order to regulate the management of external guarantee provided by the Company, and to strictly control the debt risk incurred from external guarantee to protect the legitimate rights of the Company and the Shareholders, the Company proposed to adopt the Administrative Rules of External Guarantee of CRCC High-Tech Equipment Corporation Limited. The proposed adoption of the Administrative Rules of External Guarantee of the Company does not refer to the proposed alteration of the Company's articles of association or equivalent documents.

The proposed adoption of the Administrative Rules of External Guarantee of CRCC High-Tech Equipment Corporation Limited is subject to Shareholders' approval at the AGM by way of an ordinary resolution.

The full text of the Administrative Rules of External Guarantee of CRCC High-Tech Equipment Corporation Limited is set out in Appendix I to this circular.

IV. PROPOSED ADOPTION OF THE REMUNERATION POLICY OF DIRECTORS AND SUPERVISORS

According to the applicable laws and regulations as well as the articles of association of the Company, the Company has formulated the Remuneration Policy of Directors and Supervisors of CRCC High-Tech Equipment Corporation Limited based on the actual conditions of the Company.

The proposed adoption of the Remuneration Policy of Directors and Supervisors of CRCC High-Tech Equipment Corporation Limited is subject to Shareholders' approval at the AGM by way of an ordinary resolution.

The full text of the Remuneration Policy of Directors and Supervisors of CRCC High-Tech Equipment Corporation Limited is set out in Appendix II to this circular.

V. PROPOSED APPOINTMENT OF AUDITORS

A. To consider, approve and ratify the appointment of auditors of the Company for 2015 and the payment of audit fees for 2015

In accordance with the articles of association of the Company, in February 2016, the Board proposed to appoint Ernst & Young as the international auditors and Ernst & Young Hua Ming LLP as the PRC auditors of the Company for 2015. Such appointment is subject to approval at the 2015 AGM of the Company. After the negotiations between the Company, Ernst & Young and Ernst & Young Hua Ming LLP, audit fees and relevant services for 2015 amounted to RMB2,114,016.30.

LETTER FROM THE BOARD

The proposal has been considered and approved at the seventh meeting of the first session of the Board and will be put forward at the AGM as an ordinary resolution for Shareholders' approval.

B. To consider and approve the appointment of auditors of the Company for 2016 and the payment of audit fees for 2016

Ernst & Young and Ernst & Young Hua Ming LLP have been providing professional services for the Company. The Company intends to re-appoint Ernst & Young as the international auditors and Ernst & Young Hua Ming LLP as the PRC auditors of the Company for 2016 to audit its 2016 financial statements and review its 2016 interim financial statements. After the negotiations between the management of the Company (delegated by the Board), Ernst & Young and Ernst & Young Hua Ming LLP, audit fees and relevant services for 2016 amounted to RMB2,100,000.

This proposal has been considered and approved at the ninth meeting of the first session of the Board and will be put forward at the AGM as an ordinary resolution for Shareholders' approval.

VI. PROPOSED DISTRIBUTION OF FINAL DIVIDEND

The Board has recommended a final dividend of RMB0.04 per share (tax inclusive) for the year ended 31 December 2015, totalling approximately RMB60.8 million. If the profit distribution plan is approved by the shareholders of the Company by way of an ordinary resolution at the AGM to be held on Tuesday, 21 June 2016, the final dividend is expected to be distributed on Friday, 19 August 2016 to all shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 5 July 2016.

To determine the identity of the shareholders of the Company entitled to receive the final dividend, the register of holders of H Shares of the Company will be closed from Monday, 27 June 2016 to Tuesday, 5 July 2016 (both days inclusive) during which no transfer of H Shares will be registered. In order to qualify for entitlement to the proposed final dividend, all transfers of H Shares accompanied by the relevant share certificates and transfer forms must be lodged 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, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 June 2016.

Final dividend for holders of domestic shares of the Company will be declared and calculated in RMB, and paid in RMB whereas final dividend for holders of H shares of the Company will be declared and calculated in RMB, and paid in Hong Kong dollars. The exchange rate shall be determined by the average selling rates promulgated by People's Bank of China within one week before the date declaring to distribute the dividend.

LETTER FROM THE BOARD

As stipulated by *the Notice on Issues Relating to Corporate Income Tax Withholding over Dividends Distributable to their H-share Shareholders who are Overseas Non-resident Enterprises by Chinese Resident Enterprises* published by the State Administration of Taxation (Guoshuihan [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (國稅函[2008]897號), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H-share shareholders who are overseas non-resident enterprises, corporate income tax shall be withheld at a uniform rate of 10%. According to this, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders of the Company whose names appear on the H share register of members of the Company on Tuesday, 5 July 2016. Any shares registered in the name of the non-individual registered shareholders of the Company, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the corporate income tax.

Pursuant to *the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa [1993] No. 045 Document* (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Taxation, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to overseas resident individual shareholders is subject to individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries where they are residing and Mainland China. Pursuant to the aforesaid notice, when the final dividend is distributed to the individual shareholders of H Shares whose names appear on the H Share register of members of the Company on Tuesday, 5 July 2016, the Company will withhold 10% of the final dividend as individual income tax unless otherwise specified by the relevant tax regulations, tax agreements or notices.

The Company assumes no liability whatsoever in respect of any claims arising from any delay in, or inaccurate determination of, the status of the Shareholders, or any disputes over the mechanism of withholding and payment.

VII. AGM

At the AGM, the following ordinary resolutions, among other things, will be put forward for the Independent Shareholders or Shareholders (as the case may be) to consider and, if appropriate, to approve: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits; (iii) the proposed adoption of the Administrative Rules of External Guarantee; (iv) the proposed adoption of the Remuneration Policy of Directors and Supervisors; (v) the proposed appointment of auditors; and (vi) the proposed distribution of final dividend.

LETTER FROM THE BOARD

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits. The Independent Financial Adviser, Messis Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Listing Rules.

CRCC and its four wholly-owned subsidiaries, namely China Railway Construction Investment Group, CRCC International Group, China Civil Engineering Construction and CRCC China-Africa Company, which directly and indirectly hold 987,984,000 Domestic Shares, representing approximately 65% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the resolutions at the AGM with respect to: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, no other Shareholder has any material interest in the resolutions to be proposed at the AGM and therefore will be required to abstain from voting to approve the relevant resolutions at the AGM.

The AGM will be held at the office building of the Company at No. 384, Yangfangwang, Jinma Town, Kunming City, Yunnan Province, the PRC at 9:00 a.m. on Tuesday, 21 June 2016. Please refer to the notice of the AGM dated 5 May 2016 published on the Stock Exchange's website and the Company's website. Reply slips and proxy forms to be used at the AGM are also published on the Stock Exchange's website and the Company's website. If you are eligible and intend to attend the AGM, please complete the reply slip for attending the AGM and return the same to the office of the Board not later than 20 days before the date of the AGM, i.e. on or prior to Tuesday, 31 May 2016.

Shareholders who intend to appoint a proxy to attend the AGM shall complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the AGM or any adjourned meeting and voting in person if you so wish.

The H Share register of members of the Company will be closed from Sunday, 22 May 2016 to Tuesday, 21 June 2016 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Any holders of H Shares and Domestic Shares, whose names appear on the Company's register of members on Tuesday, 21 June 2016, are entitled to attend and vote at the AGM after completing the registration procedures for attending the AGM.

LETTER FROM THE BOARD

VIII. VOTING BY WAY OF POLL

In accordance with the relevant provisions of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, the resolutions set out in the notice convening the AGM will be voted by poll.

IX. RECOMMENDATION

The Directors, including independent non-executive Directors, are of the view that: (i) the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement and the Financial Services Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed revised annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement and the proposed maximum daily balance of the deposits under the Financial Services Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions at the AGM so as to approve: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 31 to 32 of this circular and the letter from Messis Capital Limited to the Independent Board Committee and the Independent Shareholders set out on pages 33 to 56 of this circular.

The Directors, including independent non-executive Directors, are of the view that the other resolutions set out in the notice of the AGM are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the other resolutions to be proposed at the AGM.

X. ADDITIONAL INFORMATION

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

By Order of the Board
CRCC High-Tech Equipment Corporation
Ren Yanjun
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中国铁建

CRCC High-Tech Equipment Corporation Limited

中國鐵建高新裝備股份有限公司

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

(Stock code: 1786)

25 May 2016

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 25 May 2016 issued by the Company (the “**Circular**”), of which this letter forms a part. Terms defined in the Circular shall have the same meaning when used herein, unless the context requires otherwise.

We have been appointed as the members of the Independent Board Committee to advise you as to whether in our opinion, (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits, details of which are set out in the letter from the Board, are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

Messis Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders on the fairness and reasonableness of: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits. Details of the advice from Mesis Capital Limited, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 33 to 56 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 30 and the additional information set out in Appendix III to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the Large Maintenance Machinery and Accessories Sales Framework Agreement and the Financial Services Framework Agreement as well as the proposed revised annual caps and the proposed maximum daily balance of the deposits, the interests of the Independent Shareholders and the advice and recommendation of Messis Capital Limited, we are of the view that: (i) the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement and the Financial Services Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed revised annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement and the proposed maximum daily balance of the deposits under the Financial Services Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions at the AGM so as to approve: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Sun Linfu

Mr. Yu Jiahe

Mr. Wong Hin Wing

Independent

Independent

Independent

non-executive Director

non-executive Director

non-executive Director

LETTER FROM MESSIS CAPITAL LIMITED

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



大有融資有限公司
MESSIS CAPITAL LIMITED

25 May 2016

To: The Independent Board Committee and the Independent Shareholders of CRCC High-Tech Equipment Corporation Limited

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of continuing connected transactions in relation to (a) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (b) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits. Details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 25 May 2016 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Reference is made to the announcement of the Company dated 30 March 2016, in relation to, among other things, (i) the revision to the annual caps for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement with CRCC; and (ii) the renewal of Financial Services Framework Agreement with CRCC Finance and the proposed maximum daily balance of the deposits.

LETTER FROM MESSIS CAPITAL LIMITED

CRCC is a controlling Shareholder, which directly and indirectly holds approximately 65% of the total issued share capital of the Company as at the Latest Practicable Date, and thus is a connected person of the Company under the Listing Rules. Therefore, the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. Since the highest applicable percentage ratio for the proposed revised annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement is more than 5%, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

CRCC Finance is a subsidiary of CRCC, which is owned as to 94% by CRCC as at the Latest Practicable Date, and thus is a connected person of the Company under the Listing Rules. Therefore, the transactions under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. Since the highest applicable percentage ratio for the transactions contemplated under the Financial Services Framework Agreement is more than 5%, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

CRCC and its four wholly-owned subsidiaries, namely China Railway Construction Investment Group, CRCC International Group, China Civil Engineering Construction and CRCC China-Africa Company, which directly and indirectly hold approximately 65% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the resolutions at the AGM with respect to: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits. Save as disclosed above, to the best of the Directors' knowledge, information and belief, no other Shareholder has any material interest in the resolutions to be proposed at the AGM therefore will be required to abstain from voting to approve the relevant resolutions at the AGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Sun Linfu, Mr. Yu Jiahe, Mr. Wong Him Wing, has been established to advise the Independent Shareholders in relation to the continuing connected transactions.

LETTER FROM MESSIS CAPITAL LIMITED

We, Messis Capital Limited, have been appointed by the Company as the independent financial adviser to the Independent Board Committee and the Independent Shareholders as to (i) whether the continuing connected transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole; (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve (a) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement and (b) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits contemplated thereunder at the AGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the independent financial adviser to the Independent Board Committee and the independent shareholders of the Company for any transaction.

Apart from normal professional fees paid or payable to us in connection with the appointments as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Company, the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also 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 and/or the Directors, which have been provided to us.

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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 contained in the Circular, including this letter, incorrect or misleading.

We have not carried out any independent investigation into the business and affairs of the Company. However, we have taken the steps pursuant to the Listing Rules which include the following:

- (a) obtained all the information and documents relevant to an assessment of the fairness and reasonableness of the transactions, including but not limited to, the Large Maintenance Machinery and Accessories Sales Framework Agreement with CRCC dated 23 November 2015, the Financial Services Framework Agreement with CRCC Finance dated 23 November 2015, the contract of sales of large railway track maintenance machinery and accessories and provision of other related or ancillary products and services by the Company to the Independent Third Parties, the prospectus of the Company dated 3 December 2015, the annual report of the Company for the year ended 31 December 2015 and the announcement of the Company dated 30 March 2016;
- (b) reviewed the background of and the reasons for the transactions;
- (c) researched the macro-economic conditions affecting the transactions in particularly the “One Belt, One Road” initiative adopted by the PRC government;
- (d) reviewed the fairness, reasonableness and completeness of any assumptions or projections relevant to the transactions; and
- (e) confirmed that no third party expert opinion being relevant to the transactions.

Our opinion is based on the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the transactions and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of whether each of the Transactions is in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as the Independent Shareholders are concerned, we have considered the individual factors and reasons in relation to each of the Transactions set out below:

LARGE MAINTENANCE MACHINERY AND ACCESSORIES SALES FRAMEWORK AGREEMENT

1. Background information of Large Maintenance Machinery and Accessories Sales Framework Agreement

The Company is principally engaged in (i) manufacturing and sale of machines; (ii) parts and components sales and services; and (iii) overhaul services; railway line maintenance services.

CRCC and its subsidiaries (excluding the Group) are primarily engaged in: (i) construction operation; (ii) survey, design and consultancy operations; (iii) manufacturing operations (except the business of the Group); (iv) real estate development operations; and (v) logistics and materials trading.

Reference is made to the prospectus of the Company dated 3 December 2015 and the announcement of the Company dated 30 March 2016, in relation to, among other things, the Large Maintenance Machinery and Accessories Sales Framework Agreement.

On 23 November 2015, the Company entered into the Large Maintenance Machinery and Accessories Sales Framework Agreement with CRCC for the term commencing from the Listing Date and ending on 31 December 2017, pursuant to which the Group agreed to: (i) sell various kinds of large railway track maintenance machines; and (ii) provide other related or ancillary products and services, mainly including sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates.

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Details of the Large Maintenance Machinery and Accessories Sales Framework Agreement are set out as follows:

Date: 23 November 2015

Parties: The Company (as the supplier of products and services); and CRCC (as the purchaser of products and services).

Term: The term of the Large Maintenance Machinery and Accessories Sales Framework Agreement commenced on the Listing Date of the Company and will end on 31 December 2017, subject to early termination by either party giving at least three months' prior written notice to the other party.

Parties can extend or renew such terms by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

Conditions precedent: The transactions contemplated under the Large Maintenance Machinery and Accessories Sales Framework Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 1 December 2015, the Stock Exchange has granted a conditional waiver to the Company from strict compliance with the announcement and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules for such non-exempt continuing connected transactions, subject to the sponsor of the Company in connection with its Listing and the Directors, including the independent non-executive Directors, confirming that in their views: (i) the transactions have been and shall be entered into in the ordinary and usual course of business of the Company, on normal commercial terms or better that are fair and reasonable and in the interests of the Company's Shareholders as a whole; and (ii) the proposed annual caps for the transactions are fair and reasonable and in the interests of the Company's Shareholders as a whole.

The revision to the annual caps for the two years ending 31 December 2017 for the transactions under such agreement is conditional upon the relevant resolution being approved by the Independent Shareholders at the AGM.

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Pricing policy: In line with the general pricing policy of fairness and reasonableness set out in the Large Maintenance Machinery and Accessories Sales Framework Agreement, the prices for products and services under such agreement shall be determined based on the following pricing principles:

- (i) where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices at which the same type of products and services provided by us to an Independent Third Party customer on normal commercial terms;
- (ii) where there are no market prices for the relevant products which are applicable to new types of large railway track maintenance machines to be tailor-made for the specifications required by the CRCC Group for its specific business needs, the price shall be determined according to the price to be agreed between the parties; the agreed price will be calculated based on the actual costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance, incurred in providing such products plus reasonable profits; we will charge a mark-up rate, taking into consideration of the specific types of products, for the transactions on a cost-plus basis. Such mark-up rate charged to the CRCC Group is not lower than 15% for all cases, which is the same mark-up rate charged to an Independent Third Party customer. The Board is of the view that such mark-up rate is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Internal control procedures for pricing policy: In order to ensure that the sales of large railway track maintenance machinery and accessories and the provision of other related or ancillary products and services from the Group to CRCC Group will not be prejudicial to the interests of the Company and the minority Shareholders, the Company adopts the following measures in negotiating the prices and terms of the transactions to be carried out under the Large Maintenance Machinery and Accessories Sales Framework Agreement:

- (i) the prices will generally be agreed following arm's length negotiation between the parties with reference to the prevailing market prices;

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A large portion of the Group's purchase orders are won through public tenders with the largest customer group (i.e. CRC and its affiliated enterprises), local railway operators and railway construction companies (including the CRCC Group).

In order to determine the prevailing market prices, the Company will make reference to the price offer to at least two Independent Third Party customers for the same or similar products or services; the Company will also primarily take into account the following factors to determine the market prices, to ensure that the prices will be no less favourable to the Company than those of the same type of products and services the Company provides to the Independent Third Party customers:

- (a) in respect of large railway track maintenance machines, the Group takes into account the costs and market condition to determine the prices of products. The Group adjusts the prices with reference to various factors, such as the prevailing market condition, market prospect and competition;
- (b) in respect of parts and components, the Group determines the prices of parts and components primarily based on the cost, and adjusts prices with reference to market conditions, logistic requirements, expected profit margins and safety of rails operations;
- (c) in respect of railway line maintenance services, the Group primarily takes into account costs, timeline, operation environment (such as the climate and topographical requirements) to determine the prices of services;
- (d) in respect of overhaul services, the Group determines prices primarily based on the condition of the machines to be overhauled;

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- (ii) in respect of the principle of the cost plus a reasonable profit margin, the Group will take into account all relevant factors in determining the underlying costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance; and
- (iii) in the unlikely event that no comparable market price can be taken which are applicable to new types of large railway track maintenance machines to be tailor-made for the specifications required by the CRCC Group for its specific business needs, experts in the Group with sufficient industry experience could opine on the fairness and reasonableness of the prices to ensure that the prices would be fair and reasonable to the Company and no less favourable to the Company than the prices the Group offers to the Independent Third Party customers. Such experts in the Group are the overall project consultant of the Group's research center with senior engineer certificate, head of cost management department with the qualification of certified public accountant, head of procurement center and head of marketing department. These experts have adopted a comprehensive evaluation model to determine the prices with reference to the historical transaction prices of the most similar types of machines and also take into account other factors, which include technical specifications, actual costs, payment terms, product quality and geographical areas where the Group provides products, etc. The prices of such new types of large railway track maintenance machines will be submitted to general manager of the Group for approval.

Payment term: The actual settlement price and the method of payment shall be determined based on the principles, instructions, conditions and terms of the Large Maintenance Machinery and Accessories Sales Framework Agreement and set out in the specific agreements or order forms to be entered into by the parties.

The payment terms will be on market terms which are no less favorable than those available to Independent Third Parties.

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2. Reasons for and benefits of the Large Maintenance Machinery and Accessories Sales Framework Agreement

With reference to the Board Letter, the Group sells large railway track maintenance machinery and accessories and provides other related or ancillary services to CRCC and/or its associates in the ordinary and usual course of the business. The Board is of the view that such transactions are beneficial to the Group for the following reasons:

- (i) in accordance with the relevant regulations of competent authorities for all constructions of new railway lines, railway line maintenance (such as tamping, formation and rehabilitation) must be conducted before the inspection and acceptance of such railway lines; CRCC and/or its associates, which are primarily engaged in the railway construction operations, require such products for carrying out railway track maintenance work before the inspection and acceptance of the new railway lines they have constructed;
- (ii) the Company and CRCC and/or its associates have established a long-term relationship, and understand respective planning of operations, quality control as well as certain specific requirements of both parties; and
- (iii) the prices and terms for the sales of large railway track maintenance machinery and accessories and the provision of other related or ancillary services to CRCC and/or its associates would be no less favourable to the Company than those the Company offer to any Independent Third Party.

For our due diligence purposes, we have reviewed and sample checked to the actual amounts of transactions with respect to the sales of large railway track maintenance machinery and accessories, as well as the provision of other related or ancillary products and services by the Company to CRCC and its associates for the three years ended 31 December 2015; and the sales of large railway track maintenance machinery and accessories and provision of other related or ancillary products and services by the Company to the Independent Third Parties, for the same type of products, being the large railway track maintenance machinery and accessories, the prices and terms were no less favourable to the Company than those the Company offer to any Independent Third Party.

Given that (i) CRCC and/or its associates has a demand of products for carrying out railway track maintenance work before the inspection and acceptance of the new railway lines they have constructed; (ii) the Company and CRCC and/or its associates have established a long-term relationship; and (iii) the prices and terms would be no less favourable to the Company than those the Company offer to any Independent Third Party, we are of the view that the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement are in the ordinary and usual course of businesses of the Company and the benefits set out above are in the interests of the Company and the Shareholders as a whole.

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3. Internal Control Procedures

To ensure that the terms of the large Maintenance Machinery and Accessories Sales Framework Agreement are fair and reasonable, the Company has adopted a series of internal control measures:

- (1) the Company has adopted and implemented a management system on connected transactions. Under the relevant system, the finance department of the Company is responsible for conducting reviews on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the Large Maintenance Machinery and Accessories Sales Framework Agreement. In addition, the finance department, marketing department, international department, legal affairs department and other relevant operation departments of the Company are jointly responsible for evaluating the transaction terms under such agreement, in particular, the fairness of the pricing terms under such agreement;
- (2) the independent non-executive Directors have also reviewed and will continue to review the continuing connected transactions to ensure that the transactions have been entered into on normal commercial terms and according to the Large Maintenance Machinery and Accessories Sales Framework Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in the annual report; and
- (3) The auditor of the Company will also conduct an annual review on the pricing policies and annual caps of such agreement, and provide confirmation in the annual report.

We are of the view that the above internal control procedures are sufficient to ensure that the transactions conducted under the Large Maintenance Machinery and Accessories Sales Framework Agreement will be conducted on normal commercial terms or better, and will not be prejudicial to the interests of the Company and the Shareholders.

4. Historical Figures

The aggregate amounts of transactions with respect to the sales of large railway track maintenance machinery and accessories, as well as the provision of other related or ancillary products and services by the Company to CRCC and its associates for the three years ended 31 December 2015 were approximately RMB47.8 million, RMB78.0 million and RMB73.3 million, respectively.

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The aggregate amounts of transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement for the two years ended 31 December 2015 increased significantly as compared with that for the year ended 31 December 2013. Such increase was mainly attributable to the significant increase in the sales of large railway track maintenance machines which were used in overseas railway construction projects undertaken by CRCC and/or its associates in 2014 and 2015.

5. Proposed revised annual caps

The existing annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement are RMB179.1 million and RMB220.6 million, respectively. Based on internal estimation, the Board is of the view that such existing annual caps will not be sufficient for the Group's current requirements. Therefore, the Board proposes to revise the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement as follows:

	12 months ending 31 December 2016 <i>(RMB million)</i>	12 months ending 31 December 2017 <i>(RMB million)</i>
Sales:		
<i>Amounts payable to the Group by CRCC and its associates with respect to the sales of large railway track maintenance machinery and accessories and the provision of other related or ancillary products and services</i>	1,000	1,100

6. Basis for the proposed revised annual cap

In arriving at the above proposed revised annual caps, the Company has considered the following factors:

- (i) the historical transaction amounts incurred between the Group and CRCC Group for the three years ended 31 December 2015 as set out above;

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- (ii) in February 2016, CRCC formulated its procurement plan of fixed assets for CRCC and its subsidiaries (including the Company), which indicated its existing demand on the Company's large railway track maintenance machines for the year of 2016 and is still subject to growth when CRCC enters into new contracts or wins more bids which in turn requires more large railway track maintenance machines from the Company in 2016. Pursuant to such procurement plan, the existing demands from the CRCC Group on the Company's large railway track maintenance machines amounted to approximately RMB230 million, which had already exceeded the existing annual cap of RMB179.1 million for the year ending 31 December 2016;
- (iii) according to the major operating results of CRCC for the first quarter of 2016, the aggregated value of newly-signed contracts in respect of CRCC's railway business has increased significantly by approximately 45.94% as compared to that of the same period in 2015. As a result, the demands from the CRCC Group on the Company's large railway track maintenance machines as well as parts and components, railway line maintenance services and overhaul services are expected to increase significantly in light of such newly-signed contracts;
- (iv) the Group's products and services to the CRCC Group under the Large Maintenance Machinery and Accessories Sales Framework Agreement are classified into two categories based on geographical locations of projects, namely, (x) sales of large railway track maintenance machines as well as parts and components, provision of railway line maintenance services and provision of overhaul services to the CRCC Group that will be used in its domestic projects; and (y) sales of large railway track maintenance machines as well as parts and components and provision of railway line maintenance services to the CRCC Group that will be used in its overseas railway construction projects. The Group sells a wide range of products, including large railway track maintenance machines of various technical specifications (such as different gauges, axle loads, etc.) and price ranges, in order to cater to the varied speed, climate, topographical and logistics requirements of the railway industry. Details are set out as follows:

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- (a) domestic projects of the CRCC Group: the sales of large railway track maintenance machines as well as parts and components, provision of railway line maintenance services and provision of overhaul services to the CRCC Group that will be used in its domestic projects are expected to reach approximately RMB400 million in aggregate for the year ending 31 December 2016:
- (1) in accordance with CRCC's procurement plan for large railway track maintenance machines in 2016 and the contracts that were entered into between the Group and the CRCC Group, the sales of large railway track maintenance machines as well as parts and components to the CRCC Group that will be used in its domestic projects are expected to increase significantly for the year ending 31 December 2016;
 - (2) in order to obtain the specific demands from CRCC, the marketing department of the Company conducted a thorough market research with the CRCC and its subsidiaries in March 2016. According to the results of such market research, the CRCC Group has already intended to purchase large railway track maintenance machines as well as parts and components, and require provision of overhaul services from the Company which will be used in their domestic projects with an amount of approximately RMB233 million and RMB20 million, respectively;
 - (3) according to the regulations enacted by National Railway Administration of the PRC and relevant competent authorities, the large railway track maintenance machinery would be due for overhaul after being for 10 to 13 years, or achieving certain level of workload; as such, the CRCC Group's demand for the overhaul services of the Company is expected to increase in the two years ending 31 December 2017 as more railway track maintenance machines supplied to the CRCC Group are expected to be due for overhaul; and
 - (4) taking into account macro-economic conditions, such as the "One Belt, One Road" initiative adopted by the PRC government, the Group is expected to maintain a steady growth in such sales of large railway track maintenance machines as well as parts and components and provision of overhaul services to the CRCC Group for the year ending 31 December 2017;

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- (b) overseas railway construction projects of the CRCC Group: the sales of large railway track maintenance machines as well as parts and components and provision of railway line maintenance services to the CRCC Group that will be used in its overseas railway construction projects are expected to reach approximately RMB600 million in aggregate for the year ending 31 December 2016:
- (1) as disclosed in the announcement of CRCC on its annual results for the year ended 31 December 2015, the PRC government is vigorously implementing the “venturing abroad” strategy in the railway industry and CRCC is implementing its overseas development strategies, which in turn leads to a significant increase in the demands on the Company’s products and services under the Large Maintenance Machinery and Accessories Sales Framework Agreement in respect of the overseas projects;
 - (2) the Group has recently participated in certain overseas railway construction projects undertaken or to be undertaken by the CRCC Group, which call for a significant increase in the supply of large railway track maintenance machines as well as parts and components and provision of railway line maintenance services for the year ending 31 December 2016;
 - (3) in recent years, CRCC has undertaken more and more overseas railway construction projects, which in turn leads to a significant increase in the demands on the Company’s products and services under the Large Maintenance Machinery and Accessories Sales Framework Agreement in respect of the overseas projects. For example, as announced by CRCC on 25 December 2015, a subsidiary of CRCC entered into the Dakar to Bamako Railway Repair and Reconstruction Project (Section Senegal) Contract with the National Railway Administration of Senegal with a contract value of approximately US\$1,256.97 million. As announced by CRCC on 28 December 2015, a subsidiary of CRCC entered into the Dakar to Bamako Railway Repair and Reconstruction Project (Section Mali) Framework Agreement with the National Trucking and Shipping Bureau of the Republic of Mali with an agreement value of approximately US\$1,468.81 million;

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- (4) in respect of CRCC's projects (especially overseas railway construction projects), the tendering and procurement of large railway track maintenance machines are not conducted simultaneously with those of the construction projects. In practice, CRCC is not able to determine the relative specific procurement plan of railway track maintenance machines immediately after winning a bid of construction project, which means that there is usually a lag time between winning a bid of construction project and determining its procurement plan of railway track maintenance machines and then entering into related contracts correspondingly with the Company. For example, as announced by CRCC on 21 November 2014, a subsidiary of CRCC entered into a business contract on the Nigeria Coastal Railway Project with the Federal Ministry of Transport of Nigeria with a contract value of approximately USD11.97 billion. It is expected that CRCC will purchase large railway track maintenance machines from the Company for such Nigeria coastal railway project in 2016; and
- (5) taking into account macro-economic conditions, such as the "One Belt, One Road", initiative adopted by the PRC government, the overseas development strategies of the CRCC Group as well as the enhanced international recognition of the brands under the Company, the Company is expected to maintain a steady growth in such sales of large railway track maintenance machines as well as parts and components and provision of railway line maintenance services to the CRCC Group for the year ending 31 December 2017.

We have reviewed the internal records of summary of the detail breakdown figures of the historical transaction amounts incurred between the Group and CRCC Group for the three years ended 31 December 2015, having considered that the aggregate amounts of transactions with respect to the sales of large railway track maintenance machinery and accessories, as well as the provision of other related or ancillary products and services by the Company to CRCC and its associates for the three years ended 31 December 2015, being approximately RMB47.8 million, RMB78.0 million and RMB73.3 million, we are of the view that the information of the internal records is reliable and representable.

According to the major operating results of CRCC for the first quarter of 2016, the number of newly-signed contracts in respect of CRCC's railway business was 135 with an aggregated value of approximately RMB45.8 billion which has increased by approximately 45.9% as compared to that of the same period in 2015. As a result, the demands from CRCC and/or its associates on the Company's large railway track maintenance machines as well as parts and components, railway line maintenance services and overhaul services are expected to increase significantly in light of such increased newly-signed contracts.

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The Directors are of the view that with further implementation of the “One Belt, One Road” initiative adopted by the PRC government, the current and prospective demands from CRCC and/or its associates on the Company’s large railway track maintenance machines as well as parts and components, railway line maintenance services and overhaul services have increased significantly. As disclosed in the announcement of CRCC on its annual results for the year ended 31 December 2015, the PRC government is vigorously implementing the “venturing abroad” strategy in the railway industry and CRCC is implementing its overseas development strategies, which in turn leads to a significant increase in the demands on the Company’s products and services under the Large Maintenance Machinery and Accessories Sales Framework Agreement in terms of the overseas projects. In March 2016, CRCC Group has reported 111 projects under construction with aggregate contract amount over USD15 billion under the “One Belt, One Road” initiative adopted by the PRC government in public media. In accordance with the relevant regulations of competent authorities for all constructions of new railway lines, railway line maintenance (such as tamping, formation and rehabilitation) must be conducted before the inspection and acceptance of such railway lines; CRCC and/or its associates, which are primarily engaged in the railway construction operations, require such products for carrying out railway track maintenance work before the inspection and acceptance of the new railway lines they have constructed.

For domestic projects of the CRCC Group, we have noted that CRCC Group have won several major construction projects in 2016. For example, as announced by CRCC on 6 January 2016, CRCC Group won a series of major railway construction projects of total bidding price amounting to approximately RMB20.6 billion and on 21 January 2016, CRCC Group won another bid for rail construction with total project investment of approximately RMB17.0 billion with construction period of five years. For overseas railway construction projects of CRCC Group, CRCC has undertaken more and more overseas railway construction projects, which in turn leads to a significant increase in the demands on the Company’s products and services under the Large Maintenance Machinery and Accessories Sales Framework Agreement in terms of the overseas projects. For example, as announced by CRCC on 25 December 2015, a subsidiary of CRCC entered into the Dakar to Bamako Railway Repair and Reconstruction Project (Section Senegal) Contract with the National Railway Administration of Senegal with a contract value of approximately US\$1,257.0 million, which is equivalent to approximately RMB8,136.5 million and on 28 December 2015, a subsidiary of CRCC entered into the Dakar to Bamako Railway Repair and Reconstruction Project (Section Mali) Framework Agreement with the National Trucking and Shipping Bureau of the Republic of Mali with an agreement value of approximately US\$1,468.8 million, which is equivalent to approximately RMB9,505.1 million.

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According to the Board letter, the sales of large railway track maintenance machines as well as parts and components and provision of overhaul services to the CRCC Group that will be used in its domestic projects and overseas railway construction projects are expected to reach approximately RMB400 million and RMB600 million in aggregate for the year ending 31 December 2016, respectively, thus the existing annual caps for each of the two years ending 31 December 2016 and 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement of RMB179.1 million and RMB220.6 million, will not be sufficient for the Group's current requirements. Given the basis for the proposed revised annual cap as discussed above, we consider that the proposed revised annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL SERVICES FRAMEWORK AGREEMENT

1. Background information of Financial Services Framework Agreement

Reference is made to the prospectus of the Company dated 3 December 2015 and the announcement of the Company dated 30 March 2016 in relation to, among other things, the Financial Services Framework Agreement.

On 23 November 2015, the Company entered into the Previous Financial Services Framework Agreement with CRCC Finance, pursuant to which CRCC Finance agreed to provide deposit services to the Group for the term commencing from the Listing Date and ending on the date of AGM.

On 30 March 2016, the Company entered into the Financial Services Framework Agreement with CRCC Finance to renew the Previous Financial Services Framework Agreement, pursuant to which CRCC Finance agrees to provide deposit services to the Group for the term commencing from the date of AGM and ending on 31 December 2018. Other than the above change, all existing terms and conditions of the Previous Financial Services Framework Agreement have remained unchanged.

CRCC Finance is a non-banking financial institution incorporated in the PRC on 28 March 2012 and is subject to the Administrative Measures on Finance Companies within Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by PBOC and CBRC. The establishment of such non-banking financial institutions is subject to approval by CBRC and its operation is subject to the ongoing supervision of CBRC. Non-banking financial institutions shall comply with applicable regulations relating to interest rates issued by PBOC and CBRC.

In the PRC, finance companies within group enterprises are only permitted under applicable PRC laws and regulations to provide financial services to enterprises within the same parent group. Therefore, CRCC Finance only provides financial services to members of the CRCC Group, including the Company.

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Details of the Financial Services Framework Agreement are as follows:

Date: 30 March 2016

Parties: The Company (as the service recipient); and CRCC Finance (as the service provider).

Term: The term of the Financial Services Framework Agreement will commence upon the conclusion of the AGM and expire on 31 December 2018, subject to early termination by either party giving at least three months' prior written notice to the other party.

Parties can extend or renew such terms by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

Pricing policy: Pursuant to the Financial Services Framework Agreement, CRCC Finance shall accept deposits from the Group at interest rates not lower, and thus no less favorable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature.

Other major terms: The Group and CRCC Finance will enter into specific agreement to set out specific terms with respect to the financial services contemplated under the Financial Services Framework Agreement in accordance with the aforementioned principle terms thereunder.

2. Reasons for and benefits of the Financial Services Framework Agreement

With reference to the Board Letter, the Group is expected to benefit from CRCC Finance's familiarity of the industry and the Group's operations. Through years of cooperation, CRCC Finance has become familiar with the Group's capital structure, business operations, funding needs, cash flow pattern, cash management and the overall financial management system, which may enable CRCC Finance to render more expedient, efficient and flexible deposit services to the Group than other commercial banks and independent financial institutions in the PRC.

With respect to deposits place by the Group with CRCC Finance, the Group will be able to receive interest at rates not lower, and thus no less favourable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature.

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For the avoidance of doubt, the Group is not prohibited or restricted in any way to use deposit services provided by other commercial banks or independent financial institutions in the open market, and the Group retain discretion to make its selection according to business needs as well as the fees and quality of such deposit services. The Group may (but is not obliged to) utilize the deposit services provided by CRCC Finance so as to deploy and manage the financial resources flexibly and efficiently.

We have reviewed the historical deposit services provided by CRCC Finance, interest income receivable/received by the Company, quotations and contracts the Company received from/entered into with other independent financial institutions for similar deposit services for the same duration and conducted market research on the terms of similar deposit services offered by the PRC financial institutions, and noted that the interest rate provided by CRCC Finance was not lower, and thus no less favorable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature. Thus we consider the entering of the Financial Services Framework Agreement is in line with the financial needs of the Company's business, and the transactions under the Financial Services Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3. Internal Control Procedures

To ensure the terms of the Financial Services Framework Agreement are fair and reasonable and such transactions are on normal commercial terms, the Company has adopted the following internal control measures:

- (1) before the Company or any of its subsidiaries enters into any deposit services with CRCC Finance, the Group will obtain quotes from other independent financial institutions for similar deposit services for the same duration; such quotes, together with the offer from CRCC Finance, will be reviewed and the offer from CRCC Finance has to pass the internal approval process before it can be accepted;
- (2) CRCC Finance shall set up and maintain, or procure the setting up and maintenance of, a secured and stable on-line system through which the relevant subsidiary of the Company, which deposits money with them, can view the balance of such deposits at any time on any day;

LETTER FROM MESSIS CAPITAL LIMITED

- (3) CRCC Finance shall, in taking the deposits from the Group, not affect the normal use of the deposits by the Group; CRCC Finance shall ensure that their deployment of the funds will not inhibit or restrict the ability the Group from utilizing the deposits placed by the Group with CRCC Finance, CRCC Finance shall ensure that there will be sufficient funds for the Group's timely withdrawal to meet the funding needs of the Group;
- (4) CRCC Finance shall facilitate any annual inspection by the Group of the management of the deposits placed by the Group with CRCC Finance, including inspection of records of fund flows, interest rates and payments provided to the deposits, the balance of the deposits placed, and other information and records that may be required by the auditors of the Group for the purpose of reporting on the relevant continuing connected transactions;
- (5) CRCC Finance will provide its annual financial report and other documents and information to the Company at the request;
- (6) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions every year to ensure that the transactions have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms or better and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole, and provide confirmation in the annual report; and
- (7) the auditor of the Company will also conduct an annual review on the pricing policies and annual caps of such agreement, and provide confirmation in the annual report.

We are of the view that the above internal control procedures are sufficient to ensure that the transactions conducted under the Financial Services Framework Agreement will be conducted on normal commercial terms or better, and will not be prejudicial to the interests of the Company and the Shareholders.

4. Historical Figures

The historical maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance for each of the three years ended 31 December 2015 was approximately RMB1,711.0 million, RMB1,406.7 million and RMB470.4 million, respectively.

LETTER FROM MESSIS CAPITAL LIMITED

The historical maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance for the year ended 31 December 2015 decreased significantly as compared with that for each of the two years ended 31 December 2014. Such decrease was mainly attributable to the following reasons: (i) prior to the Listing of the Company, which was a spin-off of the Group from CRCC by way of a separate Listing on the Stock Exchange, the Company was requested to satisfy the needs for centralized capital management with CRCC and place a proportion of deposits with CRCC Finance, which resulted in a high level of historical maximum daily balance of the deposits in 2013 and 2014; (ii) the largest customer group, namely CRC and its affiliated enterprises, typically settled the payments for its purchase orders collectively at the end of the year or at the beginning of the year, which also resulted in a high level of historical maximum daily balance of the deposits in 2013 and 2014; and (iii) in order to ensure that the historical maximum daily balance of the deposits in 2015 did not exceed the existing cap under such agreement, the Company placed deposits with more independent commercial banks in 2015.

5. Proposed maximum daily balance of the deposits

The proposed maximum daily balance of the deposits (including accrued interest) to be placed by the Group with CRCC Finance for the period from the date of AGM to 31 December 2016 and the two years ending 31 December 2018 are as follows:

	From the date of AGM to 31 December 2016 (RMB million)	12 months ending 31 December 2017 (RMB million)	12 months ending 31 December 2018 (RMB million)
<i>Maximum daily balance of the deposits to be placed by the Group with CRCC Finance</i>	1,200	1,200	1,200

6. Basis for the proposed maximum daily balance of the deposits

In arriving at the above proposed maximum daily balance of the deposit, the company has considered the following factors:

- (i) the cash and bank balances and pledged deposits of the Group prepared in accordance with International Financial Reporting Standards, amounted to approximately RMB1,972.3 million as at 31 December 2015, which increased significantly as compared to approximately RMB486.9 million as at 31 December 2014;

LETTER FROM MESSIS CAPITAL LIMITED

- (ii) taking into account macro-economic conditions, such as “One Belt, One Road” initiative adopted by the PRC government, the development and overseas expansion of the PRC railway industry, the Company are expected to maintain a steady growth in revenue from the manufacturing and sales of large railway track maintenance machines as well as sales of parts and components and revenue from the provision of overhaul services and railway line maintenance services, which leads to a steady growth in the cash flow and deposits for the three years ending 31 December 2018; and
- (iii) the historical maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance for each of the three years ended 31 December 2015 as set out above was approximately RMB1,711.0 million, RMB1,406.7 million and RMB470.4 million, respectively, and the average number for such historical amounts is approximately RMB1,196.0 million.

According to the annual report of the Company for the year ended 31 December 2015, the cash and bank balances and pledged deposits of the Group prepared in accordance with International Financial Reporting Standards, amounted to approximately RMB1,972.3 million as at 31 December 2015, which increased significantly as compared to approximately RMB486.9 million as at 31 December 2014. As at 31 December 2015, the balance of the proceeds from Global Offering of H shares issuance of the Company was about RMB1.5 billion (including interest income). Considering that the revenue of the Company deriving from the manufacturing and sales of large railway track maintenance machines as well as sales of parts and components and revenue from the provision of overhaul services and railway line maintenance services will increase as aforementioned factors such as the “One Belt, One Road” initiative adopted by the PRC government, there will be a steady growth in the cash flow and deposits for the three years ending 31 December 2018. In view that the historical maximum daily balance of the deposits (including accrued interest) placed by the Group with CRCC Finance for each of the three years ended 31 December 2015 was approximately RMB1,711.0 million, RMB1,406.7 million and RMB470.4 million, respectively, and the average number for such historical amounts is approximately RMB1,196.0 million, we consider that the proposed maximum daily balance of the deposits under the Financial Services Framework Agreement, being RMB1,200 million for each of the three years ended 31 December 2015 are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM MESSIS CAPITAL LIMITED

RECOMMENDATION

We are of the view that (i) the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement and the Financial Services Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed revised annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement and the proposed maximum daily balance of the deposits under the Financial Services Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions at the AGM so as to approve: (i) the revision to the annual caps for the two years ending 31 December 2017 for the transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement; and (ii) the Financial Services Framework Agreement and the proposed maximum daily balance of the deposits.

Yours faithfully,

For and on behalf of

Messis Capital Limited

Robert Siu

Erica Law

Managing Director

Associate Director

Mr. Robert Siu is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

Ms. Erica Law is a licensed person registered with the Securities and Future Commission of Hong Kong and regards a licensed representative of Mesis Capital Limited to carry our type 6 (advising on corporate finance) regulatory activity under the SFO and has over 5 years of experience in corporate finance industry.

APPENDIX I ADMINISTRATIVE RULES OF EXTERNAL GUARANTEE OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

Note: If there is any inconsistency between the English and Chinese versions of these administrative rules, the Chinese version shall prevail.

Administrative Rules of External Guarantee of CRCC High-Tech Equipment Corporation Limited

Chapter I General Provisions

Article 1 In order to regulate the management of external guarantee provided by CRCC High-Tech Equipment Corporation Limited (hereinafter referred to as the “**Company**”), and to strictly control the debt risk incurred by external guarantee to protect the legitimate rights of the Company, all of its shareholders and other stakeholders, the administrative rules are hereby formulated according to the requirements of relevant laws, regulations and normative documents such as the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Guarantee Law of the People’s Republic of China (hereinafter referred to as the “**Guarantee Law**”), and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Listing Rules of the Stock Exchange**”) as well as the provisions under the Articles of Association of CRCC High-Tech Equipment Corporation Limited (hereinafter referred to as the “**Articles of Association**”), taking into consideration the actual situation of the Company.

Article 2 The external guarantee mentioned herein refers to the guarantee provided by the Company, as a third party, for the debtor against the debt owed to the creditor under which the Company undertakes to perform the obligation or assume the responsibility as covenanted when the debtor fails to perform its obligation. Such guarantee shall be in the form of warranty, collateral, pledge and others.

Article 3 External guarantee of the Company should abide by the principle of equality, free will, fairness, integrity and mutual benefit. No unit or individual shall force the Company to provide guarantees for others. The Company has the right to refuse the behavior of forcing the Company to provide guarantees for others.

Chapter II Conditions of External Guarantee

Article 4 The guaranteed party to whom the Company provides external guarantee shall be normal in the aspects of business and finance, without significant business risks or financial risks.

APPENDIX I ADMINISTRATIVE RULES OF EXTERNAL GUARANTEE OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

Article 5 The Company shall require provision of counter-guarantees by the guaranteed party when providing external guarantee, and make prudent judgments on the actual capability of the counter-guarantee providers and the enforceability of the counter-guarantees.

Article 6 The Company shall not provide guarantees for the guaranteed party in one of the following circumstances:

- (1) The guaranteed party provided false information, misleading statements or information with material omissions;
- (2) The debts applied for guarantee by the guaranteed party are illegal or in violation of laws and regulations;
- (3) The Company had provided guarantee for the guaranteed party, but the secured debts were overdue or there were default in payment of principal, causing losses to the Company;
- (4) The business and financial condition of the guaranteed party have deteriorated or will deteriorate, and the guaranteed party may not be able to pay off the debt as scheduled;
- (5) The guaranteed party suffered significant losses in the previous year, or is expected to suffer significant losses in the current year;
- (6) The guaranteed party performed fraudulent conducts when applying for a guarantee, or malicious collusion circumstances existed among the guaranteed party, counter-guarantor, and creditor;
- (7) The counter-guarantee is insufficient or the property used as counter-guarantee is either defected, prohibited or restricted for circulation or non-transferable in accordance with the laws and regulations;
- (8) The guaranteed party is involved in pending or foreseeable major litigation, arbitration or administrative penalties, which will affect its ability to repay debts;
- (9) Other circumstances being unable to provide the guarantee as deemed by the general meeting or board meeting of the Company.

APPENDIX I ADMINISTRATIVE RULES OF EXTERNAL GUARANTEE OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

Chapter III Acceptance and Review of the Application for External Guarantee

Article 7 External guarantee applications shall be accepted for processing by the Company's financial department. The guaranteed party shall submit the guarantee application and attachments thereto at the request of the Company's financial department.

Article 8 The guarantee application submitted by the guaranteed party shall include at least the following elements:

- (1) Basic conditions of the guaranteed party;
- (2) Statement of the condition of the principal debt to be guaranteed;
- (3) Guarantee form and guarantee period;
- (4) Principal terms of the guarantee agreement;
- (5) Statement of the guaranteed party's repayment plan and the source thereof concerning the guaranteed obligations;
- (6) A counter-guarantee plan.

Article 9 When tendering a guarantee application, the guaranteed party shall attach thereto information related to the guarantee including:

- (1) A copy of the latest annually inspected Business License for Enterprise Legal Person of the guaranteed party;
- (2) The latest audited financial statements of the previous year and the most recent period of the guaranteed party;
- (3) Contract of the principal debt to be guaranteed;
- (4) Standard form of contract of indebtedness provided by the creditor;
- (5) Statement explaining that significant litigation, arbitration or administrative penalties does not exist;

APPENDIX I ADMINISTRATIVE RULES OF EXTERNAL GUARANTEE OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

- (6) Such other information as deemed necessary by the financial department of the Company.

Article 10 Upon acceptance of the guaranteed party's application, the financial department shall perform timely investigations into the secured party's credit conditions and evaluate the risks of providing the guarantee, the counter-guarantee provider's actual ability to guarantee, and the enforceability of the counter-guarantee. Upon review and approval by the general manager and chief accountant, the finance department of the Company shall submit a written report thereof together with a copy of the guarantee application and attachments thereto to the secretary of the board of directors of the Company (hereinafter referred to as the "Board").

Article 11 Upon receipt of the written report from the finance department together with the information related to the guarantee application, the secretary of the Board shall conduct a compliance review as well as a review on the control of the accumulated amount of total external guarantee.

Article 12 Upon passing the compliance review of the guarantee application, the secretary of the Board will arrange for review and approval procedures at a board meeting or general meeting according to the relevant requirements under the Articles of Association, these Rules and other relevant normative documents.

Chapter IV Consideration and Approval of External Guarantee

Article 13 External guarantee provided by the Company must be considered by the Board or the general meeting of shareholders.

Article 14 External guarantee that requires approval by the general meeting of shareholders include but are not limited to the following circumstances:

- (1) Any guarantee provided after the aggregated amount of external guarantee of the Company and its controlling subsidiaries has already reached or exceeded 50% of the latest audited net assets;
- (2) Any guarantee provided after the aggregated amount of external guarantee of the Company meets or exceeds 30% of the latest audited total asset;
- (3) Guarantee provided for a secured object with a gearing ratio over 70%;

APPENDIX I ADMINISTRATIVE RULES OF EXTERNAL GUARANTEE OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

- (4) Any single guarantee provided the amount of which exceeds 10% of the latest audited net assets;
- (5) Guarantee provided for any shareholder, actual controller and related/ connected party;
- (6) Guarantees which require approval of the general meeting according to the relevant regulations of the Listing Rules (especially the provisions of Chapters 13, 14, 14A and 19A).

When considering a guarantee mentioned in item (5) herein at a general meeting, such shareholder or shareholders dominated by such actual controller and related/ connected party shall not participate in the voting, which shall be passed by more than half of such other shareholders holding voting rights and attending the meeting.

When any guarantee fund exceeding 30% of the latest audited total assets of the Company within a year is put forward for consideration and approval at the general meeting, it shall be passed by more than two-thirds of the shareholders holding voting rights and attending the meeting.

Article 15 External guarantee which shall be considered and approved at a general meeting must be submitted to the general meeting of shareholders for approval after being considered by the Board and passed by more than half of all directors.

Article 16 The Board reserves the right to consider and approve the situations other than the circumstances listed in Article 14 of these Rules. External guarantee which shall be considered and approved by the Board shall be passed by more than half of all directors and signed and approved by more than two-thirds of directors attending the board meeting.

Article 17 The risk of debt incurred by external guarantee shall be carefully managed and strictly controlled by the general meeting or the Board when reviewing a guarantee application tendered by a guaranteed party and should carefully review and analyze the financial situation, operating conditions, industry prospects and credit situation of the guaranteed party, and make prudent decisions in accordance with the law. When necessary, an external professional institution may be hired to assess the risk of providing external guarantee as a basis for decision-making.

Article 18 Secretary of the board shall record in detail the discussions and voting on consideration and review of guarantee at the general meeting or board meeting.

APPENDIX I ADMINISTRATIVE RULES OF EXTERNAL GUARANTEE OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

Chapter V Signing of External Guarantee Contract

Article 19 The Company shall enter into guarantee contracts and counter-guarantee contracts in writing for external guarantee. The guarantee contracts and counter-guarantee contracts shall comply with the requirements under the Guarantee Law and other related laws and regulations and the principal terms should be clear and unambiguous.

Article 20 Guarantee contracts and counter-guarantee contracts shall be reviewed by the staff of the Legal and Compliance Department of the Company and where necessary, the Company may engage a law firm to conduct reviews or issue a written legal opinion thereon.

Article 21 Upon acceptance of a counter-guarantee collateral or a counter-guarantee pledge, the financial department of the Company shall prefect the relevant legal procedures jointly with the staff of the Legal and Compliance Department (or lawyers engaged by the Company), especially including the timely registration of such collateral or pledge and other procedures.

Article 22 Guarantee contracts and counter-guarantee contracts shall be signed by the legal representative or authorized representative of the Company.

Chapter VI Daily Management for External Guarantee

Article 23 The financial department of the Company is responsible for the daily management of the Company's external guarantee and in charge of the unified registration and record management of external guarantee.

Article 24 The finance department should duly keep all documents and information related to external guarantee (including but not limited to the application for guarantees and its attachments, audited opinions issued by the finance department, secretary of the Board, other departments of the Company and the Board or general meeting of shareholders, and the signed guarantee contracts etc.), clean up the documents in a timely manner, regularly check with banks and other relevant institutions to ensure complete, accurate, and effective documents and information for file, and pay attention to the validity of the guarantee. It shall on quarterly basis complete the schedule for external guarantee and send a corresponding copy to the general manager and the secretary of the Board.

Article 25 During the course of the management of the above documents, the finance department of the Company shall report to the Board and the Supervisory Committee in a timely manner upon the identification of any improper contracts that have not been approved in accordance with the consideration and approval procedures of the Board or the general meeting.

APPENDIX I ADMINISTRATIVE RULES OF EXTERNAL GUARANTEE OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

Article 26 Guaranteed debts which may need to be extended after its expiry and require the Company to continue to provide guarantee therefor shall be considered as a new external guarantee for which the review and approval process for guarantee application must be carried out according to the procedures as provided in these Rules.

Chapter VII Risk Control of External Guarantee

Article 27 The finance department of the Company should investigate the business and reputation of the guaranteed party and track and monitor the operating and financial conditions of the guaranteed party during the period of guarantee for risk control and specifically conduct the following:

- (1) The Company shall appoint officers (hereinafter referred to as “the relevant officers in charge”) responsible for continuously monitoring the condition of the guaranteed party, gathering the latest financial information and audit report of the guaranteed party to analyze its financial position and solvency on a regular basis, and monitoring matters such as its business operation, assets and liabilities, external guarantee, division and merger and changes of legal representatives. It shall establish relevant financial records and report to the Board quarterly;
- (2) The relevant officers in charge shall report to the Board in a timely manner upon the identification of any significant issues such as serious deterioration in the business operation, or dissolution or division of the guaranteed party and other circumstances which will or may have significant adverse change to their ability to repay debt. The Board is obliged to adopt effective measures to minimize the losses.

Article 28 In the event that the guaranteed party failed to perform its contractual obligations and its creditor requests the Company to assume the obligation, the relevant officers in charge of the Company shall propose the Company to activate the counter-guarantee claim procedures instantly.

Article 29 The Company, as a general guarantor, shall not assume its guarantee obligation to the debtor prior to the judgment or arbitration of the disputes relating to the guarantee contract or prior to the debtor’s incapability to fulfill its debt repayment obligation even after the compulsory legal enforcement of its property.

APPENDIX I ADMINISTRATIVE RULES OF EXTERNAL GUARANTEE OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

Article 30 After the acceptance of the debtor's bankruptcy application by the People's Court and before any creditor has submitted its claims, the relevant officers in charge shall propose the Company to participate in the distribution of bankruptcy property and exercise its right of recourse in advance.

Chapter VIII Information Disclosure for External Guarantee

Article 31 Upon resolution being made in respect of external guarantee at the meetings of the Board or the general meeting of shareholders, the Board shall disclose relevant information according to the requirements of the Listing Rules and other regulatory documents.

Article 32 For the guarantee matters that have been disclosed, the responsible departments and officers shall promptly inform the secretary of the Board when the following circumstances occur so that the Company can perform its disclosure obligation timely:

- (1) The guaranteed party does not fulfill the repayment obligations within 15 working days after the maturity of the debt;
- (2) The guaranteed party goes into bankruptcy, liquidation and other circumstances which seriously affect its repayment ability.

Article 33 The finance department of the Company shall provide the CPA who is responsible for the Company's financial audit with a complete and accurate record of all the Company's external guarantee in accordance with the requirements.

Chapter IX Legal Liability

Article 34 All directors of the Company shall review the Company's external guarantee strictly in accordance with the provisions under these Rules, relevant laws and regulations and regulatory documents and shall legally assume joint and several liabilities for any loss incurred as a result of irregular or inappropriate external guarantee.

Article 35 In case of any actual loss incurred by the Company as a result of unauthorized approval and signing of external guarantee contracts or neglect of duty by the relevant review departments and personnel or other senior management members of the Company involved in these Rules due to their failure to comply with the prescribed procedures, the Company shall pursue liability against the responsible person and take disciplinary action depending on the actual circumstances.

APPENDIX I ADMINISTRATIVE RULES OF EXTERNAL GUARANTEE OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

Chapter X Supplementary Provisions

Article 36 Definitions in these Rules:

The “actual controller” mentioned in these Rules refers to a person who is not a shareholder of the Company but can effectively control the Company through investment, agreement or other arrangement;

“Related/connected party” mentioned in these Rules shall be subject to the meaning as prescribed in the *Enterprise Accounting Standards No. 36 - Related Party Disclosures of the Ministry of Finance of the People’s Republic of China* and the Listing Rules; in case of any discrepancy between the two regulations, the stricter shall prevail;

“Total assets” and “net assets” mentioned in these Rules shall be subject to the data in the consolidated financial statements of the Company.

Article 37 In principle, the wholly-owned and controlling subsidiaries of the Company shall not provide external guarantee and where a guarantee must be provided, it shall report to the Company for approval.

Article 38 Matters uncovered herein shall be subject to the national laws and regulations, the relevant provisions of the Listing Rules and other regulatory documents, as well as the Articles of Association.

The national laws and regulations, the relevant provisions of the Listing Rules, other regulatory documents and the Articles of Association shall prevail in the event of any discrepancy with the rules of these Rules.

Article 39 These Rules shall come into force and be implemented on the date of approval by the general meeting of shareholders of the Company and since shall replace any previous administrative rules for guarantees of the Company.

Article 40 The Board shall be responsible for the interpretations and revisions of these Rules.

APPENDIX II REMUNERATION POLICY OF DIRECTORS AND SUPERVISORS OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

Note: If there is any inconsistency between the English and Chinese versions of this remuneration policy, the Chinese version shall prevail.

Remuneration Policy of Directors and Supervisors of CRCC High-Tech Equipment Corporation Limited

Article 1 In order to improve the corporate governance of CRCC High-Tech Equipment Corporation Limited (hereinafter “**CRCCE**”) and enhance and regulate the management of the remuneration of the directors and the supervisors of the Company, this remuneration policy is formulated in accordance with the applicable regulations and the Articles of Association of CRCC High-Tech Equipment Corporation Limited and based on the actual conditions of the Company.

Article 2 The directors and supervisors referred to herein include the executive directors, the non-executive directors, the independent non-executive directors and the supervisors of CRCCE.

Article 3 Annual evaluation of the directors is carried out by CRCCE in order to reflect the performance of duties of the directors and the supervisors and to encourage them to actively participate in the decision making and management of CRCCE. Specific methods for evaluation are determined by the Remuneration and Evaluation Committee of the Board in accordance with the relevant regulations, which will take effect after being discussed and proposed by the Board for approval at the general meeting.

Article 4 The remuneration of independent non-executive directors comprises of annual basic salaries and meeting subsidies:

1. Annual basic salaries are the basic remunerations compensated to the independent non-executive directors for their performance of duties of the Board and are paid on a monthly basis in accordance with the relevant guidelines and standards.
2. Meeting subsidies are subsidies payable to the independent non-executive directors for attending the general meetings, board meetings and special committee meetings. Such subsidies are paid in accordance with the relevant guidelines and standards and are based on the number of meeting(s) they have attended. The amount of annual basic salaries and meeting subsidies are determined with reference to the Principles for Determining the Remunerations of External Directors of Pilot Enterprises and Comparable Listed Companies issued by the State-owned Assets Supervision and Administration Commission of the State Council, which are discussed and proposed by the Board for the approval of the general meetings.

APPENDIX II REMUNERATION POLICY OF DIRECTORS AND SUPERVISORS OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

Article 5 Except the basic salaries and meeting subsidies, independent non-executive directors are not entitled to any other income of any forms.

Article 6 Non-executive directors who do not hold any internal positions in CRCCE or within promoter shareholders shall be remunerated based on the same standards for independent non-executive directors.

Article 7 Executive directors and non-executive directors who hold positions at CRCCE shall not be entitled to any remuneration for being directors but shall only be remunerated with reference to their management positions and the relevant evaluations. Their remuneration shall be determined by the Remuneration and Evaluation Committee of the Board and subject to the consideration and approval of the Board.

Article 8 Non-executive directors who do not hold any internal positions at CRCCE but hold internal positions within promoter shareholders are not entitled to any other income in any forms at CRCCE.

Article 9 The remuneration for performance of duties by directors of the Company shall be subject to the Measures for the Administration of Remuneration for the Performance of Duties of the Responsible Persons and Business Expenses of CRCC High-Tech Equipment Corporation Limited.

Article 10 The remuneration of the chairman of the supervisory committee who holds internal position at CRCCE shall be determined by the Remuneration and Evaluation Committee of the Board in accordance with the relevant regulations, which will take effect after being discussed and proposed by the Board for approval at the general meetings. It is determined by the following specific ways:

1. The remuneration of the chairman of the supervisory committee who holds internal position at CRCCE consists of annual cash salary and long-term incentive. Annual cash salary includes basic salary and performance-based salary. The basic salary level of the chairman of the supervisory committee shall be 70% of the basic salary level of the general manager, and the overall level of annual performance-based salary is generally 50%-80% of the annual performance-based salary of the general manager.
2. The basic salary of the chairman of the supervisory committee in CRCCE shall be listed in the costs and paid in cash on monthly basis.

APPENDIX II REMUNERATION POLICY OF DIRECTORS AND SUPERVISORS OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

3. The performance-based salary of the chairman of the supervisory committee in CRCCE shall be listed in the costs, accrued by the Company at one-time according to the operating results and evaluation results, and paid in cash by installments. Among which, 70% of the performance-based salary shall be paid in the current period after the completion of the annual performance evaluation; the remaining 30% shall be paid in the second year after re-election or resignation according to the evaluation results.
4. The remuneration of supervisors who recommended by employees of CRCCE shall be paid with reference with their positions.

Article 11 The remuneration for performance of duties by the chairman of the supervisory committee and Supervisors and business expenses shall be subject to the relevant requirements of CRCCE.

Article 12 The Board and the supervisory committee shall be authorized by the general meetings of the Company to formulate the implementation rules. The Board shall amend the rules once the rules are inconsistent with the new laws and regulations, policies of the Country and new requirements of the superordinate units.

Article 13 This policy will come into effect upon being approved at the general meeting.

1. RESPONSIBILITY STATEMENTS

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. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

3. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTEREST IN SHARES OF THE COMPANY

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company and their respective associates had any interests and/or short positions in the shares, underlying shares and debentures of the Company and its associated corporations 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 (including interests and/or short positions which they have taken or which they are deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules.

As at the Latest Practicable Date, Mr. Li Xuefu, non-executive Director, is a supervisor and deputy chief economist in CRCC. Save as disclosed above, as at the Latest Practicable Date, none of the other Directors, Supervisors and chief executive was a director, supervisor or employee of a company which had an interest or short position in the shares and 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.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates (as defined in the Listing Rules) was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling Shareholder).

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

6. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up), 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.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the date of this circular, which is significant in relation to the business of the Group.

7. EXPERT'S QUALIFICATION AND CONSENT

- (a) The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

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

- (b) As at the Latest Practicable Date, the expert mentioned in paragraph (a) above did not have any shareholding in the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group.
- (c) The expert has on 25 May 2016 given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion dated 25 May 2016 and reference to its name in the form and context in which they appear.
- (d) The letter and recommendation given by MESSIS Capital Limited are given as of the date of this circular for incorporation herein.

- (e) The expert has no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or claims of material importance are pending or threatened by or against any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the Company's principal place of business in Hong Kong at 23/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours on any weekday (except for public holidays) up to the date which is 14 days from the date of this circular:

- (a) the Large Maintenance Machinery and Accessories Sales Framework Agreement; and
- (b) the Financial Services Framework Agreement.