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**中国南车**

**株洲南车时代电气股份有限公司**

**ZHUZHOU CSR TIMES ELECTRIC CO., LTD.**

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

**(Stock Code: 3898)**

**DISCLOSEABLE TRANSACTIONS  
ACQUISITION OF DEEPSEA ROBOTS BUSINESS**

**I. ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF SPECIALIST  
MACHINE DEVELOPMENTS (SMD) LIMITED**

The Board is pleased to announce that on 5 February 2015, the Company entered into the Agreement with the Sellers and SMD Investment pursuant to which the Company shall (a) purchase, or procure the purchase by CSR Times Electric (Hong Kong) or one of the Company's other subsidiaries of, the entire issued share capital of the Specialist Machine Developments (SMD) Limited ("Target Company") and (b) procure the acquisition of the Bywell Shares by SMD Investment from the Management Sellers.

**II. LISTING RULES IMPLICATIONS**

As the applicable percentage ratios for the Acquisition exceed 5% but are less than 25% under Rule 14.06(2) of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

This announcement is also made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Sellers, SMD Investment and (in the case of non-natural persons) their respective ultimate beneficial owners and the Optionholders are third parties independent of the Company and are not connected persons of the Company.

# **I. ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE SPECIALIST MACHINE DEVELOPMENTS (SMD) LIMITED**

## **1. Introduction**

On 5 February 2015, the Company entered into the Agreement with the Sellers and SMD Investment pursuant to which the Company shall (a) purchase, or procure the purchase by CSR Times Electric (Hong Kong) or one of the Company's other subsidiaries of, the entire issued share capital of the Target Company and (b) procure the acquisition of the Bywell Shares by SMD Investment from the Management Sellers (upon the completion of which Bywell Holdings shall become a wholly-owned subsidiary of the Target Company).

The Board wishes to make this announcement regarding the terms for the Acquisition and other details and arrangements of the Acquisition pursuant to the Listing Rules.

## **2. The Agreement**

The key terms of the Agreement are summarised as follows:

### **(a) Date**

5 February 2015

### **(b) Parties**

For the acquisition of the Target Company:

Purchaser: the Company

Seller: the Sellers

For the acquisition of the Bywell Shares:

Purchaser: SMD Investment

Seller: the Management Sellers

(c) **Consideration and payment terms**

- (1) The maximum amount of consideration payable by the Group under the Agreement upon Completion is GBP108,300,000 (equivalent to approximately HK\$1,272,525,000) including (i) the Target Company Consideration, (ii) the amount to be used to repay the Shareholders' Loans then outstanding as at the date of Completion, (iii) the Initial Bywell Consideration, (iv) the amount to be used to pay to certain Sellers as exit payments, certain transaction costs and Taxations.

In addition to the above, if Completion takes place on or after 1 April 2015, the Company also needs to pay 91% of the Daily Earnings Amount to the Sellers for each day in the period from and including 1 April 2015 to and excluding the date of Completion.

Further, on Completion, the Company will repay or procure the repayment of the Senior Facilities then outstanding.

- (2) The Company shall upon Completion deposit a retention amount of GBP10,100,000 (equivalent to approximately HK\$118,675,000) ("**Retention Amount**") into an escrow account opened with Bank of China, London Branch in the joint names of the Company and the Sellers. If the Year One Profits and Year Two Profits as agreed by the Company and the Sellers meet certain performance targets stipulated under the Agreement, the Sellers and Optionholders shall collectively be entitled to an amount up to 100% of the Retention Amount.

Notwithstanding the above, if any Management Seller ceases to be employed by the Target Group or ceases to be a director of any member of the Target Group for reasons other than death or disability when any part of Retention Amount becomes payable to him, such Management Seller shall no longer be eligible to receive such Retention Amount.

The total amount of the consideration of the Acquisition is determined between the Company and the Sellers after arm's length negotiations with reference to (1) the net asset value of the Target Group and the potential growth, (2) the future profit of the Target Group, (3) the expertise and know-how in relation to deepsea engineering machinery owned by the Target Company, and (4) the synergies that can be created through the business collaboration between the Company and the Target Company.

(d) **Additional Payment**

For purposes of further incentivising the management of the Target Company in Year One and Year Two with the understanding that the Management Sellers will be incentivised to stay with the Target Company, the Company has agreed to make the following incentive payments:

If Year One Profits and Year Two Profits as agreed between the Company and Sellers exceed certain more stringent performance targets stipulated under the Agreement, the Sellers shall collectively be entitled to certain additional payment (“**Additional Payment**”) payable by the Company up to GBP7,000,000 (equivalent to approximately HK\$82,250,000).

(e) **Source of the fund for the Acquisition**

The total consideration payable by the Group to the Sellers and Optionholders under this Agreement shall be financed by a combination of internal cash flow from the operation of the Group and bank loans.

(f) **Conditions precedent**

Completion of the transfer of Shares is conditional upon, among other things, the fulfilment of the following conditions precedent:

- (1) John Reece having transferred the Option Shares to each of the Optionholders and the relevant Optionholders having been registered as the holder of the relevant Option Shares in the register of members of the Target Company;
- (2) an individual acceptable to the Company having been granted a valid power of attorney by each of the Optionholders, which authorises him to transfer each of the Optionholders’ Option Shares to the Company on behalf of the Optionholders on Completion;
- (3) the Company having obtained (i) a filing confirmation letter from SASAC in respect of the Acquisition; (ii) a filing notification letter from NDRC in respect of the Acquisition; (iii) an Enterprise Overseas Investment Certificate from MOC in respect of the Acquisition; and (iv) an Foreign Registration Certificate from SAFE in relation to overseas direct investment constituted by the Acquisition; and
- (4) there having been no statute, regulation, order, decree or judgment issued by any court or any government agency after the date of the Agreement that prohibits the Company or the Sellers from fulfilling their respective obligations on Completion.

**(g) Completion**

If any of the conditions precedent in respect of Option Shares or any of the conditions precedent in respect of the filing procedures with PRC governmental authorities have not been fulfilled or waived on or before the Long Stop Date pursuant to the terms of the Agreement, either the Company or the Sellers shall have the right to terminate the Agreement.

The Completion shall take place on the fifth Business Day after the date on which the conditions precedent under the Agreement have been waived or satisfied with the requisite evidence given to the Company or the Sellers (as the case maybe), or on such earlier date as may be agreed between the Sellers' Representative, the Inflexion Representative and the Company.

**II. FINANCIAL INFORMATION**

The audited net profits (both before and after taxation) of the Target Group for the two years ended 31 December 2013 and 2012, which were prepared in accordance with the UK GAAP, were as follows:

|   | <b>For the year ended<br/>on 31 December 2013</b>                    | <b>For the year<br/>ended on 2012</b>                                   |
|---|--|---|
|   | <i>GBP</i>   | <i>GBP</i>  |
| Turnover  | 76,041,237<br>(equivalent to<br>approximately<br>HK\$893,484,534.75) | 128,765,586<br>(equivalent to<br>approximately<br>HK\$1,512,995,635.50) |
| Operating profit before<br>extraordinary items        | 1,615,500<br>(equivalent to<br>approximately<br>HK\$18,982,125)      | 4,851,290<br>(equivalent to<br>approximately<br>HK\$57,002,658)         |
| Net profit before taxation and<br>extraordinary items | -6,401,927<br>(equivalent to<br>approximately<br>HK\$-75,222,642.25) | -2,643,180<br>(equivalent to<br>approximately<br>HK\$-31,057,365.00)    |
| Net profit after taxation and<br>extraordinary items  | -6,728,014<br>(equivalent to<br>approximately<br>HK\$-79,054,164.50) | -5,615,270<br>(equivalent to<br>approximately<br>HK\$-65,979,422.50)    |

The audited net asset value of the Target Group as at 31 December 2013 was approximately GBP-23,219,422 (equivalent to approximately HK\$-272,828,208.50).

The aggregate amount of the Shareholders' Loans extended to the Target Company as of 31 December 2014 is GBP84,306,846 (equivalent to approximately HK\$990,605,440.50), with annual interest rate of 9.5%.

The financial results of the Target Group will be consolidated into the accounts of the Company after the completion of the Acquisition.

### **III. INFORMATION RELATING TO THE GROUP**

The Group is principally engaged in the sale and manufacture of train-borne electrical systems and electrical components.

### **IV. INFORMATION RELATING TO THE SELLERS AND THE OPTIONHOLDERS**

#### **Inflexion Mirage Limited Partnership**

Inflexion Mirage Limited Partnership is a limited partnership duly incorporated and validly existing under the laws of England and Wales which is principally engaged in acquiring and divesting of businesses which demonstrate the potential for growth using funds committed by external investors.

#### **Individual Sellers**

Stephen Curl, Paul Atkinson, Andrew Caffyn, Christopher Gill, Andrew Hodgson, Richard Howarth, Michael Jones and John Reece who together with Inflexion Mirage Limited Partnership own the entire issued share capital of the Target Company.

The Management Sellers collectively own all of the Bywell Shares.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Sellers, SMD Investment and (in the case of non-natural persons) their respective ultimate beneficial owners and the Optionholders are third parties independent of the Company and are not connected persons of the Company.

## **V. INFORMATION RELATING TO THE TARGET GROUP**

The principal business of the Target Group is designing and manufacturing the remotely operated vehicles, trenching and mining machinery operating in deepsea or other hazardous environments.

## **VI. REASONS FOR AND BENEFITS OF THE ACQUISITION**

Through the Acquisition, the Company will extend its core technology in the electric transmission and control of rail transit to the areas of Deepsea Robots and other deepsea high-end equipment, which can quickly fill the gaps in the Deepsea Robots industry in China at the time being and may enable the Company to quickly get access to the applied technologies, market, management team and experience required for designing and manufacturing the deepsea marine machinery. The Company will further explore other areas of deepsea equipment in order to establish its leading position as a designer and manufacturer of deepsea marine machinery. The Acquisition is in line with the state's key national industrial policies on the encouraged sectors and has significant strategic value and broad prospects for development. In view of the above, the Directors (including all independent non-executive Directors) are of the view that the terms and conditions of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **VII. IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios for the Acquisition exceed 5% but are less than 25% under Rule 14.06(2) of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

This announcement is also made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

## VIII. DEFINITIONS

Unless the context otherwise requires, the following terms used herein have the following meanings:

|                                  |   |
|----------------------------------|---|
| “Acquisition”                    | (i) acquisition of the entire issued share capital of the Target Company by the Company (or one of the subsidiaries of the Company) and (ii) acquisition of Bywell Shares by SMD Investment pursuant to the terms and conditions of the Agreement |
| “Agreement”                      | the agreement between the Company, the Sellers and SMD Investment, dated 5 February 2015, for the Acquisition   |
| “Board”                          | the board of Directors  |
| “Business Day”                   | any day (other than a Saturday or Sunday) on which banks are open in London, Beijing and Hong Kong for normal banking business  |
| “Bywell Holdings”                | Bywell Holdings Limited, a private limited company incorporated in England and Wales and an indirect subsidiary of the Target Company   |
| “Bywell Shares”                  | 39 redeemable non-voting X ordinary shares and 886 redeemable non-voting Y ordinary shares in Bywell Holdings held by the Management Sellers  |
| “Company”                        | Zhuzhou CSR Times Electric Co., Ltd. (株洲南車時代電氣股份有限公司), a joint stock company with limited liability incorporated in the PRC whose shares are listed on the main board of the Stock Exchange   |
| “Completion”                     | the completion of the Acquisition   |
| “connected person”               | has the meaning given to it under the Listing Rules   |
| “Costs”                          | losses, damages, reasonable costs (including reasonable legal costs), Taxations and reasonable expenses in each case of any nature whatsoever   |
| “CSR Times Electric (Hong Kong)” | CSR Times Electric (Hong Kong) Co., Ltd., a company with limited liability incorporated in Hong Kong and a wholly owned subsidiary of the Company   |



|                             |  |
|-----------------------------|--|
| “Daily Earnings Amount”     | <p>(a) for the period from and including 1 April 2015 until and including 30 April 2015 the sum of GBP10,000 (equivalent to approximately HK\$117,500) per day in respect of each day within such period;</p> <p>(b) for the period from and including 1 May 2015 until and including 31 May 2015 the sum of GBP15,000 (equivalent to approximately HK\$176,250) per day in respect of each day within such period; and</p> <p>(c) for the period from and including 1 June 2015 until and excluding the date of Completion the sum of GBP20,000 (equivalent to approximately HK\$235,000) per day in respect of each day within such period</p> |
|                             | <p>provided that if any condition precedent in respect of Option Shares has not been satisfied on the date that the conditions precedent in respect of filing procedures with the PRC regulatory authorities have been satisfied then with effect from (and including) the date of satisfaction of the conditions precedent in respect of the filing procedures with the PRC regulatory authorities Daily Earnings Amount shall be nil</p>   |
| “Deepsea Robots”            | collectively, deepsea remotely operated vehicles, trenching and mining machinery operating in deepsea and other hazardous environments   |
| “Director(s)”               | the director(s) of the Company   |
| “GBP”                       | British pound sterling, the lawful currency of the United Kingdom  |
| “Group”                     | the Company and its subsidiaries   |
| “HK\$”                      | Hong Kong dollar, the lawful currency of Hong Kong   |
| “Hong Kong”                 | Hong Kong Special Administrative Region of the PRC   |
| “independent third parties” | third parties independent of the Company and its connected persons   |

|                                |   |
|--------------------------------|---|
| “Inflexion Representative”     | Tim Smallbone who serves as the representative of Inflexion Private Equity Partners LLP and Inflexion Mirage Limited Partnership  |
| “Initial Bywell Consideration” | approximately GBP2,691,437.93 (equivalent to approximately HK\$31,624,395.68) plus an amount equal to 9% of the Daily Earnings Amount (where applicable) in accordance with the Agreement |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Long Stop Date”               | 31 July 2015 or such later date as the Company, Sellers’ Representative and the Inflexion Representative may agree  |
| “Management Sellers”           | any or all of Andrew Caffyn, Andrew Hodgson, Paul Atkinson, Richard Howarth, Michael Jones, Adam Sims and Christopher Wilkinson   |
| “MOC”                          | the Ministry of Commerce of the PRC   |
| “NDRC”                         | National Development and Reform Commission of the PRC   |
| “Optionholders”                | a group of employees of the Target Company who will hold Option Shares after the date of the Agreement  |
| “Option Shares”                | 398,768B ordinary shares in the Target Company held by John Reece as of 5 February 2015 and by the Optionholders immediately prior to Completion  |
| “PRC”                          | the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)  |
| “SAFE”                         | the State Administration of Foreign Exchange of the PRC   |
| “SASAC”                        | the State-owned Assets Supervision and Administration Commission of the PRC or its local counterparts   |
| “Sellers”                      | any and all of the Inflexion Mirage Limited Partnership, Stephen Curl, John Reece, Christopher Gill and the Management Sellers  |

|                                |   |
|--------------------------------|---|
| “Sellers’ Representative”      | Andrew Caffyn (or any other individual who may replace Andrew Caffyu as the representative of the Sellers pursuant to the terms and conditions of the Agreement)  |
| “SMD Investment”               | Specialist Machine Developments (Investment) Limited, a company with limited liability registered in England and Wales which is a subsidiary of the Target Company  |
| “Senior Facilities”            | the outstanding principal and the accrued interest under the Senior Facilities Agreement entered into by the Target Group with Barclays Bank Plc and HSBC Bank Plc dated 2 April 2008 (as amended from time to time) in an amount of approximately GBP11,500,000 (equivalent to approximately HK\$135,125,000) as of 31 December 2014   |
| “Shares”                       | all the issued shares in the capital of the Target Company including the Option Shares  |
| “Shareholder(s)”               | the shareholder(s) of the Company   |
| “Shareholders Loans”           | the outstanding principal and the accrued interest under: (a) the GBP24,700,000 (equivalent to approximately HK\$290,225,000) secured Series A Loan Notes, including “payment in kind” notes issued in respect of accrued interest thereon; and (b) the GBP20,875,000 (equivalent to approximately HK\$245,281,250) secured Series B Loan Notes, in each case issued by a member of the Target Group to certain Sellers in an aggregate amount of GBP84,306,846 (equivalent to approximately HK\$990,605,440.50) as of 31 December 2014 |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited   |
| “Target Company”               | Specialist Machine Developments (SMD) Limited, a private limited company incorporated in England and Wales  |
| “Target Company Consideration” | the purchase price of the entire issued share capital of Target Company of approximately GBP15,909,617 (equivalent to approximately HK\$186,937,999.75)   |

|                    |   |
|--------------------|---|
| “Target Group”     | the Target Company and its subsidiaries   |
| “Taxation”         | <p>(a) any (i) tax on gross or net income, profits or gains and (ii) any other tax, impost, levy, duty, charge or withholding of any nature, of the United Kingdom or elsewhere, whether national or local, including any excise, property, value added, sales, use occupation, transfer, franchise and payroll taxes, and any national insurance and social security contributions, and any payment whatsoever which the relevant person may be or become bound to make to any person as a result of the discharge by that person of any tax which the relevant person has failed to discharge; and</p> <p>(b) any fine, penalty, surcharge, charge or interest relating to any tax, impost, levy or other matter mentioned in paragraph (a) of this definition or to any late or incorrect return (or failure to submit a return) in respect of any of them,</p> <p>(c) in each case regardless of whether chargeable directly or primarily against or attributable directly or primarily to the relevant person or any other person and of whether any amount in respect of any of them is recoverable from any other person</p> |
| “UK GAAP”          | the generally acceptable accounting principles of the United Kingdom  |
| “VAT”              | United Kingdom value added tax or any sales or turnover tax imposed in any other jurisdiction   |
| “Year One”         | the financial year of the Target Company ending on 31 December 2015   |
| “Year One Profits” | the consolidated EBITDA (i.e., profits, before interest, Taxation, depreciation and amortisation) based on the audited consolidated profit and loss account or where applicable, income statement, of the Company for Year One  |

|                    |  |
|--------------------|--|
| “Year Two”         | the financial year of the Target Company ending on 31 December 2016  |
| “Year Two Profits” | the consolidated EBITDA (i.e., profits, before interest, Taxation, depreciation and amortisation) based on the audited consolidated profit and loss account or where applicable, income statement, of the Company for Year Two |
| “%”                | per cent   |

*In this announcement, for the purpose of illustration only, amounts quoted in GBP have been converted into HK\$ at the rate of GBP1.00 to HK\$11.75. Such exchange rates have been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

By order of the Board  
**Zhuzhou CSR Times Electric Co., Ltd.**  
**Ding Rongjun**  
*Chairman*

Zhuzhou, China, 5 February 2015

*As at the date of this announcement, the Chairman of the Board and executive director is Ding Rongjun, the Vice-chairman of the Board and executive director is Deng Huijin, the other executive directors are Li Donglin and Yan Wu, the non-executive director is Ma Yunkun, and the independent non-executive directors are Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Liu Chunru.*