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# **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)**

## **ANNOUNCEMENT**

### **CONTINUING CONNECTED TRANSACTIONS LEASE AGREEMENTS**

The Board is pleased to announce that it has entered into the First, Second, Third and Fourth Lease Agreements with various entities of the Parent Company Group.

The Parent Company is a controlling shareholder of the Company and is therefore a connected person of the Company as defined under the Listing Rules. Traction Inspection is a subsidiary of the Parent Company and is an associate of the Parent Company, and is therefore a connected person of the Company as defined under the Listing Rules.

The transaction contemplated under each of the Lease Agreements by itself falls within the de minimis exemption under Rule 14A.76 of the Listing Rules. However, as one or more of the applicable percentage ratios (other than the profits ratio) of the Annual Rents when aggregated exceed 0.1% but are less than 5%, the transactions contemplated under the Lease Agreements, when aggregated with each other, constitute continuing connected transactions of the Company subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## BACKGROUND

The Board is pleased to announce that it has entered into the First, Second, Third and Fourth Lease Agreements with the Parent Company, the CSR Wind Power Business Unit and Traction Inspection respectively.

## THE FIRST LEASE AGREEMENT

A summary of the principal terms of the First Lease Agreement is set out as follows:

<b>Date</b>	: 1 January 2015
<b>Parties:</b>	: (i) The Company (for itself and on behalf of its associates) (as lessor)  (ii) The Parent Company (for itself and on behalf of its subsidiaries) (as lessee)
<b>Properties and facilities leased</b>	: The First Leased Property and ancillary services including use of facilities and utilities.
<b>Term</b>	: 1 January 2015 to 31 December 2015.
<b>Use</b>	: office use
<b>Rent</b>	: RMB1,226,160 per annum (approximately HK\$1,532,700), payable in two equal installments before 15 June 2015 and 15 December 2015 respectively.
<b>Management, Maintenance and other fees</b>	: The Company is responsible for taxes on the First Leased Property and ancillary services during the lease period. Utilities are included in the rent. The Company is responsible for maintenance and repair of the First Leased Property and ancillary services but the Parent Company is responsible for the relevant costs.

**Right of First Refusal** : If the Company proposes to sell the First Leased Property to a third party, it shall give the Parent Company three (3) months' advance notice in writing and grant the Parent Company the ROFR to purchase the First Leased Property on the same terms and conditions as those offered by the third party.

## **THE SECOND LEASE AGREEMENT**

A summary of the principal terms of the Second Lease Agreement is set out as follows:

**Date** : 1 January 2015

**Parties:** : (i) The Company (for itself and on behalf of its associates) (as lessor)  
(ii) Parent Company (the Wind Power Business Unit) (for itself and on behalf of its subsidiaries) (as lessee)

**Properties and facilities leased** : The Second Leased Property and ancillary facilities including air conditioning and office equipment.

**Term** : 1 January 2015 to 31 December 2015. The Second Lease Agreement is renewable yearly by CSR Wind Power Business Unit giving written notice to the Company prior to expiry of the Second Lease Agreement.

**Use** : uses including office and production use

**Rent** : RMB861,740 per annum (approximately HK\$1,077,175), payable in two equal installments on or before 15 June 2015 and 15 December 2015 respectively.

**Management, Maintenance and other fees** : The Company is responsible for taxes on the Second Leased Property and ancillary facilities during the lease period. Utilities are to be borne by the CSR Wind Power Business Unit.

**Right of First Refusal** : If the Company proposes to sell the Second Leased Property to a third party, it shall give the CSR Wind Power Business Unit two (2) months' advance notice in writing and grant the CSR Wind Power Business Unit the ROFR to purchase the Second Leased Property on the same terms and conditions as those offered by the third party.

### **THE THIRD LEASE AGREEMENT**

A summary of the principal terms of the Third Lease Agreement is set out as follows:

**Date** : 1 January 2015

**Parties:** : (i) The Company (as lessor)  
(ii) The Parent Company (as lessee)

**Properties and facilities leased** : The Third Leased Property and ancillary facilities including air conditioning and office equipment.

**Term** : 1 January 2015 to 31 December 2015.

**Use** : office use

**Rent** : RMB1,743,094 per annum (approximately HK\$2,178,867.5), payable in two equal installments within January and July 2015 respectively.

**Management, Maintenance and other fees** : Property management fees, repair fees, maintenance fees, other relevant fees and utilities are to be borne by the Parent Company.

**Right of First Refusal** : There is no ROFR for the Parent Company to purchase the Third Leased Property in the case of a sale by the Company.

## THE FOURTH LEASE AGREEMENT

A summary of the principal terms of the Fourth Lease Agreement is set out as follows:

<b>Date</b>	: 12 June 2015
<b>Parties:</b>	: (i) The Company (as lessor) (ii) Traction Inspection (as lessee)
<b>Properties and facilities leased</b>	: The Fourth Leased Property and ancillary facilities.
<b>Term</b>	: 26 March 2015 to 25 March 2016.
<b>Use</b>	: uses including office, inspection and testing use
<b>Rent</b>	: RMB9,280,000 per annum (approximately HK\$11,600,000), payable in two equal installments within 15 business days of the date of the Fourth Lease Agreement and within September 2016 respectively.
<b>Management, Maintenance and other fees</b>	: Property management fees, repair fees, maintenance fees, other relevant fees and utilities are to be borne by Traction Inspection.
<b>Right of First Refusal</b>	: There is no ROFR for Traction Inspection to purchase the Fourth Leased Property in the case of a sale by the Company.

## HISTORICAL TRANSACTIONS

The Company has entered into lease agreements for the lease of the First Leased Property and Third Leased Property with the Parent Company and the Second Leased Property with CSR Wind Power Business Unit respectively for uses including office and production use on 31 December 2013 for a term of 1 year from 1 January 2014 to 31 December 2014. The leases for the First, Second and Third Leased Properties were at the annual rent of RMB1,100,880 (approximately HK\$1,376,100), RMB1,596,694 (approximately HK\$1,995,867.5) and RMB766,028 (approximately HK\$957,535) respectively, all of which constitute de minimis transactions and were fully exempt from the reporting, announcement and the independent shareholders' approval requirements under Ch. 14A of the Listing Rules.

Save as disclosed in this announcement, there is no other historical transaction record in respect of any of the Lease Agreements.

## **TOTAL ANNUAL RENTS**

The Annual Rents were agreed after arm's length negotiations between the respective parties, with reference to, among other things, the estimated depreciation expenses of the relevant facilities and equipment and the prevailing market rental for similar properties in the surrounding areas at the time of entering into the respective Lease Agreements.

The Directors (excluding Mr. Ding Rongjun and Mr. Deng Huijin but including the independent non-executive Directors) consider that the Lease Agreements are on normal commercial terms and would not be prejudicial to the interests of the Company and its minority shareholders, and are of the view that the Annual Rents are fair and reasonable.

## **INFORMATION ON THE GROUP AND THE PARENT COMPANY**

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

The Parent Group is principally engaged in the research and development, manufacturing and sale of rail transportation products and large-scale wind power generation facilities.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENTS**

Through the leasing of the Leased Properties, the Group is able to achieve use of their resources in a more efficient manner.

## **LISTING RULES REQUIREMENTS**

The Parent Company is a controlling shareholder of the Company and is therefore a connected person of the Company as defined under the Listing Rules. Traction Inspection is a subsidiary of the Parent Company and an associate of the Parent Company, and is therefore a connected person of the Company as defined under the Listing Rules.

The transaction contemplated under each of the Lease Agreements by itself falls within the de minimis exemption under Rule 14A.76 of the Listing Rules. However, as one or more of the applicable percentage ratios (other than the profits ratio) of the Annual Rents when aggregated exceed 0.1% but are less than 5%, the transactions

contemplated under the Lease Agreements, when aggregated with each other, constitute continuing connected transactions of the Company subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Ding Rongjun (the chairman of the Board, an executive Director and an executive director and a general manager of the Parent Company) and Mr. Deng Huijin (the vice-chairman of the Board, an executive Director and a Party secretary and a deputy general manager of the Parent Company) have abstained from the examination of and voting on the Lease Agreements due to conflicts of interest. Save as mentioned above, none of the Directors has material interest in the Lease Agreements and hence no other Director has abstained from voting on such Board resolutions.

The Directors, excluding Mr. Ding Rongjun and Mr. Deng Huijin but including the independent non-executive Directors, consider that the Lease Agreements were entered into in the ordinary and usual course of business of the Group and in the interest of the Company and its shareholders as a whole, the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, the terms thereof and the Annual Rents are on normal commercial terms or if there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned.

## DEFINITIONS

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

“Annual Rents”	each of the total amounts of rent payable under each of the First, Second, Third and Fourth Lease Agreements
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 established in the PRC with limited liability whose H shares are listed on the Stock Exchange

“CRRC”	CRRC Corporation Limited (中國中車股份有限公司) (formerly known as CSR Corporation Limited (中國南車股份有限公司), a joint stock company established in the PRC with limited liability whose A shares and the H shares are listed on the Shanghai Stock Exchange and the Stock Exchange respectively; CRRC holds the entire equity interest in the Parent Company as at the date of this announcement
“connected person(s)”	has the meaning given to it under the Listing Rules
“Director(s)”	director(s) of the Company
“First Lease Agreement”	the lease agreement dated 1 January 2015 entered into between the Company and the Parent Company in relation to the First Leased Property
“First Leased Property”	the eleventh, fourteenth and fifteenth floors of the Shidai Technology Building and ancillary facilities located at Times Road, Shifeng District, Zhuzhou, Hunan Province, PRC
“Fourth Lease Agreement”	the lease agreement dated 12 June 2015 entered into between the Company and Traction Inspection in relation to the Fourth Leased Property
“Fourth Leased Property”	the city rail factory, electric locomotive workshop, machinery workshop and ancillary facilities located at Maotang Ao, Shifeng District, Zhuzhou, Hunan Province, PRC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	parties who are independent of, and not connected with, the Company or any of its connected persons
“Lease Agreements”	the First, Second, Third and Fourth Lease Agreements collectively



“Leased Properties”	the First, Second, Third & Fourth Leased Properties collectively
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Parent Company”	南車株洲電力機車研究所有限公司 (CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.), a limited liability company established under the laws of the PRC; the controlling shareholder of the Company, and a wholly-owned subsidiary of CRRC
“Parent Company Group”	the Parent Company and its subsidiaries (excluding the Group)
“PRC”	the People’s Republic of China
“ROFR”	right of first refusal
“RMB”	Renminbi, the lawful currency of the PRC
“Second Lease Agreement”	the lease agreement dated 1 January 2015 entered into between the Company and the CSR Wind Power Business Unit in relation to the Second Leased Property
“Second Leased Property”	the first through fifth floors of the wind power office building, the second floor of the transformer workshop and ancillary facilities located at Joint Factory Building for Reconstruction Projects, Tianxin Commercial & Science Park Centre, Shifeng District, Zhuzhou, Hunan Province, PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Lease Agreement”	the lease agreement dated 1 January 2015 entered into between the Company and the Parent Company in relation to the Third Leased Property
“Third Leased Property”	the first to fifth floors of the office building and ancillary facilities located at Sales and Operations Building, 169 Times Road, Shifeng District, Zhuzhou, Hunan Province, PRC

“Traction Inspection”	China Railway Approved Zhuzhou Traction Electric Equipment Inspection Station Company Limited (中鐵檢驗認證株洲牽引電氣設備檢驗站有限公司), a subsidiary of the Parent Company
“CSR Wind Power Business Unit”	the Wind Power Business Unit of the Parent Company (風電事業部), which is a subordinate legal entity of the Parent Company and is subject to independent audit (獨立核算的二級法人單位)

*This announcement contains translation of HK\$ to RMB at the rate of RMB1 = HK\$1.250 for the purpose of illustration only. The translation shall not be taken as representation that any amounts in HK\$ or RMB could be converted at such rate or at any other rate.*

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

Zhuzhou, China, 12 June 2015

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