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株洲中车时代电气股份有限公司

ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

CONTINUING CONNECTED TRANSACTIONS WITH CRRCG

In view of the prospective expiry of the 2014-16 CSRG Mutual Supply Agreement on 31 December 2016, on 28 March 2016, the Company entered into the 2017-19 CRRC Group Mutual Supply Agreement with CRRC Group for a term of three years commencing on 1 January 2017 and ending on 31 December 2019.

The 2017-2019 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps. In this connection, the Company has appointed Beijing Securities Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

A circular containing, among other things, (i) details of the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps; and (iii) the recommendation of the Independent Board Committee regarding the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps to the Independent Shareholders will be despatched to the shareholders of the Company no later than 22 April 2016.

BACKGROUND

In view of the prospective expiry of the 2014-16 CSRG Mutual Supply Agreement on 31 December 2016, on 28 March 2016, the Company entered into the 2017-19 CRRC Group Mutual Supply Agreement with CRRC Group for a term of three years commencing on 1 January 2017 and ending on 31 December 2019.

CONTINUING CONNECTED TRANSACTIONS WITH CRRCG

Principal Terms of the 2017-19 CRRC Group Mutual Supply Agreement

The principal terms of the 2017-19 CRRC Group Mutual Supply Agreement are summarised as follows:

Date:	28 March 2016
Parties:	(a) CRRC Group; and (b) the Company
Scope of products and services to be provided:	<p>The Company agreed to supply and procure its subsidiaries to supply to CRRCG (including the Parent Group but excluding the Group) certain products (including electrical systems and electrical components), parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes.</p> <p>CRRC Group agreed to supply and procure its subsidiaries and their respective associates (including the Parent Group but excluding the Group) to supply to the Group certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes.</p>
Payment terms:	Payments for the products and/or services supplied by and/or to CRRCG will be settled by way of cash or such other manners as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual product and service contracts to be entered into between the respective group companies of the Group and CRRCG.

Historical Transaction Records with CSRG Group

Set out below is a summary of the transaction records of the transactions under the 2014-16 CSRG Mutual Supply Agreement for the two years ended 31 December 2014 and 2015:

	2014	2015
	<i>(RMB millions)</i>	
1. Amount paid to the CSRG Group by the Group for the provision of the products and/or services	1,410	1,535
2. Amount paid to the Group by the CSRG Group for the provision of the products and/or services	7,798	7,860

Term: A term of three (3) years commencing on 1 January 2017 and ending on 31 December 2019.

Pricing basis: The pricing for the products and/or services supplied by and/or to CRRCG will be determined on the following principles in order of priority:

- (a) the prices prescribed by the government of the PRC or any regulatory authority(ies) (if any) (“**government-prescribed prices**”);
- (b) the range of prices pursuant to the pricing guidelines or pricing recommendations set by the government of the PRC or any regulatory authority(ies) (if any) (“**government-guided prices**”), where no government-prescribed prices are available or applicable;
- (c) the final confirmed prices through the bidding and tendering process conducted in accordance with the applicable laws, rules and regulations (if any) (“**bidding prices**”), where neither government-prescribed prices nor government-guided prices are available or applicable;

- (d) the market prices which are offered to or by Independent Third Parties in the ordinary and usual course of business, where none of the government-prescribed prices, government-guided prices or the bidding prices are available or applicable; and
- (e) the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit margin (which is determined by reference to the nature of products and/or services, current market price of the similar products and/or services and the Group's forecasted demand and increase in the market price of such products and/or services in the remaining term), where none of the above prices are available or applicable.

The aggregate annual amounts of the transactions under the 2014-16 CSRG Mutual Supply Agreement for the two years ended 31 December 2014 and 2015 did not exceed the respective maximum aggregate annual values as approved by the then Independent Shareholders on 29 October 2013.

As at the date of this announcement, the 2016 Approved CSRG Caps have not been exceeded. The Board anticipates that the aggregate annual amounts of the transactions under 2014-16 CSRG Mutual Supply Agreement for the year ending 31 December 2016 will not exceed the 2016 Approved CSRG Caps.

Should the aggregate annual amounts of the transactions under the 2014-16 CSRG Mutual Supply Agreement for the year ended 31 December 2016 exceed the 2016 Approved CSRG Caps, the Company will re-comply with the relevant requirements under Rule 14A.54 of the Listing Rules.

New CRRC Group Caps

The Company expects that the New CRRC Group Caps under the 2017-19 CRRC Group Mutual Supply Agreement for the three years ending 31 December 2017, 2018 and 2019 will be as follows:

2017-19 CRRC Group Mutual Supply Agreement	Year ending 31 December		
	2017	2018	2019
<i>(RMB millions)</i>			
1. Annual cap of the amounts to be paid to CRRCG by the Group for the provision of the products and/or services	4,320	5,184	6,221
2. Annual cap of the amounts to be paid to the Group by CRRCG for the provision of the products and/or services	13,680	16,400	19,700

The New CRRC Group Caps are determined with reference to the following: (1) the expected growth of railway industry in the PRC; (2) the expected growth of urban rail industry in the PRC; (3) the potential of overseas market (through grasping the opportunities arising from the “One Belt and One Road” strategic opportunity put forward by the PRC government, keeping abreast of the “going out” steps of the PRC rail transportation equipment industry and exploring opportunity arising from overseas market with the subordinate main operating plants of CRRC Group); (4) the industry position and the business potential of CRRC Group (including but not limited to the synergy after the Merger) which enhance the technical capability and market share of the Company, establish the branding of the Company’s products in the international market and provide the Company with abundant resources on industrial experience and technologies; (5) the business development plan of the Group; (6) the existing supply contracts entered into, and the anticipated supply contracts to be entered into, and supply plans, between the Group and CRRCG, together with the anticipated market demand and tender plans, relating to (a) various models of electric locomotives; (b) electric locomotives, EMUs and subways for overseas export; (c) city subways and inter-city rails; and (d) EMUs; and (7) the historical transaction amounts under the 2014-16 CSRG Mutual Supply Agreement as shown in the section headed “Historical Transaction Records with CSRG Group” above.

INFORMATION OF THE GROUP

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

INFORMATION OF CRRCG

The principal scope of business of CRRCG is the research and development, sale, leasing and technological services of transportation and urban infrastructure, new energy, energy conservation and environmental protection equipment; design, manufacture and repair of locomotive trains, urban railway transport trains, railway hoisting machinery, various mechanical and electrical equipment and parts, electronic equipment, environmental protection equipment and products; import and export of goods, technology and agency (for projects which are subject to approval as required by law, the business activities shall be conducted as approved by relevant authorities).

REASONS FOR ENTERING INTO THE 2017-19 CRRC GROUP MUTUAL SUPPLY AGREEMENT

In relation to the purchase of products and/or services, the Group has been procuring certain parts and components and services for the manufacture of its products from the CSRG Group for many years. As a result of such long-term business relationship, the CSRG Group and hence CRRCG after the Merger have been familiar with the Group's standards and specifications, and has been able to respond quickly and in a cost efficient manner to any new requirements that the Group may request. In relation to the supply of products and/or services, the Group has been supplying certain parts and components and services to the CSRG Group for many years. As a result, the Company and the CSRG Group have a solid business relationship. The 3 years' procurement and supply relationship with CRRCG to be established pursuant to the 2017-19 CRRC Group Mutual Supply Agreement will continue to the expansion of the Group's sales and revenue which will in turn contribute to stabilising the business of the Group. Further, the Group's purchases from and/or sales to CRRCG are on terms which are not less favourable than those obtainable by the Group from Independent Third Parties.

It is the understanding of the Group that CRRCG has rendered more efforts in developing overseas market and has received large number of orders from overseas. Accordingly, the Group anticipates that the prospects in relation to the mutual supply of products and services between the Group and CRRCG will also improve.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Parent Company is the controlling shareholder of the Company. CRRC Group directly and indirectly holds approximately 55.91% equity interest in CRRC in aggregate. CRRC directly holds the entire equity interest in the Parent Company. CRRC Group is the ultimate controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) for the New CRRC Group Caps exceeds 5%, the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps constitute a non-exempt continuing connected transaction of the Company which are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LISTING RULES REQUIREMENTS

A meeting of the Board was held on 24 March 2016 at which the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps were reviewed and approved. At the said meeting of the Board, Mr. Ding Rongjun (the chairman of the Board, an executive Director and the chairman of the board of the Parent Company) and Mr. Deng Huijin (the vice chairman of the Board, an executive Director and the vice chairman of the board of the Parent Company) abstained from the consideration of and voting on the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps due to conflict of interests.

The Directors, excluding Mr. Ding Rongjun, and Mr. Deng Huijin and the independent non-executive Directors (who will form their views after having received the advice of the Independent Financial Adviser), consider that the 2017-19 CRRC Group Mutual Supply Agreement was 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 ordinary and usual course of business of the Group, the terms thereof and the New CRRC Group Caps are on normal commercial terms or if there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate)

Independent Third Parties which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned. The 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are conditional upon, among others, the Independent Shareholders' approval in respect thereof.

An Independent Board Committee (which consists only of independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the 2017-19 CRRC Group Mutual Supply Agreement was entered into in the ordinary and usual course of business of the Group and the terms thereof and the New CRRC Group Caps are on normal commercial terms or if there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned, and to advise the Independent Shareholders on how to vote, taking into account the recommendations on the same by the Independent Financial Adviser.

The Company has appointed Beijing Securities Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

The advice from the independent non-executive Directors (i.e. members of the Independent Board Committee) will be set out in the circular, after receiving advice from the Independent Financial Adviser.

The Company will disclose information in relation to the 2017-19 CRRC Group Mutual Supply Agreement in its subsequent published annual report and accounts in accordance with Rule 14A.71 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) details of the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps; and (iii) the recommendation of the Independent Board Committee regarding the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps to the Independent Shareholders will be despatched to the shareholders of the Company no later than 22 April 2016.

DEFINITIONS

“2014-16 CSRG Mutual Supply Agreement”	a framework agreement on mutual supply of products and ancillary services entered into between CSRG and the Company dated 12 August 2013
“2016 Approved CSRG Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the 2014-16 CSRG Mutual Supply Agreement for the year ending 31 December 2016 approved by the then Independent Shareholders on 29 October 2013
“2017-19 CRRC Group Mutual Supply Agreement”	a framework agreement on mutual supply of products and ancillary services entered into between CRRC Group and the Company dated 28 March 2016
“AGM”	an annual general meeting to be convened by the Company on 23 June 2016, or any adjournment thereof to consider and approve, among others, the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CNRC”	the former China CNR Corporation Limited (中國北車股份有限公司)
“Company”	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司) (formerly known as Zhuzhou CSR Times Electric Co., Ltd. (株洲南車時代電氣股份有限公司)), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“CRRC”	CRRC Corporation Limited (中國中車股份有限公司), a joint stock company established in the PRC with limited liability by merger of CNRC and CSRC, the A shares and the H shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange respectively; CRRC is directly and indirectly held as to approximately 55.91% in aggregate by CRRC Group and holds the entire equity interest in the Parent Company
“CRRC Group”	CRRC Group (中國中車集團公司), a PRC State-owned enterprise and the controlling shareholder of CRRC, which was established by the merger of the former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司) and CSRG
“CRRCG”	CRRC Group, its subsidiaries, and their respective associates (including the Parent Group but excluding the Group)
“CSRC”	the former CSR Corporation Limited (中國南車股份有限公司)
“CSRG”	the former CSR Group (中國南車集團公司)
“CSRG Group”	CSRG and its subsidiaries (including the Parent Group but excluding the Group)
“Director(s)”	director(s) of the Company
“EMUs”	electric multiple units
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent committee of the Board (which shall consist only of independent non-executive Directors) formed to advise the Independent Shareholders in relation to the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps

“Independent Financial Adviser”	Beijing Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	shareholders of the Company other than those who are required by the Listing Rules to abstain from voting on the resolution to approve the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps
“Independent Third Parties”	parties who are independent of, and not connected with the Company or any of its connected persons
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Merger”	the merger of CSRG and China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司) which led to the formation of CRRC Group
“New CRRC Group Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the 2017-19 CRRC Group Mutual Supply Agreement for a term of three years commencing from 1 January 2017 to 31 December 2019 to be approved by the then Independent Shareholders at the AGM
“Parent Company”	中車株洲電力機車研究所有限公司 (CRRC Zhuzhou Institute Co., Ltd.), a limited liability company established under the laws of the PRC; the controlling shareholder of the Company, and a wholly-owned subsidiary of CRRC
“Parent Group”	the Parent Company and its subsidiaries (excluding the Group)
“PRC”	the People’s Republic of China

“RMB”

Renminbi, the lawful currency of the PRC

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

By order of the Board

Ding Rongjun

Chairman

Zhuzhou, China, 31 March 2016

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 Director are Liu Ke'an and Yan Wu, our non-executive Director is Ma Yunkun, and our independent non-executive Directors are Chan Kam Wing, Clement, Pao Ping Wing and Liu Chunru.