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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** about this circular, you should consult your stockbroker, other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** or transferred all your shares in Zhuzhou CRRC Times Electric Co., Ltd., you should at once hand this circular together with the accompanying form of proxy and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**株洲中车时代电气股份有限公司**  
ZHUSHOU 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  
AND  
PROPOSED RE-ELECTION OF DIRECTOR  
AND  
GENERAL MANDATE TO ISSUE SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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

**Beijing Securities**

Beijing Securities Limited

北京證券有限公司

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A notice convening the annual general meeting for year 2015 of Zhuzhou CRRC Times Electric Co., Ltd. to be held at Hentique Resort & Spa International, No. 88 Dong Yuan Road, Tianmu Lake Resort District, Liyang, Jiangsu Province, the PRC on Thursday, 23 June 2016 at 9:00 a.m. is set out in Appendix III to this circular. Whether or not you intend to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not less than 24 hours before the time fixed for holding the meeting or the adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjournment thereof if you so wish.

If you intend to attend the meeting in person or by proxy, you should also complete and return the accompanying reply slip in accordance with the instructions printed thereon on or before Friday, 3 June 2016.

22 April 2016

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## DEFINITIONS

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

“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”	the annual general meeting for year 2015 of the Company to be held at Hentique Resort & Spa International, No. 88 Dong Yuan Road, Tianmu Lake Resort District, Liyang, Jiangsu Province, the PRC on Thursday, 23 June 2016 at 9:00 a.m. (or any adjournment thereof), the notice of which is set out in Appendix III to this circular
“AGM Notice”	the notice of AGM set out in Appendix III to this circular
“Articles”	the articles of association of the Company as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CNR”	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”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“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 CNR and CSR, 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
“CRRC Investment & Leasing”	中車投資租賃有限公司 (CRRC Investment & Leasing Co., Ltd.), formerly known as 南車投資租賃有限公司 (CSR Investment & Leasing Co., Ltd.), a wholly-owned subsidiary of CRRC
“CRRC Zhuzhou”	中車株洲電力機車有限公司 (CRRC Zhuzhou Locomotive Co., Ltd.), formerly known as 南車株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Co., Ltd.), which is held as to 100% by CRRC
“CRRCG”	CRRC Group, its subsidiaries, and their respective associates (including the Parent Group but excluding the Group)
“CSR”	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)”	the director(s) of the Company
“Domestic Share(s)”	domestic share(s) of RMB1.00 each in the share capital of the Company
“EMUs”	electric multiple units
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in HKD

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## DEFINITIONS

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“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board (which consists only of independent non-executive Directors) formed to advise the Independent Shareholders in relation to the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps
“Independent Financial Adviser”	Beijing Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being 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
“Issue Mandate”	a general mandate which is exercisable by the Board to allot, issue and deal with additional Domestic Shares and/or H Shares not exceeding 20% of the Domestic Shares and the H Shares respectively in issue as at the date of passing of the relevant shareholders’ resolution
“Latest Practicable Date”	18 April 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information of the circular
“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

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## DEFINITIONS

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“Parent Company”	中車株洲電力機車研究所有限公司 (CRRC Zhuzhou Institute Co., Ltd.), a limited liability company established under the laws of the PRC; the controlling shareholder of the Company, and a wholly-owned subsidiary of CRRC
“Parent Group”	the Parent Company and its subsidiaries (excluding the Group)
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this circular
“Qishuyan Works”	中車集團常州戚墅堰機車車輛廠 (CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works), formerly known as 中國南車集團戚墅堰機車車輛廠 (CSRQ Qishuyan Locomotive & Rolling Stock Works), a wholly-owned subsidiary of CRRC Group
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	the holder(s) of Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*This circular contains translation of HKD to RMB at the rate of HKD1 = RMB0.80 for the purpose of illustration only. The translation shall not be taken as representation that any amounts in HKD or RMB could be converted at such rate or at any other rate.*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Ding Rongjun (*Chairman*)

Mr. Deng Huijin (*Vice Chairman*)

Mr. Liu Ke'an

Mr. Yan Wu

*Registered office:*

Times Road

Shifeng District

Zhuzhou

Hunan Province

PRC 412001

*Non-executive Director:*

Mr. Ma Yunkun

*Principal place of business*

*in Hong Kong:*

Unit 1106, 11th Floor

Jubilee Centre

18 Fenwick Street

Wanchai

Hong Kong

*Independent non-executive Directors:*

Mr. Chan Kam Wing, Clement

Mr. Pao Ping Wing

Ms. Liu Chunru

22 April 2016

*To the Shareholders*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS WITH CRRCG  
AND  
PROPOSED RE-ELECTION OF DIRECTOR  
AND  
GENERAL MANDATE TO ISSUE SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to give you the notice of the AGM and to provide you with information relating to (1) the continuing connected transactions with CRRCG, including (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 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; (2) the re-election of Director; and (3) the grand of the Issue Mandate, among other resolutions as set out in the AGM Notice, to be considered, and if thought fit, pass at the AGM.

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## LETTER FROM THE BOARD

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### 2. CONTINUING CONNECTED TRANSACTIONS WITH CRRCG

#### (a) Background

Reference is made to the announcement dated 31 March 2016 issued by the Company in relation to the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

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.

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



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## LETTER FROM THE BOARD

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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.

### (c) Historical Transaction Records under the 2014-16 CSRG Mutual Supply Agreement

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 (before the Merger) and CRRC Group together with its subsidiaries but excluding the Group (after the Merger) 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 (before the Merger) and CRRC Group together with its subsidiaries but excluding the Group (after the Merger) for the provision of the products and/or services	7,798	7,860

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## LETTER FROM THE BOARD

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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 Latest Practicable Date, 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.

### (d) 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:

	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

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## LETTER FROM THE BOARD

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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 under the 2014-16 CSRG Mutual Supply Agreement” above.

**(e) 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.

**(f) 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).

**(g) 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 (or CRRCG after the Merger) 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 (or CRRCG after the Merger) for many years. As a result, the Company and the CSRG Group (or CRRCG after the Merger) 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.

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## LETTER FROM THE BOARD

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### (h) **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.

### (i) **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 but including the independent non-executive Directors 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.

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.

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## LETTER FROM THE BOARD

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**(j) Independent Board Committee and Independent Financial Adviser**

An Independent Board Committee (which consists only of independent non-executive Directors) has been established to advise the Independent Shareholders in relation to the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps, taking into account the recommendations on the same by the Independent Financial Adviser.

Beijing Securities Limited has been appointed 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.

**(k) Voting Arrangement**

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

Each of the Parent Company, Qishuyan Works, CRRC Zhuzhou and CRRC Investment & Leasing is an associate of CRRC Group and shall therefore abstain from voting at the AGM on resolutions to consider and approve the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

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

- (i) each of the Parent Company, Qishuyan Works, CRRC Zhuzhou and CRRC Investment & Leasing controlled or were entitled to exercise control over the voting rights in respect of its respective Shares;
- (ii) (A) there were no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any of the Parent Company, Qishuyan Works, CRRC Zhuzhou and CRRC Investment & Leasing;
- (B) there were no obligation on or entitlement of any of the Parent Company, Qishuyan Works, CRRC Zhuzhou and CRRC Investment & Leasing as at the Latest Practicable Date, whereby any of the Parent Company, Qishuyan Works, CRRC Zhuzhou and CRRC Investment & Leasing had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of its respective Shares to other third parties, either generally or on a case-by-case basis; and

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## LETTER FROM THE BOARD

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- (iii) there were no discrepancies between the beneficial shareholding interest of any of the Parent Company, Qishuyan Works, CRRC Zhuzhou and CRRC Investment & Leasing in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the AGM.

### 3. PROPOSED RE-ELECTION OF DIRECTOR

Reference is made to the announcement dated 12 January 2016 issued by the Company in relation to, among others, the appointment of Mr. Liu Ke'an as an executive Director with effect from 12 January 2016 till the conclusion of the AGM and will be subject to re-election by the Shareholders at the AGM. The Board proposes that Mr. Liu Ke'an be re-elected as executive Director subject to approval by the Shareholders at the AGM.

In accordance with the terms of reference of the Nomination Committee and the Company's nomination policy, the Nomination Committee has evaluated the performance and the contribution of Mr. Liu Ke'an since his appointment on 12 January 2016 up to the date of evaluation. Accordingly, the Nomination Committee recommended to the Board to propose the re-election of Mr. Liu Ke'an as executive Director. Particulars of Mr. Liu Ke'an as required to be disclosed pursuant to rule 13.51(2) of the Listing Rules are set out in Appendix II to this circular.

### 4. GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting for year 2014 of the Company held on 5 June 2015, a special resolution was passed granting the Board the Issue Mandate to allot, issue and deal with additional Domestic Shares and/or H Shares not exceeding 20% of the Domestic Shares and the H Shares respectively in issue as at 5 June 2015.

Considering that the Issue Mandate granted in the annual general meeting of the Company held on 5 June 2015 will have expired at the conclusion of the AGM, the Board will seek approval from the Shareholders at the AGM, by way of a special resolution, for granting the Issue Mandate, subject to the conditions as set out in the AGM Notice.

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

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

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## LETTER FROM THE BOARD

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### 5. THE AGM

The votes at the AGM will be taken by poll.

Notice of the AGM to be held at Hentique Resort & Spa International, No. 88 Dong Yuan Road, Tianmu Lake Resort District, Liyang, Jiangsu Province, the PRC on Thursday, 23 June 2016 at 9:00 a.m. is set out in Appendix III to this circular.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be temporarily closed from Tuesday, 24 May 2016 to Thursday, 23 June 2016 (both days inclusive), during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all transfer documents together with the relevant Share certificates must be lodged, for holders of H Shares, with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or, for holders of Domestic Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC, not later than 4:30 p.m. on Monday, 23 May 2016.

In order to determine shareholders' entitlements to the final dividend, the register of members of the Company will be temporarily closed from Wednesday, 29 June 2016 to Monday, 4 July 2016 (both days inclusive), during which period no transfer of Shares will be registered. All transfer documents together with the relevant Share certificates must be lodged, for holders of H Shares, with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or, for holders of Domestic Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC, not later than 4:30 p.m. on Tuesday, 28 June 2016.

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

If you intend to attend the AGM in person or by proxy, you should also complete and return the accompanying reply slip in accordance with the instructions printed thereon on or before Friday, 3 June 2016.

### 6. RECOMMENDATION

#### (a) In relation to the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular, the letter from the Independent Financial Adviser set out on pages 16 to 30 of this

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## LETTER FROM THE BOARD

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circular which contains the recommendation of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser and the principal factors and reasons considered by the Independent Financial Adviser, considers that the 2017-19 CRRC Group Mutual Supply Agreement was entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, the terms thereof and the New CRRC Group Caps are on normal commercial terms or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties which are fair and reasonable insofar as the interests of the Company and the Shareholders as a whole are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the AGM to approve the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

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

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

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

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

## **7. FURTHER INFORMATION**

Further information of the Company is set out in the Appendices to this circular for your information.

Yours faithfully,  
For and on behalf of the Board  
**Ding Rongjun**  
*Chairman*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

22 April 2016

*To the Independent Shareholders*

Dear Sir or Madam

### **CONTINUING CONNECTED TRANSACTIONS WITH CRRCG**

We refer to the circular issued by the Company to the Shareholders of even date (the "Circular") of which this letter forms part. Terms defined in the Circular have the same meaning in this letter unless the context otherwise requires.

Under the Listing Rules, the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are subject to the approval of the Independent Shareholders.

We have been appointed by the Board to consider the terms of the 2017-19 CRRC Group Mutual Supply Agreement and to advise the Independent Shareholders as to whether, in our opinion, such transactions were and such terms are fair and reasonable insofar as the interests of the Company and the Independent Shareholders as a whole are concerned. Beijing Securities Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular. Having taking into account the principal factors and reasons considered by and the advice of the Independent Financial Adviser as set out in its letter of advice, we consider that the 2017-19 CRRC Group Mutual Supply Agreement was entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, the terms thereof and the New CRRC Group Caps are on normal commercial terms or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties which are fair and reasonable insofar as the interests of the Company and the Shareholders as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote at the upcoming AGM in favour of the ordinary resolution to approve the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

Yours faithfully,

For and on behalf of the

Independent Board Committee

**Mr. Chan Kam Wing, Clement**

**Mr. Pao Ping Wing**

**Ms. Liu Chunru**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Beijing Securities  
Beijing Securities Limited  
北京證券有限公司

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### BEIJING SECURITIES LIMITED

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14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

22 April 2016

*To the Independent Board Committee and the Independent Shareholders of  
Zhuzhou CRRC Times Electric Co., Ltd.*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS WITH CRRCG

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2017-19 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 22 April 2016 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

With reference to the Letter from the Board, in view of the prospective expiry of the 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 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Board currently comprises four executive Directors, one non-executive Directors, and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing and Ms. Liu Chunru, has been established to advise the Independent Shareholders regarding the 2017-2019 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Beijing Securities Limited is not connected with the Directors, chief executive or substantial shareholders of the Company or CRRCG or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities Limited will receive any fees or benefits from the Company or CRRCG or the directors, chief executive or substantial shareholders of the Company or CRRCG or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the 2017-2019 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the 2017-2019 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

### **BASIS OF OUR OPINION**

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 information and representations provided to us by the Directors, the Company and its management.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. 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, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the 2017-2019 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps, we have considered the following principal factors and reasons:

#### 1. Background of the 2017-2019 CRRC Group Mutual Supply Agreement

With reference to the Letter from the Board, 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.

#### 2. Background information of the Group

The Group is mainly engaged in the research, development, manufacture and sale of locomotive train power converters, control systems 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.

#### 3. Background 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).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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CRRC Group is a PRC State-owned enterprise and directly and indirectly holds approximately 55.91% equity interest in CRRC in aggregate. CRRC is a joint stock company incorporated in the PRC with limited liability by merger of CNR and CSR, the A shares and the H shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange respectively. CRRC also holds the entire equity interest in the Parent Company, which is the controlling shareholder of the Company.

#### 4. **Reasons for and benefits of entering into the 2017-2019 CRRC Group Mutual Supply Agreement**

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.

We understand that in relation to the purchase of products and/or services, the Group has been procuring certain parts and components and services for the manufacture of its products from CSRG Group (or CRRCG after the Merger) for many years. As a result of such long-term business relationship, 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 CSRG Group (or CRRCG after the Merger) for many years. As a result, the Company and CSRG Group (or CRRCG after the Merger) have built a solid business relationship. The three 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.

In addition, the terms of the mutual supply transactions under the 2014-16 CSRG Mutual Supply Agreement between the Group and the CSRG Group and/or CRRCG after the Merger have been subject to the quarterly review by the independent non-executive Directors, and the disclosure of their views in respect of such transactions have been made to the Shareholders by way of announcements (the "**Quarterly Announcements**"). We have reviewed the Quarterly Announcements, up to the fourth quarter ended 31 December 2015, the relevant transactions carried out under the 2014-16 CSRG Mutual Supply Agreement were entered into in the ordinary and usual course of business of the Group, were on normal commercial terms which were fair and reasonable insofar as the interests of the Company and the Shareholders are concerned as a whole, were conducted in accordance with the Group's pricing policies and the terms of the relevant agreements governing such transactions, and were within the annual cap amounts of the relevant financial years respectively. As advised by the Company, it will continue to publish the Quarterly Announcements on the Stock Exchange's website after entering into the 2017-19 CRRC Group Mutual Supply Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered the above long history of cooperation between the Group and the CSRG Group and hence CRRCG after the Merger, we are of the view that the transactions contemplated under the 2017-19 CRRC Group Mutual Supply Agreement, which was entered into in view of the prospective expiry of the 2014-16 CSRG Mutual Supply Agreement, are consistent with the Group's established relationship with CRRCG and will facilitate the smooth operations of the Group's business in the coming years and minimise any disruptions to the Group's existing business and together with the above Quarterly Announcements. We are of the view that the transactions contemplated under the 2017-19 CRRC Group Mutual Supply Agreement, which have the same nature as the transactions contemplated under the 2014-16 CSRG Mutual Supply Agreement, fall within the ordinary and usual course of business of the Group, and the entering into of the 2017-19 CRRC Group Mutual Supply Agreement is in the ordinary and usual course of business of the Group and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### 5. Principal terms of the 2017-19 CRRC Group Mutual Supply Agreement

The 2017-19 CRRC Group Mutual Supply Agreement was entered on 28 March 2016 and set out the major terms such as scope of products and services to be provided, pricing basis, term and payment method for the transactions contemplated thereunder between the Company and CRRC Group for a term of three years commencing on 1 January 2017 and ending on 31 December 2019. Set out below are the principal terms of the 2017-19 CRRC Group Mutual Supply Agreement:

#### (a) *Scope of products and services to be provided*

The Company agreed to supply and procure its subsidiaries to supply to 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 and management services and facilities for related research and development, production and testing purposes.

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.

#### (b) *Pricing basis*

Pursuant to the 2017-19 CRRC Group Mutual Supply Agreement, 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:

- (i) the prices prescribed by the government of the PRC or any regulatory authority(ies) (if any) ("**government-prescribed prices**");
- (ii) the range of prices pursuant to the pricing guidelines or pricing recommendations set by the government of the PRC or any regulatory authority(ies) (if any) ("**government-guided prices**"), where no government-prescribed prices are available or applicable;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) the final confirmed prices through the bidding and tendering process conducted in accordance with the applicable laws, rules and regulations (if any) (“**bidding prices**”), where neither government-prescribed prices nor government-guided prices are available or applicable;
- (iv) the market prices which are offered to or by Independent Third Parties in the ordinary and usual course of business, where neither government-prescribed prices nor government-guided prices are available or applicable; and
- (v) the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit margin (which is determined by reference to the nature of products and/or services, current market price of the similar products and/or services 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.

As discussed with the Company, the priority is set from (i) to (v) such that the pricing mechanism (ii), (iii), (iv) and (v) will be applied only if the preceding pricing mechanism(s) are not applicable. As discussed with the management of the Group, it is still not clear whether there will be government-prescribed prices and government-guided prices available. If there is no government-prescribed prices and government-guided prices at the time of executing a transaction pursuant to the 2017-19 CRRC Group Mutual Supply Agreement, the prices for the relevant products and services supplied by and/or to CRRCG will be determined either based on (iii), (iv) or (v) above. For procurements of products and services from CRRCG, we understood from the management of the Group that the Group normally posts its purchase orders or invitation of tenders on a website (<http://srm.csrzic.com/scmprod/>) operated by the Group and opened for its registered suppliers (including CRRCG) to provide their quotations or bid the tenders. The Group can therefore compare the prices offered by CRRCG with such market prices offered by other registered suppliers (if any). For sales of products and services to CRRCG, due to the nature of the products and services provided, there are generally no comparable sales to Independent Third Parties for the Group’s reference. The Group normally charges CRRCG the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit margin. We have reviewed the announcements published in 2015 and 2016 of a number of listed companies the shares of which are listed on the Stock Exchange and noted that such companies have also adopted comparable pricing basis in respect of their continuing connected transactions, indicating that the above pricing basis is not uncommon, in particular for listed companies having principal operations in the PRC.

Furthermore, we noted from the annual report of the Company for year ended 31 December 2014 (the “**Financial Reports**”) that annual review of the continuing connected transactions contemplated under the 2014-16 CSRG Mutual Supply Agreement, have been conducted according to Chapter 14A of the Listing Rules, and that the independent non-executive Directors have reviewed and confirmed that the continuing connected transactions under the 2014-16 CSRG Mutual Supply Agreement were entered into, among other things, on normal commercial terms or if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than those available from Independent Third Parties. In addition, the Financial Reports also confirmed that the Company’s auditors have issued the relevant letters to the Company in respect of the continuing connected transactions under the 2014-16 CSRG Mutual Supply



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Agreement pursuant to Chapter 14A of the the Listing Rules. We have obtained and reviewed copies of the above mentioned letters from the Company's auditors and noted that there was no inconsistency between the disclosure in the Financial Reports and the letters from the Company's auditors. Further, the 2017-19 CRRC Group Mutual Supply Agreement will, pursuant to the Listing Rules, continue to be subject to the annual review by the independent non-executive Directors, details of which must be included in the Company's subsequent published annual reports and annual confirmation by the auditors of the Company that the continuing connected transactions will be conducted in accordance with its terms and that the proposed annual caps are not being exceeded.

In addition to the annual review of the Group's continuing connected transactions, the Company will also publish Quarterly Announcements to disclose the views of independent non-executive Directors in respect of the continuing connected transactions contemplated under the 2014-16 CSRG Mutual Supply Agreement and whether they are carried out in accordance with the terms of the 2014-16 CSRG Mutual Supply Agreement. As discussed in the section earlier above, we have reviewed the relevant Quarterly Announcements and noted that the Company will continue to publish the Quarterly Announcements on the Stock Exchange's website after entering into the 2017-19 CRRC Group Mutual Supply Agreement.

Based on the above, we consider that the pricing basis of the 2017-19 CRRC Group Mutual Supply Agreement, which are the same as those set out in the 2014-16 CSRG Mutual Supply Agreement, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

### (c) *Payment terms*

Pursuant to the 2017-19 CRRC Group Mutual Supply Agreement, 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.

As mentioned above, the Board has engaged the Company's auditors to perform certain agreed procedures on the Group's continuing connected transactions, who would report the result to the Board annually, and the Directors (including the independent non-executive Directors) have reviewed and confirmed annually that the continuing connected transactions of the Group (including the transactions contemplated under the 2014-16 CSRG Mutual Supply Agreement) were entered into, among other things, on normal commercial terms or if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than those available to or from (as appropriate) Independent Third Parties (which terms, as confirmed by the Company, included the payment terms).



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, we also reviewed samples of contracts and invoices in relation to the payment terms of transactions contemplated under the 2014-16 CSRG Mutual Supply Agreement, which includes (i) the Group's provision of products and services to the CSRG Group; and (ii) the Group's procurement of products and services from the CSRG Group. In our review, we noted that the payments terms are in line with the Group's credit periods of trade receivables (6-month) and trade payables (3-month) respectively disclosed in the various annual reports and/or 2015 annual results of the Group.

In light of the above, we consider that the payment terms of the 2017-19 CRRC Group Mutual Supply Agreement, which are the same as those set out in the 2014-16 CSRG Mutual Supply Agreement, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

### 6. The New CRRC Group Caps

#### (a) *New CRRC Group Caps*

Set out below are the New CRRC Group Caps under the 2017-19 CRRC Group Mutual Supply Agreement for each of the three years ending 31 December 2019:

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
<i>Growth rate from the preceding year</i>	0%	20%	20%
	<i>(Note 1)</i>		
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
<i>Growth rate from the preceding year</i>	0%	20%	20%
	<i>(Note 2)</i>		

*Notes:*

- The growth rate is calculated based on the 2016 Approved CSRG Caps in relation to the products and/or services provided or to be provided by CRRCG of RMB4,320 million and the corresponding the New CRRC Group Cap for the year ending 31 December 2017.*
- The growth rate is calculated based on the 2016 Approved CSRG Caps in relation to the to the products and services provided or to be provided by the Group of RMB13,680 million and the corresponding the New CRRC Group Cap for the year ending 31 December 2017.*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in Letter from the Board, the New CRRC Group Caps are determined with reference to the following: (1) the expected growth of the railway industry in the PRC; (2) the expected growth of the urban rail industry in the PRC; (3) the potential of the 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.

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

The transactions contemplated under the 2017-19 CRRC Group Mutual Supply Agreement relate to the business prospects of the Group and CRRCG, which are influenced by the development of the railway industry and the urban rail industry in the PRC as well as the potential of the overseas market.

*PRC railway industry*

Under the 13th Five-Year Plan (2016 — 2020), the development of the railway remains one of the key infrastructure projects in the PRC. According to the 13th Five-Year Plan, the PRC government expects that the total rail fixed assets investments to be in region of approximately RMB3,500 billion to RMB3,800 billion of which approximately RMB3,000 billion will be for the development of new railway lines. The total rail fixed assets investments under the 13th Five-Year Plan also represents an increase of approximately RMB200 billion to RMB500 billion from approximately RMB3,300 billion under the 12th Five-Year Plan (2010 — 2015). The PRC government also estimates that the operational length of the railways in the PRC by the end of 2020 will be approximately 150,000 km (of which 30,000 km is high speed railway) which is an increase of 30,000 km as targeted by the PRC government by the end of 2015. Under the 13th Five-Year Plan, it also listed 23 key high speed railway projects such as the railway project from Beijing to Shenyang.

*PRC urban rail industry*

Urban railway can be classified as a type of high-capacity public transport generally found in the urban areas. It is provided on designated lines between stations, which typically include metro, light rail, tram etc. The PRC has invested significantly in such transportation system in order to ease the traffic problem which appears to happen in many of its major cities, as well as to improve the efficiency of the transportation system to tackle concerns of not being able to further develop in densely populated cities. According to the China Association of Metros, by the end of 2013, there were

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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19 cities in the PRC with urban railway system with a total operating length of urban rail tracks of approximately 2,746 km. By the end of 2014, there were 22 cities in the PRC with urban railway system with a total operating length of urban rail tracks of approximately 3,173 km, representing an increase of approximately 15.55% from the previous year. Also according to a report by China Association of Metros, by the end of 2015, three additional PRC cities have been added with urban railway system and the initial estimation of the total operating length of urban rail tracks by the end of 2015 was approximately 3,293 km. Looking forward, the PRC government expects to continue to invest in and develop the urban railway system in the PRC. Under the 13th Five-Year Plan, 5,000 km of urban railway tracks is targeted to be built.

### *The potential of the overseas market*

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

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

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

In 2015, CSR merged with CNR which was renamed as CRRC. As set out in the circular of CSR dated 21 January 2015, the merger was to build a multinational and top-tier leading supplier for high end equipment and system solutions provider with rolling stock as its core cross-board operations. The merger was expected to gain benefit from the advantages in terms of scale, technologies, products, cost and manufacturing experiences. In particular, the merger was expected to (i) enhance the competitiveness of CRRCG in the global rolling stock industry; (ii) further integrate the technology and resources for research and development of CSR and CNR in order to boost innovative capabilities; (iii) increase the international competitiveness in the overseas markets through unifying overseas resources; (iv) optimize both parties’ product systems in order to better satisfy customer needs; (v) coordinate the systems of production, procurement and sales to increase efficient utilization of resources; and (vi) create diversified business segments and promote the development of new industries.

Further, as set out in the annual results of CRRC for the year ended 31 December 2015, the merger was successful and CRRC recorded a revenue of approximately RMB237.8 billion for the year ended 31 December 2015, representing an increase of approximately 8.9% from the corresponding previous year.

During the year ended 31 December 2015, CRRC was also able to make new breakthroughs in technology and products such as the development of China standard EMU with a speed of 350km/h. In particular, we also noted that CRRC was able to further achieve its overseas business expansion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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It was able to successfully roll out the China-Laos railway project, the China-Thailand railway project and the Hungary-Cyprus railway project, while the Jakarta-Bandung high-speed rail project has officially commenced construction, and a preliminary intention was reached for the Sino-US high-speed rail project.

In light of the continual growth of CRRC and its oversea expansion, we concurred with the Directors that the Group would have further business potential with CRRCG which would enhance the technical capability and market share of the Company, establish the branding of the Company's products in the international market and provide the Company with abundant resources on industrial experience and technologies.

(c) *Business development of the Group*

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2015 as extracted from the Group's annual results announcement for the year ended 31 December 2015 ("**2015 Annual Results**"):

	<b>For the year ended 31</b>	
	<b>December</b>	
	<b>2015</b>	<b>2014</b>
	<i>RMB million</i>	<i>RMB million</i>
	<i>(Audited)</i>	<i>(Audited)</i>
<i>Revenue</i>		
- Locomotives	3,559.2	3,704.3
- Electric Multiple Units	4,951.3	4,759.1
- Metropolitan rail transportation equipment	1,873.1	1,207.6
- Railway maintenance vehicles related products	1,495.3	1,148.6
- Train operation safety equipment	560.6	574.6
- Key electric part and component products	645.5	630.7
- Marine engineering products and others	1,059.7	651.3
<b>Total Revenue</b>	<u>14,144.7</u>	<u>12,676.2</u>
<b>Net Profit</b>	<u>2,969.7</u>	<u>2,394.8</u>

The Group's total revenue increased by approximately 11.6% from approximately RMB12,676.2 million for the year ended 31 December 2014 to approximately RMB14,144.7 million for the year ended 31 December 2015. For the year ended 31 December 2015, most of the Group's products recorded increases in revenue. Further, the Group's three main business sectors, locomotives, EMUs and metropolitan rail transportation equipment, continued to deliver strong performance and contributed approximately three-quarter of the Company's revenue for the year ended 31 December 2015. In particular, the strongest growth in revenue was from metropolitan rail transportation

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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equipment with an increase of approximately RMB665.5 million in revenue. The Group's net profit also increased by approximately 24.0% from approximately RMB2,394.8 million for the year ended 31 December 2014 to approximately RMB2,969.7 million for the year ended 31 December 2015. The increase in the net profit was mainly due to the increase in revenue.

As set out in the 2015 Annual Results, the Group also has made new breakthroughs in technology, products and markets, which mainly include:

- In the field of the traction systems for locomotives, projects including 6 axle passenger/freight locomotives, 8 axles freight locomotives as well as locomotives for South Africa and Thailand were delivered in batches, and the locomotives offerings of the Company has become more diversified.
- In the field of the traction systems for EMU, the market demand was still vigorous with smooth progress in deliveries. The China Standard EMU were in the evaluation stage and the permanent-magnet drive technology for electric multiple units was under research and development.
- In the field of urban transit, the Company's own traction systems continued to lead the domestic market. The new technology platform was successfully applied in several batch-deliver project in the market. On the other hand, the Company steadily pushed forward its market expansion based on the "City Management" strategy, which has also promoted the synergic development of the relevant industries.
- In respect of railway engineering machinery, the integration of resources has provided the Group with advantages as a whole and the promotion of both technology and products has resulted in market growths.
- In respect of train operation safety equipment, the Group cultivated the new generation of products and successfully secured new orders for metro signaling.
- In respect of parts and components, the IGBT business achieved ongoing improvements. Some of the products have been applied in batches and product identification continued to proceed. The Company has also accelerated the development of IGBT power module market and expanded the parts and components segment through the collaboration with laminated busbars and sensors.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In view of the Group's continual strong financial performance for the year ended 31 December 2015, new breakthroughs in technology, products and markets and increase opportunities to transact with CRRCG due to its growth in business in particular from its overseas expansion, the outlook of the Group is expected to remain promising.

(d) *Historical transactions amounts under the 2014-16 CSRG Mutual Supply Agreement*

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 (before the Merger) and CRRC Group together with its subsidiaries but excluding the Group (after the Merger) by the Group for the provision of the products and/or services ( <i>Note 1</i> )	1,410	1,535
<i>Utilisation rate as compared to the approved annual caps</i>	47.0%	42.6%
2. Amount paid to the Group by the CSRG Group (before the Merger) and CRRC Group together with its subsidiaries but excluding the Group (after the Merger) for the provision of the products and/or services ( <i>Note 2</i> )	7,798	7,860
<i>Utilisation rate as compared to the approved annual caps</i>	82.1%	68.9%

*Notes:*

1. *The approved annual caps for the amounts paid to the CSRG Group (or CRRCG after the Merger) by the Group for the CSRG Group or CRRCG's products and/or services for the years ended 31 December 2014 and 2015 were RMB3,000 million and RMB3,600 million respectively.*
2. *The approved annual caps for the amounts paid to the Group by the CSRG Group (or CRRCG after the Merger) for the Group's products and/or services for the years ended 31 December 2014 and 2015 were RMB9,500 million and RMB11,400 million respectively.*

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 Latest Practicable Date, the 2016 Approved CSRG Caps have not been exceeded.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Letter from the Board, 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.61 of the Listing Rules.

As noted in the table above, the utilisation rates for the approved annual caps for the amount paid by the Group to CRRCG (or the CSRG Group before the Merger) under the 2014-16 CSRG Mutual Supply Agreement for the two years ended 31 December 2014 and 2015 were approximately 47.0% and 42.6% respectively. The utilisation rate for the approved annual caps for the amount paid to the Group by CRRCG (or the CSRG Group before the Merger) under the 2014-16 CSRG Mutual Supply Agreement for the two years ended 31 December 2014 and 2015 were approximately 82.1% and 68.9% respectively. Despite the decreased in utilisation rates in 2015, given the factors as discussed and described above including the expected growth of the railway industry and the urban rail industry in the PRC; the potential of the overseas market; the business potential of CRRC Group after the Merger including its overseas expansion; and the business development of the Group and together with the historical utilisation rate in respect of provision of products and services by CRRCG (or the CSRG Group before the Merger) to the Group is still in the region between 40% to 50% for year ended 31 December 2015 and the historical utilisation rate in respect of provision of products and/or services by the Group to CRRCG (or the CSRG Group before the Merger) is still in the region between 60% to 70% for year ended 31 December 2015, we are of the view that it is reasonable to set the New CRRC Group Caps for the year ending 31 December 2017 being the same as the 2016 Approved CSRG Caps.

After taking into consideration of the above factors and in particular: (i) the 13th Five-Year Plan will continue to support the growth of the PRC's railway industry; (ii) the urban rail industry is expected to grow in the coming years in order to ease the traffic problem which appears to happen in many of the major cities in the PRC; (iii) the potential of the overseas market as a result of the "One Belt and One Road" initiative and the gradual implementation of international rail plans; (iv) the continual growth of CRRC and its overseas expansion; (v) the increase in the revenue of the Group for the year ended 31 December 2015; (vi) the expected growth of the Group and its various new business development; and (vii) the historical transaction amounts under the 2014-16 CSRG Mutual Supply Agreement, we are of the view that it is reasonable to set the New CRRC Group Caps for the year ending 31 December 2017 being the same as the 2016 Approved CSRG Caps and that the New CRRC Group Caps for each of the years ending 31 December 2018 and 2019 represent an approximate 20% increase from the previous year determined annual caps. Therefore, we concur with the view of the Directors that the New CRRC Group Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the 2017-2019 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the 2017-2019 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps at the AGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) relating to the 2017-2019 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps at the AGM.

Yours faithfully,  
For and on behalf of  
**Beijing Securities Limited**  
**Charles Li**  
*Director*



**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE**

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange in other ways pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules.

As at the Latest Practicable Date, save for Mr. Ding Rongjun (the chairman of the Board, an executive Director and the chairman of the board of the Parent Company) and Mr. Deng Huijin (vice chairman of the Board, a non-executive Director and the vice chairman of the board of the Parent Company), the Directors are not aware of any Director who is a director or employee of the entities which had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors nor supervisors had entered into, or proposed to enter into, any service contract with the Company or any member of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

**4. INTEREST IN CONTRACTS**

Save as disclosed herein, no contract or arrangement of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at the date of this circular.

**5. INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective associates were interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

**6. INTEREST IN ASSETS**

As at the Latest Practicable Date, none of the Directors or the Independent Financial Adviser had any interest, direct or indirect, in any asset which since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

**7. MATERIAL ADVERSE CHANGES**

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

**8. CONSENT AND QUALIFICATION OF EXPERT**

The Independent Financial Adviser is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Its letter of advice to the Independent Board Committee and the Independent Shareholders dated as of the date of this circular was given for the purpose of incorporation in this circular.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they respectively appear in this circular.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Minter Ellison in Hong Kong at Level 25, One Pacific Place, 88 Queensway, Hong Kong during normal business hours from the date of this circular up to and including 23 June 2016:

- (a) the 2017-19 CRRC Group Mutual Supply Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 15 of this circular; and
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 30 of this circular and the consent letter from the Independent Financial Adviser.

**10. MISCELLANEOUS**

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

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## APPENDIX II BIOGRAPHICAL DETAILS OF THE PROPOSED DIRECTOR

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### **Liu Ke'an**

Liu Ke'an, aged 45, an executive director and general manager and also a member of the strategy committee of the Company. Mr. Liu is a director of Dynex Power Inc., a company listed on the TSX Venture Exchange, Toronto, Canada with stock code DNX and a direct subsidiary of the Company. He is also the chairman of the board of directors of Hunan CSR-Wabtec Railway Transportation Technology Co., Ltd. (湖南南車西屋軌道交通技術有限公司), an associate of the Company. Mr. Liu is a professorate senior engineer. He graduated from the Department of Electrical Engineering of Tongji University with a bachelor's degree in Engineering in 1994 and graduated from Zhongnan University of Economics and Law with a master's degree in management in 2008. He joined the Parent Company, the controlling shareholder of the Company, in August 1994 and had held various positions as engineer, the chief engineer, senior engineer and the chief designer. He has held various positions such as director of the drive technology department of technology centre, director of systems project department of the technology centre, deputy director and director of the technology centre of the Company since September 2005. He was an employee representative supervisor of the Company from December 2007 to January 2010, the chief technology officer of the Company from January 2010 to June 2012 and the vice general manager and the chief engineer of the Company from June 2012 to January 2016. He has also served as the general manager of the semi-conductor department of the Company from January 2014 to February 2016. Mr. Liu has served as an executive director and general manager of the Company since January 2016.

Mr. Liu has entered into an executive Director service contract with the Company for a term commencing from 12 January 2016 until the conclusion of the AGM. Mr. Liu will retire and offer for re-election at the AGM. Upon re-election as an executive Director at the AGM, the subsisting executive Director service contract shall remain valid. Each term for re-election will be for three years or for such shorter period as may be decided at the AGM until determined by either party giving three months' prior written notice. Mr. Liu has waived his entitlement to receive a director's fee as an executive Director of the Company since 12 January 2016.

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

**株洲中车时代电气股份有限公司****ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.***(a joint stock company incorporated in the People's Republic of China with limited liability)***(Stock Code: 3898)****NOTICE OF ANNUAL GENERAL MEETING FOR YEAR 2015**

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**AGM**”) of Zhuzhou CRRC Times Electric Co., Ltd. (the “**Company**”) for year 2015 will be held at Hentique Resort & Spa International, No. 88 Dong Yuan Road, Tianmu Lake Resort District, Liyang, Jiangsu Province, the People's Republic of China (the “**PRC**”) on Thursday, 23 June 2016 at 9:00 a.m. for the following purposes:

**As Ordinary Resolutions**

1. To consider and approve the report of the board of directors (the “**Directors**”) of the Company (the “**Board**”) for the year ended 31 December 2015.
2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2015.
3. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2015 and the auditors' report thereon.
4. To consider and approve the profits distribution plan of the Company for the year ended 31 December 2015 and to declare a final dividend for the year ended 31 December 2015.
5. To consider and approve the re-appointment of the retiring auditor, Ernst & Young Hua Ming LLP, as the auditors of the Company until the conclusion of the next annual general meeting of the Company and to authorize the Board to fix their remuneration.
6. To consider and approve the following:

“**THAT** the 2017-19 CRRC Group Mutual Supply Agreement dated 28 March 2016 entered into between CRRC Group and the Company (the details of which are set out in the circular dated 22 April 2016 despatched by the Company to its shareholders), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose, the New CRRC Group Caps and the transactions contemplated thereunder be and are hereby approved and that the directors of the Company be and are hereby authorized to take any step as they consider necessary, desirable or expedient in connection therewith.”

7. To consider and approve the re-election of Mr. Liu Ke'an as an executive director of the Company and his emolument.

**As Special Resolution**

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

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

By Order of the Board  
**Ding Rongjun**  
*Chairman*

Zhuzhou, China, 22 April 2016

*Notes:*

1. The votes at the AGM will be taken by poll.
2. Where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such share at the AGM, and the service of this notice to that person shall be deemed to have served on all joint holders of such share.
3. In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be temporarily closed from Tuesday, 24 May 2016 to Thursday, 23 June 2016 (both days inclusive), during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all transfer documents together with the relevant Share certificates must be lodged, for holders of H Shares, with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong or, for holders of Domestic Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC, not later than 4:30 p.m. on Monday, 23 May 2016.
4. In order to determine shareholders’ entitlements to the final dividend, the register of members of the Company will be temporarily closed from Wednesday, 29 June 2016 to Monday, 4 July 2016 (both days inclusive), during which period no transfer of Shares will be registered. All transfer documents together with the relevant Share certificates must be lodged, for holders of H Shares, with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai,

Hong Kong or, for holders of Domestic Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC, not later than 4:30 p.m. on Tuesday, 28 June 2016.

5. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company at the close of business on Monday, 23 May 2016 are entitled to attend and vote at the AGM and may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.
6. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited, for holders of H Shares, to the H Share registrar of the Company or, for holders of Domestic Shares, the registered office address of the Company, not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof.
7. Shareholders who intend to attend the AGM in person or by proxy should complete and return the attached reply slip by hand or by post, for holders of H Shares, to the principal place of business of the Company in Hong Kong or, for holders of Domestic Shares, to the registered office address of the Company, on or before Friday, 3 June 2016.
8. The address of the H Share registrar of the Company is as follows:

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

9. The registered office address of the Company is as follows:

Times Road  
Shifeng District  
Zhuzhou  
Hunan Province, 412001  
The People's Republic of China  
Tel: (86) 731 2849 8028

10. The principal place of business of the Company in Hong Kong is as follows:

Unit 1106, 11th Floor Jubilee Centre  
18 Fenwick Street  
Wanchai  
Hong Kong  
Tel: (852) 2189 7268



11. The AGM is expected to take half a day. Shareholders or their proxies attending the AGM shall be responsible for their own transportation, accommodation and other expenses. Shareholders or their proxies shall produce their identification documents for verification when attending the AGM.

*As at the date of this document, 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 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.*