
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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
ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3898)

**SUPPLEMENTAL CIRCULAR TO THE CIRCULAR
TO SHAREHOLDERS DATED 22 APRIL 2016
IN RELATION TO AN ADDITIONAL RESOLUTION
TO BE PROPOSED AT THE ANNUAL GENERAL MEETING
ON 23 JUNE 2016
AND
SUPPLEMENTAL 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

This supplemental circular should be read in conjunction with the circular of Zhuzhou CRRC Times Electric Co., Ltd. (the "Company") dated 22 April 2016 in relation to, among other things, the annual general meeting of the Company (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. (the "First Circular").

A notice convening the AGM was set out in the First Circular. The supplemental notice of the Annual General Meeting dated 7 June 2016 is set out on pages 57 to 59 of this supplemental circular.

An additional resolution for the proposed connected and discloseable transaction in relation to the acquisition of IGBT Production Line will be proposed at the AGM. Details of the resolution will be set out in this supplemental circular. The second form of proxy for the use at the AGM which contains the additional resolution to be proposed at the AGM are enclosed herewith. The second form of proxy enclosed herewith shall supersede the form of proxy enclosed in the First Circular. Whether or not you are able to attend the AGM, please complete and sign the enclosed second 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 second form of proxy will not preclude shareholders from attending and voting in person at the AGM if they so wish.

7 June 2016

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DEFINITIONS

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

“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)
“AGM Circular”	the circular of the Company dated 22 April 2016
“AGM Notice”	the notice of AGM dated 22 April 2016 set out in the AGM Circular
“Articles”	the articles of association of the Company as amended from time to time
“Asset Transfer Agreement”	the asset transfer agreement dated 18 May 2016 entered into among the Company, the Semiconductor Business Unit and the Parent Company in relation to the acquisition of the IGBT Production Line pursuant to the terms and conditions therein
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 established in the PRC with limited liability, the H shares of which are listed on the Stock Exchange
“Completion Date”	the date on which the registration procedures in relation to the change of title or ownership of all the Immovable Property and the Equipment under the Asset Transfer Agreement have been completed
“connected person(s)”	has the meaning given to it under the Listing Rules
“controlling shareholder(s)”	has the meaning given to it under the Listing Rules
“CRRC”	CRRC Corporation Limited (中國中車股份有限公司), a joint stock company established in the PRC with limited liability, the respective 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 as at the Latest Practicable Date

DEFINITIONS

“CRRC Group”	中國中車集團公司(CRRC Group), a PRC State-owned enterprise and the controlling shareholder of CRRC
“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
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	domestic share(s) of RMB1.00 each in the share capital of the Company
“Equipment”	certain facilities, machineries and equipment used for the production of IGBT in the IGBT Production Line
“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 trade in HKD
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IGBT”	insulated gate bipolar transistor
“IGBT Lease Agreement”	the lease agreement dated 25 September 2014 entered into between the Parent Company and the Semiconductor Business Unit pursuant to which the Parent Company has agreed to lease the IGBT Production Line to the Semiconductor Business Unit for a term commencing from 1 September 2014 to: (i) the expiration of three years; (ii) the date of completion of transfer of the IGBT Production Line; or (iii) such other date as may be agreed by the parties, whichever is the earliest
“IGBT Production Line”	the high-power high-voltage IGBT production line comprising the Immovable Property and the Equipment which are located in 中國湖南省株洲市石峰區井龍辦事處井龍村 (Jinglong Village, Jinglong Subdistrict Office, Shifeng District, Zhuzhou, Hunan Province, the PRC)

DEFINITIONS

“Immovable Property”	one parcel of land with a total site area of approximately 69,727.73 square meters, including all the buildings, premises and other attachments on the land
“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 Asset Transfer Agreement
“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 Asset Transfer Agreement
“Independent Third Party(ies)”	parties who are independent of, and not connected with, the Company or any of its connected persons
“Latest Practicable Date”	3 June 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
“Long Stop Date”	31 December 2016
“MOU”	a memorandum of understanding dated 14 March 2014 entered into between the Company and the Parent Company in relation to the right of trial run and the right of first refusal for the leasing or purchase of the IGBT Production Line for conducting high-power high-voltage IGBT-related businesses
“Parent Company”	中車株洲電力機車研究所有限公司 (CRRC Zhuzhou Institute Co., Ltd.) (formerly known as 南車株洲電力機車研究所有限公司 (CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.)), a limited liability company established under the laws of the PRC; the controlling shareholder of the Company, and a wholly-owned subsidiary of CRRC
“Parent Group”	the Parent Company and its subsidiaries
“PRC”	the People’s Republic of China

DEFINITIONS

“Purchasers”	the Company and the Semiconductor Business Unit
“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
“Semiconductor Business Unit”	株洲中車時代電氣股份有限公司半導體事業部 (Zhuzhou CRRC Time Electric Co., Ltd. Semiconductor Business Unit), which is a corporate branch office of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Circular”	this supplemental circular of the Company dated 7 June 2016
“Vendor”	the Parent Company
“ZELRI (Hong Kong)”	CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Parent Company
“%”	per cent

This circular contains translation of HKD to RMB at the rate of RMB1 = HKD1.19 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.

LETTER FROM THE BOARD



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

7 June 2016

To the Shareholders

Dear Sir/Madam,

**SUPPLEMENTAL CIRCULAR TO THE CIRCULAR
TO SHAREHOLDERS DATED 22 APRIL 2016
IN RELATION TO AN ADDITIONAL RESOLUTION
TO BE PROPOSED AT THE ANNUAL GENERAL MEETING
ON 23 JUNE 2016
AND
SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

This Supplemental Circular should read together with the AGM Circular which contains, inter alia, information to be dealt with at the AGM. The purpose of this Supplemental Circular is to give you information relating to the new resolution to be proposed at the AGM regarding the proposed connected and discloseable transaction in relation to the acquisition of IGBT Production Line. A supplemental notice of the AGM is set out on pages 57 to 59 of this Supplemental Circular. Save for the inclusion of the new resolution as set out in this Supplemental Circular, all information and contents set out in the AGM Circular remain unchanged.

LETTER FROM THE BOARD

2. ASSET TRANSFER AGREEMENT

Reference is made to the announcement dated 18 May 2016 issued by the Company in relation to proposed connected and discloseable transaction regarding the acquisition of the IGBT Production Line.

On 18 May 2016, the Company and the Semiconductor Business Unit (as Purchasers) entered into the Asset Transfer Agreement with the Parent Company (as Vendor) in relation to the acquisition of the IGBT Production Line subject to the terms of the Asset Transfer Agreement at a consideration of approximately RMB1,119,039,000 (equivalent to approximately HK\$1,331,656,000) (subject to the Tax Adjustment). The principal terms of the Asset Transfer Agreement are summarised as follows:

Date

18 May 2016 (after trading hours)

Parties

Purchasers: the Company and the Semiconductor Business Unit

Vendor: the Parent Company

Subject of the Transaction

Pursuant to the terms and conditions of the Asset Transfer Agreement, the Purchasers have conditionally agreed to purchase from the Vendor, and the Vendor has conditionally agreed to sell to the Purchasers the IGBT Production Line.

Assets to be acquired

Based on a special audit report prepared by an independent auditor, the original book value and the net book value of the IGBT Production Line are approximately RMB1,103,587,000 (equivalent to approximately HK\$1,313,269,000) and approximately RMB974,427,000 (equivalent to approximately HK\$1,159,568,000), respectively.

1. *The Immovable Property*

The Immovable Property comprises one parcel of land (including all the premises, buildings and other attachments on the land), which are located at 中國湖南省株洲市石峰區井龍辦事處井龍村 (Jinglong Village, Jinglong Subdistrict Office, Shifeng District, Zhuzhou, Hunan Province, the PRC) with a total site area of approximately 69,727.73 square meters. The net book value of the Immovable Property as at 31 December 2015 was approximately RMB369,486,000 (equivalent to approximately HK\$439,688,000).

2. *The Equipment*

The Equipment is certain facilities, machineries and equipment used for the production of IGBT in the IGBT Production Line. The net book value of the Immovable Property as at 31 December 2015 was approximately RMB604,941,000 (equivalent to approximately HK\$719,880,000).

LETTER FROM THE BOARD

Consideration

The consideration for acquiring the IGBT Production Line amounts to approximately RMB1,119,039,000 (equivalent to approximately HK\$1,331,656,000), among which RMB379,620,000 (equivalent to approximately HK\$451,748,000) shall be payable to the Vendor for the Immovable Property and RMB739,419,000 (equivalent to approximately HK\$879,908,000) shall be payable to the Vendor for the Equipment, respectively.

The consideration of the Asset Transfer Agreement has been determined after arm's length negotiations among the Company, the Semiconductor Business Unit and the Parent Company with reference to (i) the appraised value of the IGBT Production Line of approximately RMB1,044,090,000 (equivalent to approximately HK\$1,242,467,000) as at the reference date, being 31 December 2015, (ii) the estimated provision for depreciation of the IGBT Production Line after the said reference date and (iii) the estimated tax liabilities relating to the transfer of the Immovable Property and the Equipment pursuant to the Asset Transfer Agreement. The appraised value of the IGBT Production Line was evaluated by 中和資產評估有限公司 (Zhonghe Appraisal Co., Ltd.), a PRC qualified valuer which was appointed by the Purchasers and, to the best of the Director's knowledge, information and belief having made all reasonable enquiry, is an Independent Third Party. As at 31 December 2015, the appraised values of the Immovable Property and the Equipment are approximately RMB370,536,000 (equivalent to approximately HK\$440,938,000) and approximately RMB673,554,000 (equivalent to approximately HK\$801,529,000), respectively.

The final consideration may be adjusted with reference to the actual tax amount arisen as a result of the transfer of the Immovable Property and the Equipment ("**Tax Adjustment**"). Pursuant to the Asset Transfer Agreement, the final consideration after the Tax Adjustment will not exceed RMB1,140,732,000 (equivalent to approximately HK\$1,357,471,000). Payment of the consideration will be funded from internal resources of the Group.

Payment terms

The consideration is payable to the Vendor by the Purchasers by way of bank transfer in the following manner:

- (a) an amount of approximately RMB1,007,135,000 (equivalent to approximately HK\$1,198,491,000) ("**Initial Payment**") representing 90% of the consideration amount, subject to Tax Adjustment, shall be paid to the Vendor within 15 days after the fulfillment or waiver of all the conditions mentioned below; and
- (b) the remaining balance of approximately RMB111,904,000 (equivalent to approximately HK\$133,166,000) representing 10% of the consideration amount, subject to the Tax Adjustment, shall be paid to the Vendor within 15 days after the Completion Date.

LETTER FROM THE BOARD

Conditions of the Asset Transfer Agreement

Completion is conditional upon fulfilment or waiver (as the case may be) of, among others, the following conditions:

- (a) the Vendor having completed the internal approval procedure in relation to the Asset Transfer Agreement;
- (b) the Vendor and its controlling shareholder(s) (if the shares of which are listed on the Stock Exchange and/or the Shanghai Stock Exchange) having complied with the reporting, announcement, shareholders' approval (if necessary) and all other necessary requirements under the Listing Rules, the listing requirements of the Shanghai Stock Exchange and other applicable laws and regulations in relation to the Asset Transfer Agreement;
- (c) the Board having approved the Asset Transfer Agreement;
- (d) the Company having complied with the reporting, announcement, independent shareholders' approval (if necessary) and all other necessary requirements under the Listing Rules and other applicable laws and regulations in relation to the Asset Transfer Agreement;
- (e) the Vendor having obtained all necessary authorisation, consents, approvals, licenses and permits from all the relevant government or supervisory authorities, agents or other third party (including banks, creditors and/or the Vendor and its controlling shareholder(s) (if necessary)) in relation to the Asset Transfer Agreement, and such authorisations, consents, approvals, licenses and permits remaining in full force and effect;
- (f) the Purchasers having obtained and been satisfied with (both in form and content) the asset valuation report in relation to the IGBT Production Line issued by an independent valuer and approved by and filed to the relevant government authority;
- (g) no restraining order, preliminary or permanent injunction or other order preventing the consummation of the transaction contemplated under to the Asset Transfer Agreement shall having been issued by the government authority;
- (h) the representations, warranties and undertakings made by the Vendor under the Asset Transfer Agreement being true, accurate in all material respects and not misleading in all respects from the date of the Asset Transfer Agreement; and
- (i) there having no material adverse change or prospective material adverse change in relation to the IGBT Production Line.

Conditions (b) and (d) above cannot be waived by any party to the Asset Transfer Agreement.

LETTER FROM THE BOARD

If the conditions set out above are not satisfied or waived on or before Long Stop Date, then the Purchasers may terminate the Asset Transfer Agreement by notice in writing to the Vendor.

Subject to the satisfaction of conditions (b) and (d) above, both the Parent Company and the Semiconductor Business Unit intend to terminate the IGBT Lease Agreement on 30 June 2016.

Completion

Pursuant to the Asset Transfer Agreement, after satisfaction or waiver of all the conditions of the Asset Transfer Agreement, the Purchasers and the Vendor shall proceed to complete the transfer of the IGBT Production Line under the Asset Transfer Agreement as follows:

- (a) the Vendor shall deliver the Equipment under the Asset Transfer Agreement to the Semiconductor Business Unit within 10 days after the receipt of the Initial Payment from the Purchasers; and
- (c) the Vendor shall submit application to the relevant immovable asset management unit of the government for the change of title or ownership of the Immovable Property from the Vendor to the Company under the Asset Transfer Agreement within 20 days after the receipt of the Initial Payment from the Purchasers.

In case the Asset Transfer Agreement cannot be completed before the Long Stop Date, the Vendor shall fully repay the Initial Payment to the Purchasers within 15 days after the Long Stop Date.

INFORMATION ON THE GROUP AND THE PARENT GROUP

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

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

REASONS FOR AND BENEFITS OF ASSET TRANSFER AGREEMENT

IGBT is a fundamental and critical part for power conversion and is widely used in major fields such as power transmission, rail transport, industrial automation and is known as “nucleus” of green economy in the world. In field of rail transport, IGBT is known as CPU of traction converters, directly influencing motor train power class and operation flexibility, which is an important part for achieving modern high-speed and heavy-load of motor vehicles.

The Parent Company commenced the construction of the IGBT Production Line in 2012, which mainly produces high-power IGBT.

LETTER FROM THE BOARD

In order to further develop the IGBT-related business of the Group, the Semiconductor Business Unit entered into the IGBT Lease Agreement with the Parent Company in September 2014 for leasing the IGBT Production Line. With a view to integrating the IGBT Production Line into the business of the Group, and enhancing IGBT-related manufacturing capabilities and production capacity of the Group, the Company and the Semiconductor Business Unit proposes to purchase the IGBT Production Line from the Parent Company, so as to meet the operation demands of the Group.

LISTING RULES IMPLICATIONS

The Parent Company is a controlling shareholder of the Company and is therefore a connected person of the Company as defined under the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) reaches 5% but is less than 25%, the Asset Transfer Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

Meanwhile, as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) reaches 5% but is less than 25%, the Asset Transfer Agreement and the transactions contemplated thereunder also constitute a discloseable transaction of the Company and therefore subject to the announcement requirements pursuant to Chapter 14 of the Listing Rules.

A meeting of the Board was held on 11 May 2016 at which the Asset Transfer Agreement was 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 Asset Transfer Agreement due to conflict of interests.

The Directors (including the independent non-executive Directors after having received the advice of the Independent Financial Adviser), consider that the Asset Transfer 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, and the terms thereof 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.

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 Asset Transfer Agreement, taking into account the recommendations on the same by the Independent Financial Adviser.

LETTER FROM THE BOARD

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 Asset Transfer Agreement.

VOTING ARRANGEMENT

As at the Latest Practicable Date, ZELRI (Hong Kong), the Parent Company, Qishuyan Works, CRRC Zhuzhou and CRRC Investment & Leasing are interested in approximately 0.14%, 50.16%, 0.80%, 0.85% and 0.80% respectively of the entire issued share capital of the Company.

Each of ZELRI (Hong Kong), 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 Asset Transfer Agreement.

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

- (i) each of ZELRI (Hong Kong), 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 ZELRI (Hong Kong), the Parent Company, Qishuyan Works, CRRC Zhuzhou and CRRC Investment & Leasing;
- (B) there were no obligation on or entitlement of any of ZELRI (Hong Kong), the Parent Company, Qishuyan Works, CRRC Zhuzhou and CRRC Investment & Leasing as at the Latest Practicable Date, whereby any of ZELRI (Hong Kong), 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
- (iii) there were no discrepancies between the beneficial shareholding interest of any of ZELRI (Hong Kong), 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.

LETTER FROM THE BOARD

SUPPLEMENTAL NOTICE OF AGM AND SECOND PROXY FORM

Supplemental notice of AGM (and any adjournment thereof) is set out on pages 57 to 59 of this supplemental circular. Such supplemental notice should be read in conjunction with the notice of AGM dated 22 April 2016.

The form of proxy applicable to the AGM has been despatched to Shareholders on Friday, 22 April 2016 and such form of proxy has also been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). Since the form of proxy applicable to the AGM despatched on 22 April 2016 (the “**First Proxy Form**”) does not contain the resolution in relation to the proposed acquisition of IGBT Production Line as set out in the supplemental notice of AGM, the Company has prepared a second proxy form (the “**Second Proxy Form**”) for despatch together with this supplemental circular. The additional resolution is set out in the supplemental notice of AGM on pages 57 to 59 of this supplemental circular.

For holders of H Share(s), whether or not you are able to attend the AGM in person, you are requested to complete the proxy form applicable to the AGM in accordance with the instructions printed thereon, and return it to the Company’s H Share registrar in Hong Kong, Computershare Hong Kong Investors Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the proxy form(s) applicable to the AGM will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

Holders of H Share(s) who have lodged the First Proxy Form with the Company should note that:

- (i) If the Second Proxy Form is lodged with the Company’s H Share registrar 24 hours prior to the time designated for convening the AGM (the “**Closing Time**”), the Second Proxy Form will revoke and supersede the First Proxy Form previously lodged by him/her. The Second Proxy Form will be treated as a valid form of proxy lodged by the H Shareholder if correctly completed and signed and returned in accordance with the instructions printed thereon.
- (ii) If no Second Proxy Form is lodged with the Company’s H Share registrar as at the Closing Time, the First Proxy Form will be treated as a valid form of proxy lodged by the holders of H Share(s) if correctly completed. The proxy so appointed by the holders of H Share(s) will be entitled to vote at his/her discretion or to abstain from voting on any resolution properly put to the AGM including the resolution in relation to the proposed purchase of wealth management products as set out in this supplemental circular.

LETTER FROM THE BOARD

Shareholders are reminded that completion and delivery of the First Proxy Form and the Second Proxy Form will not preclude the Shareholders from attending and voting in person at the AGM or at any adjourned meeting(s) should they so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 14 of this circular, the letter from the Independent Financial Adviser set out on pages 15 to 26 of this circular which contains the recommendation of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Asset Transfer Agreement, 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 Asset Transfer 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, and the terms thereof 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 resolution to be proposed at the AGM to approve the Asset Transfer Agreement.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

7 June 2016

To the Independent Shareholders

Dear Sir or Madam

PROPOSED CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF IGBT PRODUCTION LINE

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

Under the Listing Rules, the Asset Transfer Agreement are subject to the approval of the Independent Shareholders.

We have been appointed by the Board to consider the terms of the Asset Transfer 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 Supplemental 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 Asset Transfer 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, and the terms thereof 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 Asset Transfer Agreement.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

BEIJING SECURITIES LIMITED

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

7 June 2016

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

Dear Sirs,

PROPOSED CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF IGBT PRODUCTION LINE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Asset Transfer Agreement. Details of the Asset Transfer Agreement are set out in the letter from the Board (the “**Letter from the Board**”) contained in the Supplemental Circular of the Company dated 7 June 2016, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Supplemental Circular unless the context requires otherwise.

Reference are made to the announcement of the Company dated 14 March 2014 in relation to the MOU (the “**MOU Announcement**”) and the announcement of the Company dated 25 September 2014 in relation to the IGBT Lease Agreement (the “**Lease Agreement Announcement**”) entered into between the Group and the Parent Company for the leasing and/or purchase of the IGBT Production Line.

The Company on 18 May 2016 announced that the Company and the Semiconductor Business Unit (as Purchasers) entered into the Asset Transfer Agreement with the Parent Company (as Vendor) in relation to the purchase of the IGBT Production Line subject to the terms of the Asset Transfer Agreement at a total consideration of approximately RMB1,119,039,000 (equivalent to be approximately HK\$1,331,656,000) (subject to the tax adjustment).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Parent Company is a controlling shareholder of the Company and is therefore a connected person of the Company as defined under the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) reaches 5% but is less than 25%, the Asset Transfer Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. Furthermore, as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) reaches 5% but less than 25%, the Asset Transfer Agreement and the transactions contemplated thereunder also constitute a discloseable transaction of the Company and therefore subject to the announcement requirements pursuant to Chapter 14 of the Listing Rules.

The Board currently comprises four executive Directors, one non-executive Director, 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 Asset Transfer Agreement. 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 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 the directors, chief executive or substantial shareholders of the Company or any of their respective associates. Within the past two years from the Latest Practicable Date, Beijing Securities Limited was engaged as the independent financial adviser by the Company in one occasion, details of which were set out in the circular of the Company dated 22 April 2016. Given our independence role and normal professional fees received from the Company under the past engagement, we considered it would not affect our independence to form our opinion in this letter.

Our role is to provide you with our independent opinion and recommendation as to whether the terms of the Asset Transfer Agreement contemplated thereunder are entered into in the ordinary and usual course of business and on normal commercial terms and whether they 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 and how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Asset Transfer Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Supplemental 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 Supplemental 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 Supplemental 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Supplemental Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Supplemental Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Supplemental Circular, the omission of which would make any statement in the Supplemental 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 Supplemental 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 Asset Transfer Agreement, we have considered the following principal factors and reasons:

1. Background of the Asset Transfer Agreement

We refer to the MOU Announcement and the Lease Agreement Announcement entered into between the Group and the Parent Company for the leasing and/or purchase of the IGBT Production Line.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the MOU Announcement, it is the mutual intention of the Company and the Parent Company to commence arm's length negotiations on the sale of the IGBT Production Line to the Group and prior to completion of the transfer of the IGBT Production Line, the parties would commence arm's length negotiations for the leasing of the IGBT Production Line to the Group. As set out in the Lease Agreement Announcement, the Parent Company (as lessor) and the Semiconductor Business Unit (as lessee) entered into the IGBT Lease Agreement whereby the Semiconductor Business Unit is to lease the IGBT Production Line from 1 September 2014 to: (i) the expiration of three (3) years; (ii) the date of completion of the transfer of the IGBT Production Line; or (iii) such other date as may be agreed by the parties, whichever is the earliest to enable the Group to produce IGBT-related products and to carry on the IGBT-related business for an annual rent of RMB208,855,500.

The Company on 18 May 2016 announced that the Company and the Semiconductor Business Unit (as Purchasers) entered into the Asset Transfer Agreement with the Parent Company (as Vendor) in relation to the purchase of the IGBT Production Line subject to the terms of the Asset Transfer Agreement at a total consideration of approximately RMB1,119,039,000 (equivalent to be approximately HK\$1,331,656,000) (subject to the tax adjustment). As such, pursuant to the terms of the IGBT Lease Agreement, the lease of the IGBT Production Line from the Parent Company to the Semiconductor Business Unit will expire upon completion of the Asset Transfer Agreement.

2. Background information of the Parent Company

The Parent Group is a limited liability company established under the laws of the PRC and is principally engaged in the research and development, manufacturing and sale of rail transportation products and large-scale wind power generation facilities. The Parent Company is a controlling shareholder of the Company and is therefore a connected person of the Company as defined under the Listing Rules. The Parent Company is also a wholly-owned subsidiary of CRRC, a joint stock company established in the PRC with limited liability, 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, a PRC State-owned enterprise.

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3. Background information of the Group

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

Set out below is a summary of the audited financial results of the Group for the year ended 31 December 2014 and 2015 respectively as extracted from the Company's annual report for the year ended 31 December 2015 (the "Annual Report").

	For the year ended	
	31 December	
	2015	2014
	<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 (including the IGBT business)	645.5	630.7
- Marine engineering products and others	<u>1,059.7</u>	<u>651.3</u>
Total Revenue	<u><u>14,144.7</u></u>	<u><u>12,676.2</u></u>
Net Profit	<u><u>2,969.7</u></u>	<u><u>2,394.8</u></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. 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 Annual Report, the Group has also made new breakthroughs in technology, products and markets including the IGBT business under the parts and components segment. As noted in the Annual Report, the IGBT business achieved ongoing improvements. The Company has also accelerated the development of IGBT power module market. Looking forward, the Company will, amongst others, continue to promote qualification and seriation of IGBT products, expedite the marketization process of IGBT and strengthen its effort in the expansion of power modules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Reasons for and benefits of entering into the Asset Transfer Agreement

IGBT is a fundamental and critical part for power conversion and is widely used in major fields such as power transmission, rail transport, industrial automation and is known as “nucleus” of green economy in the world. In the field of rail transport, IGBT is known as CPU of traction converters, directly influencing motor train power class and operation flexibility, which is an important part for achieving modern high-speed and heavy-load of motor vehicles.

We also noted from our research that the PRC government’s continual support of green energy such as the State Council issuance of the “2014-2015 Action Plan on Energy Conservation and Emissions Reduction and Low-carbon Development” (2014-2015年節能減排低碳發展行動方案) in 2015 has been conducive in the development and growth of IGBT in the PRC.

In addition, the IGBT-related business is an important business segment of the Group as described in “Background information of the Group” in this letter above. Also, as set out in “Background of the Asset Transfer Agreement” in this letter above, in order to further develop the IGBT-related business of the Group, the Semiconductor Business Unit has entered into the IGBT Lease Agreement with the Parent Company. We understand from the Company that the Group has always intended to purchase the IGBT Production Line as set out in the MOU Announcement and the Group’s current intention to purchase the IGBT Production Line is for the purpose of integration of the IGBT Production Line into the business of the Group and to enhance IGBT-related manufacturing capabilities and production capacity of the Group in order to meet the operation demands of the Group. Furthermore, the purchase of the IGBT Production Line will enable the Group to save rental expenses going forward.

Taken into the consideration of the factors discussed above and in particular: (i) IGBT is a fundamental and critical part for power conversion; (ii) IGBT is the “nucleus” of green economy in the world; (iii) the PRC government’s continual support of green energy; (iv) IGBT-related business is an important business segment of the Group; (v) the Group has a long intention to purchase the IGBT Production Line; (vi) the purchase the IGBT Production Line will enable the Group to integrate the IGBT Production Line into the business of the Group and therefore enhance IGBT-related manufacturing capabilities and production capacity of the Group; and (vii) the purchase of the IGBT Production Line will save rental expenses, we are of the view that the entering into the Asset Transfer Agreement 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Principal terms of the Asset Transfer Agreement

Set out below is the principal terms of the Asset Transfer Agreement. For further information on the conditions precedent and/or other information of the Asset Transfer Agreement, please also refer to the Letter from the Board.

Date

18 May 2016

Parties

Purchasers: The Company and the Semiconductor Business Unit

Vendor: The Parent Company

Subject of the Transaction

Pursuant to the terms and conditions of the Asset Transfer Agreement, the Purchasers have conditionally agreed to purchase from the Vendor, and the Vendor has conditionally agreed to sell to the Purchasers the IGBT Production Line.

Assets to be acquired

The Immovable Property

The Immovable Property comprises one parcel of land (including all the premises, buildings and other attachments on the land), which are located at 中國湖南省株洲市石峰區井龍辦事處井龍村 (Jinglong Village, Jinglong Subdistrict Office, Shifeng District, Zhuzhou, Hunan Province, the PRC) with a total site area of approximately 69,727.73 square meters. The net book value of the Immovable Property as at 31 December 2015 was approximately RMB369,486,000 (equivalent to approximately HK\$439,688,000).

The Equipment

The Equipment is certain facilities, machineries and equipment used for the production of IGBT in the IGBT Production Line. The net book value of the Immovable Property as at 31 December 2015 was approximately RMB604,941,000 (equivalent to approximately HK\$719,880,000).

Consideration and payment terms

The consideration for acquiring the IGBT Production Line amounts to approximately RMB1,119,039,000 (equivalent to approximately HK\$1,331,656,000) (the “**Consideration**”), among which RMB379,620,000 (equivalent to approximately HK\$451,748,000) shall be payable to the Vendor for the Immovable Property and RMB739,419,000 (equivalent to approximately HK\$879,908,000) shall be payable to the Vendor for the Equipment, respectively.

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The Consideration is payable to the Vendor by the Purchasers by way of bank transfer in the following manner:

- (a) an amount of approximately RMB1,007,135,000 (equivalent to approximately HK\$1,198,491,000) representing 90% of the consideration amount, subject to tax adjustment, shall be paid to the Vendor within 15 days after the fulfillment or waiver of all the conditions mentioned below; and
- (b) the remaining balance of approximately RMB111,904,000 (equivalent to approximately HK\$133,166,000) representing 10% of the consideration amount, subject to the tax adjustment, shall be paid to the Vendor within 15 days after the Completion Date.

Payment of the Consideration will be funded from internal resources of the Group.

The final consideration may be adjusted with reference to the actual tax amount arisen as a result of the transfer of the Immovable Property and the Equipment (the “**Tax Adjustment**”). Pursuant to the Asset Transfer Agreement, the final consideration after the Tax Adjustment will not exceed RMB1,140,732,000 (equivalent to approximately HK\$1,357,471,000).

The Consideration has been determined after arm’s length negotiations among the Company, the Semiconductor Business Unit and the Parent Company with reference to (i) the appraised value of the IGBT Production Line of approximately RMB1,044,090,000 (equivalent to approximately HK\$1,242,467,000) as at the reference date, being 31 December 2015, evaluated by 中和資產評估有限公司 (Zhonghe Appraisal Co., Ltd.) (the “**Independent Valuer**”), an independent PRC qualified valuer which was appointed by the Purchasers; (ii) the estimated provision for depreciation of the IGBT Production Line after the said reference date; and (iii) the estimated tax liabilities relating to the transfer of the Immovable Property and the Equipment pursuant to the Asset Transfer Agreement.

Basis for Consideration

An asset valuation report prepared by the Independent Valuer of the IGBT Production Line dated 5 May 2016 (the “**Asset Valuation Report**”) is set out in Appendix I. According to the Asset Valuation Report, the appraised value of the IGBT Production Line is approximately RMB1,044,090,000 (equivalent to approximately HK\$1,242,467,000) (the “**Valuation**”). We understand that the Asset Valuation Report has been prepared in compliance with the relevant PRC regulatory requirements and professional standards as required to obtain the relevant approvals for the acquisition of the IGBT Production Line.

We have discussed with the Independent Valuer regarding its qualifications, expertise and independence and also obtained relevant information regarding the Independent Valuer. We noted that the Independent Valuer was incorporated in the PRC in 1989 and is one of the first batch of appraisal companies approved by the State Asset Administrative Bureau and the China Securities and Regulatory Commission to conduct valuation business on the state level. The Independent Valuer has also been engaged as an independent valuer, in particular, by a number of other H share listed companies on the Stock Exchange to carry out asset valuation/appraisal work. Further to our

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

discussion with the Independent Valuer, the Independent Valuer also confirmed that it is independent of the Company and the Parent Company and their associates. In addition, we have also reviewed the Independent Valuer's terms of engagement (including its scope of work) in carrying out the valuation of the IGBT Production Line. Based on our discussion with the Independent Valuer and our review of the information provided, we considered that the Independent Valuer possesses the relevant experience and qualifications, is independent of the Company and the Parent Company and their associates and the scope of work is appropriate for the purpose of valuation of the IGBT Production Line.

For our due diligence of the Valuation, we have also discussed with the Independent Valuer the methodologies, bases and assumptions for the Valuation and raised questions on areas which we required further explanation. We have also been provided with schedules containing the calculation and bases and assumptions for the computation of the Valuation. As discussed with the Independent Valuer and as set out in the Asset Valuation Report, the Valuation is comprised of (i) the buildings and properties of the Immovable Property (the **"Buildings and Properties"**); (ii) the Equipment; and (iii) the land use rights of the Immovable Property (the **"Land"**) and each of the valuation results is as follows:

	Appraised value (RMB ' million)
Buildings and Properties	335.5
Equipment	673.6
Land	<u>35.0</u>
Total	<u>1,044.1</u>

As set out above, the appraised values of the Immovable Property (including the Buildings and Properties and the Land) and the Equipment are approximately RMB370.5 million and approximately RMB673.6 million respectively.

Buildings and Properties

We have reviewed the valuation of the Buildings and Properties (the **"Buildings and Properties Valuation"**) (including the fairness and reasonableness of the basis and assumptions) and discussed with the Independent Valuer regarding the methodology adopted for and the bases and assumptions used in arriving at the Buildings and Properties Valuation. In the course of our discussion with the Independent Valuer, we understand that there are three common valuation methods for asset valuation for buildings and properties, namely the market approach, the income approach and the cost based approach. The market approach is a valuation method which determines the prices of assets by comparing such assets with comparable assets transacted in the market, whereby those comparable assets transactions are adjusted individually in terms of the price difference by focusing on factors affecting their respective values. Given that the Independent Valuer was unable to identify sufficient comparable assets transactions in the market, it considered the market approach to be inappropriate in the case of the Buildings and Properties Valuation. The income approach is a valuation method which discounts the expected future revenue of the assets into present value with specific discount rates for the purpose of determining their values. The inherit value of the assets, which means their

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future profitability is the basis of the income approach. However, as explained by the Independent Valuer, since it is of the view that it would be difficult to estimate a reliable future income stream for the Buildings and Properties due to the unique nature of the IGBT Production Line, the income approach was not chosen. Lastly, the cost based approach is a valuation method which determines the values of assets based on determining the reproduction or replacement cost of the subject assets. The Independent Valuer considered the cost based approach to be the most appropriate method for the purpose of the Buildings and Properties Valuation as comprehensive information regarding the Buildings and Properties were available. The Independent Valuer also confirmed that the cost based approach is widely considered as an accepted valuation approach for valuing such assets and is consistent with normal market practice. Taken into consideration of the factors discussed above, we concurred with the Independent Valuer that the methodology and the bases and assumptions used therein are reasonable and acceptable in establishing the Buildings and Properties Valuation.

Equipment

We have reviewed the valuation of the Equipment (the “**Equipment Valuation**”) (including the fairness and reasonableness of the bases and assumptions) and discussed with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the Equipment Valuation. In the course of our discussion with the Independent Valuer, we understand that there are three common valuation methods for asset valuation for equipment, namely the market approach, the income approach and the cost based approach (please referred to the sub-section above for an explanation of each methodology). We understand that since the Independent Valuer was unable to identify sufficient comparable assets transactions in the market, it considered the market approach to be inappropriate in the case of the Equipment Valuation. The income approach was also not adopted since the Independent Valuer is of the view that it would be difficult to estimate a reliable future income stream for the Equipment due to the unique nature of the IGBT Production Line. Lastly, the Independent Valuer considered the cost based approach to be the most appropriate method for the purpose of the Equipment Valuation as comprehensive information regarding the Equipment were available. The Independent Valuer also confirmed that the cost based approach is widely considered as an accepted valuation approach for valuing such assets and is consistent with normal market practice. Taken into consideration of the factors discussed above, we concurred with the Independent Valuer that the methodology and the bases and assumptions used therein are reasonable and acceptable in establishing the Equipment Valuation.

Land

We have reviewed the valuation of the Land (the “**Land Valuation**”) (including the fairness and reasonableness of the basis and assumptions) and discussed with the Independent Valuer regarding the methodologies adopted for and the basis and assumptions used in arriving at the Land Valuation. In the course of our discussion with the Independent Valuer, we understand that the Independent Valuer has adopted both the benchmark land premium coefficient revision approach (基準地價係數修正法) and the cost approximation approach (成本逼近法), which are two common valuation methods to value land in the PRC, to value the Land. As explained by the Independent Valuer, whilst the market comparison approach is another common methodology to value land in the PRC, where the value of the land is made by making reference to recent land transactions of comparable land properties of similar nature, such approach was not adopted as the Independent Valuer was unable to identify

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sufficient comparable land transactions. Under the benchmark land premium coefficient revision approach, the value of Land was based on benchmark land premium in Zhuzhou City, the Hunan Province and benchmark land premium coefficients applied by comparing the specific conditions of the Land against the average conditions of the land located in the same district and adjusting the land value accordingly so as to ensure there is no significant deviation of the value of the Land from similar land under the same conditions. The cost approximation approach values the Land by using the sum of various expenses incurred in the development of Land as major reference, with a certain amount of profit, interest, tax payable etc. As the Independent Valuer considered that both the benchmark land premium coefficient revision approach and the cost approximation approach are both common methodologies to value land in the PRC and also that there are sufficient information available to value the Land under both methodologies, the Independent Valuer is of the view that both valuation methodologies are appropriate for valuing the Land and are also consistent with normal market practice. Further, given that the value of Land as determined under both the benchmark land premium coefficient revision approach and the cost approximation approach are similar, the Independent Valuer has taken the average of values derived under both methodologies to value the Land. Taken into consideration of the factors discussed above, we concurred with the Independent Valuer that the methodologies and the bases and assumptions used therein are reasonable and acceptable in establishing the Land Valuation.

Furthermore, during our discussion with the Independent Valuer regarding the basis and assumptions of the Valuation, we have not found any material facts which may lead us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Valuation.

Based on the foregoing, in particular that (i) we are satisfied with the terms of engagement of the Independent Valuer as well as its independence, qualification and experience for preparation of the Asset Valuation Report; and (ii) we have reviewed the Valuation (including the fairness and reasonableness of the bases and assumptions) and the relevant information provided by the Independent Valuer and discussed with the Independent Valuer to understand the methodologies adopted for and the bases and assumptions used in arriving at the Valuation, we are of the view the Valuation is fair and reasonable.

As stated above, the Consideration for the acquisition of the IGBT Production Line is approximately RMB1,119.0 million. In considering the fairness and reasonableness of the Consideration, we have adjusted the total of the Valuation of the IGBT Production Line of approximately RMB1,044.1 million by the provision of depreciation of the IGBT Production Line of approximately RMB48.5 million and our estimation of the tax amount to be arisen as a result of the transfer of the Immovable Property and Equipment which is calculated to be in the region of approximately RMB125.5 million to RMB147.2 million (being 17% as value-added tax for equipment and 5% to 11% as value-added tax for immovable property). Therefore, the total value of the IGBT Production Line under the Asset Transfer Agreement from our estimation is in the region of approximately RMB1,120 million to 1,140 million which is approximately in line with the Consideration and the final consideration after Tax Adjustment of not exceeding RMB1,140.7 million. As such, we considered that the Consideration 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.

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RECOMMENDATION

Having considered the principal factors discussed above and in particular the following:

- (i) IGBT is a fundamental and critical part for power conversion and is the “nucleus” of green economy in the world;
- (ii) IGBT-related business is an important business segment of the Group;
- (iii) the Group has a long intention to purchase the IGBT Production Line;
- (iv) the purchase of the IGBT Production Line will enable the Group to integrate the IGBT Production Line into the business of the Group and therefore enhance IGBT-related manufacturing capabilities and production capacity of the Group;
- (v) the purchase of the IGBT Production Line will save rental expenses;
- (vi) the Consideration was determined after arm’s length negotiation among the Company, the Semiconductor Business Unit and the Parent Company; and
- (vii) the Consideration is fair and reasonable,

we consider that the terms of the Asset Transfer Agreement are entered into 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 to the Independent Shareholders to vote in favour of the resolution(s) in respect of the Asset Transfer Agreement.

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

APPENDIX I VALUATION REPORT ON THE IGBT PRODUCTION LINE

The following is the text of the valuation received from Zonghe Appraisal Co., Ltd., an independent asset valuer, prepared for the purpose for incorporation in this circular, in connection with the valuation of the IGBT Production Line as at 31 December 2015. This evaluation report is written in both Chinese and English version. In case of any discrepancy between the two said versions, the Chinese version shall prevail.

Asset Valuation Report on the Proposed Acquisition of the High Power IGBT Production Line Single Assets—Buildings, Equipment and Land Use Rights Project by Zhuzhou CSR Times Electric Co., Ltd.

Zhong He Ping Bao Zi (2016) No.BJV6005

Summary

Zhuzhou CSR Times Electric Co., Ltd.:

Zhonghe Appraisal Co., Ltd. was appointed by the Company to appraise the market value of the Proposed Acquisition of the High Power IGBT Production Line Single Assets—Buildings, Equipment and Land Use Rights Project by the Company on 31 December 2015, the base date of valuation, through necessary valuation procedures on the principles of independence, objectiveness and fairness in accordance with relevant laws, regulations, asset valuation standards and asset valuation rules. The valuation report is hereby summarised as follows:

The valuation was performed under the premise of the subject under valuation's continued use on the original site and an open market and the maintenance of its original functions and uses in future production and operations.

Given the purpose of valuation as set out in this report, the assumptions of valuation and the limitations, the audited book value of the Proposed Acquisition of the High Power IGBT Production Line Single Assets—Buildings, Equipment and Land Use Rights Project by Zhuzhou CSR Times Electric Co., Ltd. was RMB 974,426,700 and the appraised value was RMB1,044,089,900 as at 31 December 2015, the base date of valuation. An increase in value of RMB69,663,200 was recorded under valuation with an appreciation rate of 7.15%.

The valuation results are detailed in the following table of valuation results:

Table of Asset Valuation Results

Unit: RMB10,000

Items	Book value A	Appraised value C	Increase/ decrease in value D=C-A	Appreciation rate % E=D/A × 100 %
1 Buildings	34,721.10	33,556.77	-1,164.33	-3.35
2 Machinery and equipment	60,494.12	67,355.42	6,861.30	11.34
3 Land use rights	2,227.45	3,496.80	1,269.35	56.99
4 Total	97,442.67	104,408.99	6,966.32	7.15

APPENDIX I VALUATION REPORT ON THE IGBT PRODUCTION LINE

The effective period for the use of the valuation results shall be one year from the base date of valuation (i.e. it is ineffective to use the valuation results after 30 December 2016).

Special issue:

Pursuant to the “Agreement on the Leasing of High Power IGBT Production Line and Ancillary Facilities and Equipment” signed between CRRC Zhuzhou Institute Co., Ltd. and the semiconductor department of Zhuzhou CSR Times Electric Co., Ltd., as at the base date of valuation, the high power IGBT production line single assets—buildings, equipment and land use rights included in the scope of valuation are still within the lease term. Since issues such as whether the transfer of the assets can be completed and the date of the completion of the transfer are still uncertain, the valuation has not taken into account the impact of the above rent on the conclusion of valuation.

The above issue is drawn to the attention of report users as it may have a significant impact on the conclusion of valuation.

The content above is extracted from the text of the valuation report. For details of this valuation project and reasonable understanding of the conclusion of valuation, please read the text of the asset valuation report carefully.

**Asset Valuation Report on the Proposed Acquisition of the High Power IGBT
Production Line Single Assets—Buildings, Equipment and Land Use Rights
Project by Zhuzhou CSR Times Electric Co., Ltd.**

Zhong He Ping Bao Zi (2016) No.BJV6005

Zhuzhou CSR Times Electric Co., Ltd.:

Zhonghe Appraisal Co., Ltd. was appointed by the Company to appraise the market value of the Proposed Acquisition of the High Power IGBT Production Line Single Assets—Buildings, Equipment and Land Use Rights Project by the Company on 31 December 2015, the base date of valuation, through necessary valuation procedures on the principles of independence, objectiveness and fairness in accordance with relevant laws, regulations, asset valuation standards and asset valuation rules. The asset valuation and the valuation results are hereby reported as follows:

I. Entrusting party, property right holder and other users of the report

The entrusting party of the valuation was Zhuzhou CSR Times Electric Co., Ltd. (later renamed Zhuzhou CRRC Times Electric Co., Ltd.).

The property right holder is CRRC Zhuzhou Institute Co., Ltd.

(I) *Profile of the entrusting party*

1. *Registration*

Name: Zhuzhou CSR Times Electric Co., Ltd.

(later renamed Zhuzhou CRRC Times Electric Co., Ltd.)

Type: Joint stock limited company (joint venture between Taiwan, Hong Kong and Macau and China, Listed)

Address: Shidai Road, Shifeng District, Zhuzhou City

Legal representative: Ding Rongjun

Registered capital: RMB1,175,476,637

Date of establishment: 26 September 2005

Business term: long term

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Scope of business: Research, development, production, sale of track transportation traction converter equipment, train network communication products, industrial automation facilities, safety monitoring equipment, monitoring technology and products, high-power electrical and electronic appliances, printed circuit boards, lamination busbar and related electric and electronic products, control computer products and software; sale of computer network wireless equipment; construction and design of safety precaution works; self-operation and acting as agent for the import and export business of commodities and technology (apart from those prohibited and limited by national laws and regulations); provision of related technological development, services, training and computer network system integration, computer software development services.

2. *Introduction of company*

It was jointly established by five entities, including CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司) (later renamed as CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司) in 2005. It mainly engages in the research and development, manufacturing, sales and technical service of railway transportation equipment including electric drive system, network control, converters, train control system, signal system, electric control system of rail engineering machinery, overall units, electronic products for passenger cars, large power semiconductors, general inverters, photovoltaic inverters, sensors, printed boards, composite busbars, urban intelligent traffic system, etc. Its products are widely used in various industries and fields such as high-speed EMUs, electric locomotives, diesel locomotives, passenger cars, subway and light rail vehicles, large-scale railway maintenance machineries, urban rail transportation, electric power and metallurgy etc. On December 20, 2006, Zhuzhou CSR Times Electric Co., Ltd. was listed in the H shares of Hong Kong Stock Exchange.

Zhuzhou CSR Times Electric Co., Ltd. has 6 production bases, i.e. railway transportation manufacturing base: Tianxin main base, Hexi and Shenyang base, SIC-based device manufacturing base, electric connector manufacturing base, rail engineering vehicle manufacturing base, Ningbao manufacturing base, overseas manufacturing base, which the gross floor area of approximately 310,000 m². Those manufacturing bases are equipped with various production lines, including electronic plug-in unit, sheet metal processing, control panel cabinet and converter assembly, SMT processing, power semiconductor device, current and voltage sensor, printed circuit board and railway train equipment.

Zhuzhou CSR Times Electric Co., Ltd. (株洲南車時代電氣股份有限公司) was renamed as Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司) after the base date of valuation(March 2016).

(II) **Introduction of property right holder**

1. **Registration**

Name: CRRC Zhuzhou Institute Co., Ltd.

Type: Joint stock limited company (legal person wholly owned, invested or controlled by non natural person)

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Address: Tianxin, Zhuzhou City, Hunan Province

Legal representative: Ding Rongjun

Registered capital: RMB4,264,500,000

Date of establishment: 9 September 1992

Business term: long term

Scope of business: Research and development, manufacture and sale of railway transportation product and equipment, electric machinery and equipment, general machinery, electric machinery, electronic product, computer product and software for control, rubber, plastic product, electronic component, electronic device and electronic insulation material; self-operation and acting as agent for the import and export business of commodities and technology (apart from those the operation restricted by the State or prohibited for export). Design, manufacture and sale of large wind turbine and part; construct, operate and consult service of wind farm; manufacture, sale and after-sales service of passenger car and part.

2. *Introduction of company*

CRRC Zhuzhou Institute Co., Ltd. was founded in 1959, its former entity was Zhuzhou Electric Locomotive Research Institute (株洲電力機車研究所) under the Ministry of Railways. Over development of more than 50 years, CRRC Zhuzhou Institute Co., Ltd. has established four major business segments and nine major principal businesses of “electric traction and automation, polymer composite material application, new energy equipment, power electronic (basic) device”, which owns three listed companies, five national technology innovative platforms, two enterprise post-doctoral research stations, and has established four overseas technology development centers in in U.S., U.K. and Australia.

Through technology introduction and self-innovation, CRRC Zhuzhou Institute Co., Ltd. has established and completed a self-innovative research and development platform in rail transport equipment traction and drive and control system area, which possesses key and core technologies, including electric systematic integration technology, convert and its control technology, train-borne control and diagnosis technology, power and electric part technology, polymer composite material engineering application technology, train operation control technology, wind power equipment integration and key part technology, whole electric vehicle integration vehicle integration and key component technology, engineering machinery and its electric control technology, communication and information application technology, and it has also realized the establishment of a design, manufacturing and testing platform.

Property right holder is the controlling shareholder of the entrusted party.

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(III) Other users of valuation report

Other users of valuation report include state-owned assets evaluation and filing administrative departments and users of valuation report required by laws and regulations.

II. Purpose of valuation

As Zhuzhou CSR Times Electric Co., Ltd. proposes to acquire of the high power IGBT production line single assets (buildings, equipment and land use rights), the market value of aforesaid involved single assets as at the base date of valuation(31 December 2015) is required to conduct a valuation, which provide a valuation reference for the above economic behavior.

III. The subject under valuation and scope of valuation

(I) The subject under valuation and scope of valuation

The subject under valuation and scope of valuation refer to the high power IGBT production line single assets (specifically, including buildings, equipment and land use rights) held by CRRC Zhuzhou Institute Co., Ltd. As of the base date of valuation (31 December 2015), the above book value of assets are as follows:

Unit: RMB

No.	Item name	Book value	
		Original value	Net value
1	Buildings	373,813,425.41	347,211,015.07
2	Machinery and equipment	706,571,006.43	604,941,175.69
3	Land use rights	23,202,618.00	22,274,513.28
4	Total	1,103,587,049.84	974,426,704.04

According to the *Explanation on the Title of Intangible Assets and the Scope of Transfer in Assets of Production Line of the IGBT Production Line* issued by CRRC Zhuzhou Institute Co., Ltd., the intangible assets (including business, manufacturing process, patented technology and technical staff) relevant to IGBT production line do not belong to CRRC Zhuzhou Institute Co., Ltd., thus those are excluded from the scope of valuation in this proposed transfer of assets.

The book value of above single assets has been audited by Ruihua Certified Public Accountants (Special General Partnership), and it has issued Rui Hua Zhuan Shen Zi [2016] No. 02190052 Specific Audit Report without qualified opinion.

Pursuant to the “Agreement on the Leasing of High Power IGBT Production Line and Ancillary Facilities and Equipment” entered into between property right holder and the semiconductor department of the entrusting party, the above assets included in this scope of evaluation were leased to (and used by) and used by the semiconductor business unit of the entrusted party since 1 September 2014, the lease term of contract was 3 years or the completion date of the subject under valuation formally acquired by the entrusted party. The rent agreed in the agreement was paid quarterly, and the rent remains unchanged during the term of lease.

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As provided in the leasing agreement, all expenses incurred by the subject under valuation during the term of lease, including but not limited to water charge, electricity charge, gas charge, property management fee, maintenance fee and other fees related to property and relevant facilities, shall be borne by the lessee.

As of the base date of valuation, the above lease was still ongoing. The lessee is responsible for the management, usage and maintenance of the assets included in the scope of this valuation. The rent payment is normal.

(II) Actual distribution and characteristics of single assets

1. *Buildings*

For buildings included in valuation, those situated the IGBT project factory area in Jinglong Village, Jinglong Office, Shifeng District, Zhuzhou City, including production facilities such as main factory, power station, chemical warehouse, gas station, road, fence and pipe network. The total gross floor area of buildings was 51,978.24 sq.m., which its main structure includes frame and steel. Such buildings were completed in May 2014, all of which are erected on the assessed land of IGBT project of this valuation, and all are in normal maintenance and usage conditions currently.

As of the base date of valuation, assets in the category of buildings have been obtained building ownership certificates, which state that the owner is CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.

2. *Equipment*

The machinery and equipment mainly include 84 sets of process equipment in chip line, such as I-line stepper, sputtering machine (Al, Ti, Ni, Ag), sputtering machine (Ti, Cu), sputtering machine (Al, Al, Ti), high dose ion implanter, high doses ion implanter, high-energy ion implanter, ion implanter (sheet), plasma etching machine (silicon), plasma etching machine (oxide), which all are imported equipment; 26 sets of process ancillary equipment in chip line, including 1 set of imported equipment; its production process mainly includes diffusion, thin film, lithography and etching. Most equipment were purchased in 2013, which mainly distributed in each production workshop in the factory area of business unit of IGBT project in Jinglong Village, Jinglong Office, Shifeng District, Zhuzhou City, which all are in normal conditions.

Electric equipment mainly include UPS power supply, optical microscopy, and hydrogen moisture analyzer, which all are in normal conditions.

3. *Land use rights*

The land included in the scope of this valuation is located in Jinglong Village, Jinglong Office, Shifeng District, Zhuzhou City, which it has obtained Zhu Guo Yong (2013) No. A0028 State-owned Land Use Certificate, and such certificate states that the owner is CSR Zhuzhou Electric Locomotive

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Research Institute Co., Ltd. The area of the land use right is 69,727.73 sq.m., the type of use right is granting, with the usage of industrial, and it was obtained in June 2012. As of the base date of valuation, all of the construction facilities erected on the land are buildings and ancillary facilities of this IGBT project, which all are in normal conditions.

(III) Intangible assets reported by the entity recorded or not yet recorded on book entry

None.

(IV) Types and quantity of off-balance sheet assets reported by the entity

None.

(V) Assets involved in the quoted conclusion of reports presented by other institutions

None.

The entrusting party and the property right holder has confirmed in the Explanation on Relevant Matters of Asset Valuation Conducted by Company that the entrusted subject under valuation and scope of valuation are consistent with subject under valuation and scope of valuation involved in the economic behavior.

IV. Types and Definition of Value

Based on the purposes of this valuation and the characteristics of entrusted assets for valuation, market value is determined as the value type of this valuation.

Market value refers to the estimated amount for the value of the company under valuation as at the base date of valuation in an exchange between a willing buyer and a willing seller in a normal arm's-length transaction wherein the parties had each acted knowledgeably and without compulsion.

V. Base Date of Valuation

The base date of valuation is set on 31 December 2015.

The base date of valuation of this report is determined by the entrusting party.

VI. Basis of Valuation

(I) *Basis of behavior*

Reply to Commencement of Internal Transfer of High Power IGBT Production Line Project within Zhuzhou (Zhong Che Gu Fen Tou Zi [2016] No. 102) (關於株洲所內部轉讓大功率半導體IGBT生產線項目立項的批復 (中車股份投資[2016]102號));

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(II) *Basis of laws and regulations*

1. *The Enterprise State-owned Asset Law of the People's Republic of China*;
2. *The Company Law of the People's Republic of China*;
3. *The Securities Law of the People's Republic of China*;
4. *The Property Law of the People's Republic of China*;
5. *Land Administration Law of the People's Republic of China*;
6. *Law of the People's Republic of China on the Administration of Urban Real Estate*;
7. (Order No. 91 of the State Council) *Measures for the Administration of Appraisal of State-owned Assets* (國務院令第91號《國有資產評估管理辦法》);
8. (Guo Zi Ban Fa [1992] No. 36) *Detailed Rules for the Implementation of the Administrative Measures for State-Owned Assets Appraisal* (國資辦發[1992] 36號《國有資產評估管理辦法施行細則》) issued by the former State-owned Assets Administration Bureau;
9. (Order No.12 of the State-owned Assets Supervision and Administration Commission of the State Council) *Measures for the Enterprises' State-owned Assets Appraisal Management* (國務院國資委第12號令《企業國有資產評估管理辦法》);
10. (Order No. 14 issued by the Ministry of Finance) *Regulation of Certain Issues of the State-owned Assets Evaluation Management* (財政部令第14號《國有資產評估管理若干問題的規定》);
11. (Order No. 3 issued by the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance) *Interim Measures for the Administration of the Transfer of the State-owned Property Right of Enterprises* (國資委、財政部第3號令《企業國有產權轉讓管理暫行辦法》);
12. *Guidelines on Filing for Valuation Projects of State-owned Assets of Enterprises* (Guo Zi Fa Chan Quan [2013] No. 64) (《企業國有資產評估項目備案工作指引》國資發產權[2013]64號);
13. *Circular on Issues Related to the Strengthening of the Administration of Valuation of State-owned Assets* (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》國資委產權[2006]274號);
14. *Circular on Matters Concerning Verification of the State-Owned Assets Valuation Report of Enterprises* (Guo Zi Chan Quan [2009] No. 941)(《關於企業國有資產評估報告審核工作有關事項的通知》國資產權[2009]941號);

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15. *Circular on Relevant Issues Concerning State-owned Property Rights Transfer of Enterprises* (Guo Zi Fa Chan Quan [2006] No. 306) (《關於企業國有產權轉讓有關事項的通知》國務院國資委國資產權發(2006)306號);
16. Other laws, regulations, regulations and relevant documents related to valuation.

(III) *Basis of standards*

1. *Asset Valuation Standards — Basic Standards* (Cai Qi [2004] No. 20) (《資產評估準則—基本準則》(財企[2004]20號));
2. *Code of Professional Ethics for Asset Valuation — Basic Standards* (Cai Qi [2004] No. 20) (《資產評估職業道德準則—基本準則》(財企[2004]20號));
3. *Code of Professional Ethics for Asset Valuation — Independence* (Zhong Ping Xie [2012] No. 248) (《資產評估職業道德準則—獨立性》(中評協[2012]248號));
4. *Guiding Opinions for Certified Public Valuers on Concerns Relating to the Legal Title of Subjects under Valuation* (Hui Xie [2003] No.18) (《註冊資產評估師關注評估對象法律權屬指導意見》(會協[2003]18號));
5. *Guiding Opinions for Types of Value of Assets under Valuation* (Zhong Ping Xie [2007] No. 189) (《資產評估價值類型別指導意見》(中評協[2007]189號));
6. *Guidelines on Valuation Report of State-Owned Assets of Enterprises* (Zhong Ping Xie [2011] No. 230) (《企業國有資產評估報告指南》(中評協[2011]230號));
7. *Asset Valuation Standards — Valuation Report* (Zhong Ping Xie [2011] No.230) (《資產評估準則—評估報告》(中評協[2011]230號));
8. *Asset Valuation Standards — Valuation Procedures* (Zhong Ping Xie [2007] No. 189) (《資產評估準則—評估程序》(中評協[2007]189號));
9. *Asset Valuation Standards — Engagement Letter* (Zhong Ping Xie [2011] No.230) (《資產評估準則—業務約定書》(中評協[2011]230號));
10. *Asset Valuation Standards — Working Papers* (Zhong Ping Xie [2007] No. 189) (《資產評估準則—工作底稿》(中評協[2007]189號));
11. *Asset Valuation Standards — Machinery and Equipment* (Zhong Ping Xie [2007] No. 189) (《資產評估準則—機器設備》(中評協[2007]189號));
12. *Asset Valuation Standards — Immovable Properties* (Zhong Ping Xie [2007] No. 189) (《資產評估準則—不動產》(中評協[2007]189號));

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13. *Guidelines on Quality Control of Business Operations of Valuation Institutions* (Zhong Ping Xie [2010] No. 214)《評估機構業務質量控制指南》(中評協[2010]214號);
14. *Asset Valuation Standards — Making Use of Experts* (Zhong Ping Xie [2012] No. 244) (《資產評估準則—利用專家工作》(中評協[2012]244號))’
15. *Rules for Valuation of Urban Land* (《城鎮土地估價規程》) GB/T 18508-2014;
16. *Standards for the Appraisal of Real Estate* (《房地產估價規範》) GB/T50291-2015;
17. *Accounting Standards for Enterprises — Basic Standards* (Order No. 33 of the Ministry of Finance) (《企業會計準則—基本準則》(財政部令第33號)).

(IV) *Basis of Ownership*

1. Building ownership certificates of the People’s Republic of China;
2. State-owned land use rights of the People’s Republic of China and Land use rights granting contract;
3. Relevant property evidence information such as equipment purchase contract and invoice.

(V) *Basis of pricing*

1. Major equipment purchase contract provided by company;
2. Construction installation contract and relevant works information provided by company;
3. Measure of Construction Work Price Calculation in Hunan Province 2014;
4. Information on Construction Material Price in Hunan Province (the fourth quarter);
5. *Circular on Unit Labor Cost of Construction Work in Hunan Province in 2014* (Xiang Jian Jia [2014] No.112) issued by the Department of Housing and Urban- Rural Development of Hunan Province (湖南省住房和城鄉建設廳湘建價[2014]112號“關於發佈《2014年湖南省建設工程人工工資單價的通知》”);
6. *Circular on Publishing the Implementing Measure of New Wall Material Specific Fund Charge and Use in Hunan Province* (Xiang Cai Zong [2008] No.53) issued by the Department of Finance of Hunan Province and the Hunan Economic Commission (湖南省財政廳、湖南省經濟委員會湘財綜[2008]53號文“關於印發《湖南省新型牆體材料專項基金徵收使用管理實施辦法》的通知”);

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7. Circular on Issuing the Implementing Measure of Bulk Cement Specific Fund Charge and Use in Hunan Province (Xiang Cai Zong [2003] No.46) issued by the Department of Finance of Hunan Province and Hunan Economic Commission (湖南省財政廳湖南省經濟貿易委員會湘財綜[2003]46號文“關於印發《湖南省散裝水泥專項資金徵收使用管理實施辦法》的通知”);
8. *Administration Rules for Engineering Investigation and Design Charge* (Fa Gai Jia Ge [2002] No. 10) issued by the National Development and Reform Commission and the Ministry of Construction 國家發展計畫委員會、建設部計價格[2002]10號文“關於發佈《工程勘察設計收費管理規定》的通知”;
9. *Administration Rules for Construction Project Supervision and Related Services Fees* (Fa Gai Jia Ge [2007] No. 670) issued by the National Development and Reform Commission and the Ministry of Construction (國家發改委及建設部發改價格[2007]670號“關於印發《建設工程監理與相關服務收費管理規定》的通知”);
10. The Ministry of Finance (Cai Jian [2002] No. 394) Circular on Issuing the *Provisions on the Financial Management of Basic Construction* (財政部財建[2002]394號“關於印發《基本建設財務管理規定》的通知”);
11. Documents provide by company, such as IGBT Project Completion Report, IGBT Construction Project Specific Audit Report, Construction Cost Consultation Report, Feasible Research Report, High Power IGBT Production Line and Ancillary Facilities Equipment Leasing Agreement;
12. *Notice on Announcement of Implementation of Nanchang City Benchmark Premium Update Results* (Zhu Zheng Han [2015] No.16) issued by the Zhuzhou Municipal People’s Government (株洲市人民政府株政函[2015]16號《關於公佈株洲市城區基準地價更新成果的通知》);
13. *Notice on Announcement of Land Acquisition Compensation Standard* (Zhu Zheng Han [2012] No.2) issued by the Zhuzhou Municipal People’s Government (株洲市人民政府株政發[2013]2號《關於公佈徵地補償標準的通知》);
14. *Notice on Announcement of Demolition and Relocation Compensation and Settlement Measure for the Buildings Erected on the Collective-Land in Zhuzhou City* (Zhu Zheng Han [2011] No.2) issued by the Zhuzhou Municipal People’s Government《關於印發株洲市集體土地上房屋拆遷補償安置辦法的通知》);
15. Order No. 231 of the Hunan Provincial People’s Government, the *Provisional Regulations on the Farmland Occupation Tax* (《中華人民共和國耕地佔用稅暫行條例》) implemented in Hunan Province;
16. *Management Measure of Farmland Reclamation Fee Charge and Use* (《湖南省耕地開墾費徵收使用管理辦法》);

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17. Electrical and Mechanical Quotation Manual (2015) (《機電產品報價手冊》(2015年)) published by the China Machine Press;
18. Lending rate and currency published by the People's Bank of China as at the base date of valuation;
19. The Latest Manual of Date and Parameters Frequently Used in Assets Appraisal (《資產評估常用數據與參手冊》);
20. The verified record after on-site investigation and stocktaking by valuer;
21. Key equipment quotation information;
22. Other information related to valuation gathered by valuer.

(VI) *Other basis*

1. Rui Hua Zhuan Shen Zi [2016] No. 02190052 Specific Audit Report issued by Ruihua Certified Public Accountants (Special General Partnership);
2. *Explanation on the Title of Intangible Assets and the Scope of Transfer in Assets of Production Line of the IGBT Production Line* issued by CRRC Zhuzhou Institute Co., Ltd.

VII. Valuation Approaches

According to the PRC valuation standard and the international conventions, the basic approaches of asset valuation include market approach, income approach and cost approach. When conducting valuation, it's required to analyze the suitability of three basic approaches based on relevant condition such as the company under valuation, type of value and information gathering, as for appropriately selecting one or various basic approach of asset valuation.

In this valuation, different valuation approaches were used for valuation according to the types of the single assets within the scope of valuation:

(1) *Buildings*

It is determined according to the usage, way of acquisition and characteristics of buildings. For the buildings included in this scope of valuation, those are mainly valued by replacement cost method:

The evaluation result of buildings is calculated with the following formula:

Evaluation value = Replacement cost x Integrated newness rate

1. Determination of the replacement cost

Replacement cost = Comprehensive cost of the construction and installation engineering + upfront fees and other expenses + cost of capital

Among which:

Construction and installation engineering comprehensive cost refers to the construction cost directly put into construction and paid to contractor by the construction unit.

Construction and installation engineering comprehensive cost = building engineering cost + decoration engineering cost + installation project cost

The valuer would classify and gather according to the usage of buildings, and select representative buildings with same usage and structure. They will determine the construction and installation engineering comprehensive cost as at the base date of valuation according to gathered information which reflect the design, pre-budget and contract of volumes of construction and with reference to the construction cost measure and engineering cost information of the location of buildings.

For other buildings, based on the construction and installation engineering cost of representative buildings with same usage and structure or gathered similar engineering construction and installation engineering cost, and based on the figure and parameter commonly used in valuation of buildings, it can be calculated by method of analogy which measures the construction and installation engineering comprehensive cost of such type of buildings.

Upfront fee and other expenses refer to other expenses should be incurred during the construction and paid to the unit and government department other than contractor. Those amounts are determined respectively according to the charge items and standards and charge of professional service set by the State and the local competent departments of buildings, and the characteristics of the assessed construction project.

The cost of capital is calculated based on the reasonable construction period determined according to the scale of construction, the selected lending rate in the corresponding period effective as at the base date of valuation and assume that the capital of construct are invested equally.

2. Determination of integrated newness rate

The integrated newness rate is determine by the weighted average of the two calculate result of age limit approach and observation approach. The specific formula is as follows:

Integrated newness rate = newness rate from age limit approach \times 40% + newness rate from observation approach \times 60%

Among which:

Newness rate from age limit approach = remaining life of building \div economic durable life of building \times 100%

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The remaining life of building refers to the remaining economic durable life of building as of the base date of valuation. Generally, it is calculated by the economic durable life of building minus the used life, and is revised appropriately according to the actual maintenance condition of building.

In terms of newness rate from observation approach, it is determined based on the scoring standard of newness rate of buildings with different structures, and the on-site investigation on structure, decoration and equipment (facility) of assessed buildings.

Newness rate from observation approach = newness score of structure part \times G + newness score of decoration part \times S + newness score of equipment (facility) part \times B

The figure of G, S and B are determined based on the ratio of cost of structure, decoration and equipment (facility) over the overall cost of building, respectively.

In respect of the scoring standard of newness rate of assessed building, it is determined based on the integrity and defect grading and the degree of aging evaluation standard promulgated by the State and local, and the design and usage requirement of relevant building.

For building and structure with lower quantity of value, the integrated newness is determined based on the newness rate from age limit approach.

(II) *Equipment*

According to the purpose of valuation and the characteristics of assessed equipment, it is mainly valued by replacement cost method.

Evaluation value = Replacement cost \times Integrated newness

1. Determination of replacement cost

Replacement cost generally includes equipment purchasing fee, transportation and miscellaneous fee, installation and commissioning fee, upfront and other fees and cost of capital; for consideration and way of fee (cost) other than equipment purchasing fee, it is determined based on the characteristics of relevant equipment, price composition of equipment acquired during the valuation and transaction condition.

For the equipment which deducted input value added tax in its book value, its replacement cost excludes the value added tax.

(1) Equipment produced in the PRC

Equipment purchasing fee is determined based on the recent transaction price of relevant equipment, quotation result from supplier and other public price information

APPENDIX I VALUATION REPORT ON THE IGBT PRODUCTION LINE

gathered by valuer. For equipment which unable to obtain direct price information, it shall be revised according to the information of replace product; for equipment which unable to implement replacement revision, it is determined by the price index adjustment method based on the reasonable verify implemented on its original purchasing cost.

Transportation and miscellaneous fee mainly comprised of purchasing fee, transportation fee, offload fee and safekeeping fee, and it is determined based on type, distance and transportation method of assessed equipment.

Installation and commissioning fee is determined based on the usage, characteristics and difficulty of installation of assessed equipment. For equipment which required to set up separately, its basis fee is also calculated based on its usage and loading, except for those constructed in the plant which consider identically.

Upfront and other fees include management fee of construction unit, investigation and design fee, supervision fee of engineering construction, tendering agent service fee and environmental evaluation fee, which determined based on other fee standards of construction engineering where such equipment located and the own characteristics of equipment.

Cost of capital refers to the cost of project funds occupied during a normal period of construction. The rate of cost of capital is reference to the prevailing lending rate published by the People's Bank of China as of the base date of valuation, which calculated according to different projects. The specific calculation formula and method are reference to the calculation description of cost of capital of buildings.

For equipment which is not required to install and short installation cycle, the cost of capital is not considered.

(2) Imported equipment

Replacement cost generally includes cost, insurance and freight (CIF), tariff, foreign trade agency fee, banking handling fee, commodity inspection fee, domestic transportation and miscellaneous fee, installation and commissioning fee, upfront and other fees and cost of capital. For equipment which can be replaced by equipment produced in the PRC, it can be calculated and adjusted when compare with replaceable equipment produced in the PRC.

Among which:

Equipment CIF is determined based on based on manners such as using and gathering recent transaction contract and quotation from factory or agent; for equipment which is unable to obtain above information, it is calculated by analyze on information which reflects its level of change in price through verify its original purchasing contract and evidence. For equipment which quotes as CIF by factory, it is conversed as CIF after taking account into the overseas freight and overseas transportation insurance premium.

The tax, inspection fee, agency and handling fee of import are analyzed and determined based on the standards required by relevant regulations and competent departments as at the based date of valuation and charge of relevant business.

(3) Electronic equipment

It is determined mainly based on the relevant quotation information enquired as at the base date of valuation, the replacement cost of imported electronic equipment is calculated with reference to imported equipment.

2. Determination of integrated newness rate

According to the condition of equipment, for equipment with high quantity of value, used for important production process and under abnormal condition, it is generally determined based on the weighted average of newness rate from age limit approach and newness rate from on-site investigation, the calculation formula is as follows:

Integrated newness rate = newness rate from age limit approach \times 40% + newness rate from on-site investigation \times 60%

Among which:

(1) Newness rate from age limit approach

Newness rate from age limit approach = remaining life of equipment \div (used life of equipment + remaining life of equipment) \times 100%

The remaining life of equipment refers to the remaining economic durable life of equipment as of the base date of valuation. Generally, it is calculated by the economic durable life of equipment minus the used life, and is revised appropriately according to the actual maintenance condition of equipment.

(2) Newness rate from on-site investigation

Newness rate from on-site investigation. Newness rate from on-site investigation is derived from on-site investigation scoring approach and on-site observation analysis approach.

In respect of on-site investigation scoring approach, through the conversation with management, technician and user conducted by valuer and on-site investigation, and with reference to relevant information such as relevant equipment testing, testing record and technical file provided, the newness rate is assessed as per unit item according to the condition and technical level of equipment. The weighted coefficient is determined based on value or function of each item, and the newness rate of such equipment is the product of newness rate of each unit item and its weighted coefficient, the formula is as follows:

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Newness rate from on-site investigation = \sum Newness rate of unit item \times weighted coefficient

On-site observation analysis approach refers to consolidated analysis on major technical indicator of machinery and equipment based on the on-site research and verification on various equipment by valuer and inspection of historical information of equipment, so as to comprehensively understand the age of equipment, condition, working condition, loading capacity and repair and maintenance, and taking account into functional depreciation and economic depreciation, as well as receive opinion from management and technician, including:

- 1) Present technical condition of equipment
- 2) Actual using time of equipment
- 3) Normal loading rate of equipment
- 4) Original manufacturing quality of equipment
- 5) Repair and maintenance of equipment
- 6) Overhaul and technical modifying of equipment
- 7) Working condition and environment of equipment
- 8) Appearance and completeness of equipment

The newness standard of machinery and equipment is determined after thorough understand of above conditions, and it is divided in various grading for determining the basis of standard of newness rate.

Type	Aging	Explanation on technical parameter standard reference	Newness rate %
1	New equipment	Brand new condition, just used a while, overall in good condition, can be normally used under design requirement.	100-90
2	Newer equipment	Not a long using time, relatively new appearance, stable performance, normal working condition or the equipment is used a while after overhaul.	89-65
3	Semi-new equipment	Used for a longer time, look old, basically reach the design requirement of equipment, it is required for regular maintenance to ensure normal usage.	64-45
4	Old Equipment	Already used over the life of equipment, normal condition, performance drops obviously, still satisfy with process requirement after maintenance.	44-15

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On-site observation analysis approach is adopted in this valuation for determining the newness rate of on-site investigation.

For electronic equipment with lower quantity of value or relatively minor, its integrated newness rate is determined by newness rate of age limit approach.

(3) Land use rights

According to the title condition, usage, location and using condition of assessed land, such land located within the coverage of urban benchmark premium, and the announcement date of benchmark land premium update result approximates the base date of valuation, therefore, the benchmark land premium coefficient revision approach for valuation; for industrial land which the local land acquisition fee and information of development cost can be collected, it can be valued by adopting cost approximation method.

1. Benchmark land premium coefficient revision approach

Firstly, the difference of the land premium of the land to be assessed as at the base date of valuation and the local benchmark land premium as at the benchmark date shall be analyzed and conducting due date revision, and then the difference of the district factor and individual factor arrived from the benchmark land premium between the land and its district shall be analyzed according to the replacement principle, and taking account into the influence of difference of remaining life and development degree, and the land premium of the land to be assessed after final revision. The formula is as follows:

Land premium = Benchmark premium \times Due day revision coefficient \times (1 + District and individual factor revision coefficient) \times useful life revision coefficient + development degree revision value

2. Cost approximation method

Cost approximation method is a valuation method which is mainly based on the sum of all expenses incurred in the development of land, plus a certain amount of profit, interest, tax payable and land appreciation gains, to determine the land premium. The formula of land premium is as follows:

Land price = land acquisition cost (including relevant tax expenses) + land development cost + interest on investment + investment profit + appreciation gains of land

After deriving the land premium according to the above land premium formula, it shall conduct factor revision such as district factor (including district factor and individual factor) and land useful life for deriving cost approximation method assess value.

VIII. Process and conditions of implementation of valuation procedures

According to the relevant standards and requirements of asset valuation, we have conducted valuation and title verification over the assets within the scope of valuation, the major valuation procedures are as follows:

(1) Accepting commission

Prior to accepting commission, we had a conversation with relevant personnel of commissioner, so as to through understand the purpose of valuation, the subject under valuation and scope of valuation and the base date of valuation. Except for the above basis, we have enquired the property right holder to provide required list of information of valuation and valuation declaration forms, and also drafted the preliminary valuation plan of this project.

(2) Asset examination

According to valuation declaration and required information provided by the property right holder, our valuers have conducted necessary on-site investigation and stocktaking verification the declared single assets from 3 March 2016 to 9 March 2016. They have received the introduction of history and status quo of the company from the relevant staff of the title owner, and we have performed a verification between the accounts and records, accounts and statements, and accounts and physical goods in respect of the assets declared. The details are as follows:

1. Buildings and structures examination

For the buildings and ancillary facilities declared by the enterprise, our valuers have carried out necessary on-site survey for each item on the declaration checklist to ascertain the gross floor area and check property ownership certificates and to inspect the structure and quality, completion date, plane shape, inside and outside decorations, installation and utilization of ancillary facilities such as water, heating and electricity supply systems. The measured data and survey results so obtained were recorded in the Building Survey Sheet.

2. Equipment examination

For machinery equipment and electronic equipment reported by the enterprise, the valuer will conduct an examination for the purpose of verification as necessary according to the reporting form of breakdown details as reported. He will obtain an understanding on the circumstances of the equipment such as utilization environment, work load, maintenance, natural wear and tear, overhaul, medium repairs, small repairs and daily maintenance, and through extensive communication with the management and operation staff of the equipment, he will acquire a detailed understanding on the management and utilization of the equipment, the consistent implementation of the equipment management system, and a detailed understanding of the current conditions of the equipment through asking, observation and inspection. For any problems discovered in the examination, the valuer will propose to the commissioning party or ownership unit to make the corresponding rectification and improvement or provide a supplementary explanation (except confidential information) in the reporting form.

3. Land use rights examination

Verification will be conducted on information of the relevant certificates, transfer contract and receipts of payment relating to land use rights, and enquiries will be made to the relevant personnel to understand the status of land use right acquisition, and investigations will be conducted on the boundary, current usage and market trading conditions in the surrounding areas of the land parcel under valuation.

(3) Valuation assessment

Based on the necessary market survey and price enquiries conducted, the valuer will adopt a suitable specific assessment method to evaluate and measure various assets of the enterprise to determine the value of assets.

(4) Valuation summary and report

The valuation is based on the requirements of *Asset Valuation Standards — Valuation Report and Guidelines on Valuation Report of State-Owned Assets of Enterprises* to summarize and analyze the valuation result, prepare the asset valuation report and explanation of valuation, and conduct a three-tier review of the valuation report.

IX. Assumptions of valuation**(1) General assumptions**

1. Assume the subject under valuation is in the process of transaction, the valuer will estimate the valuation according to a market simulation of the transaction conditions of the valuation target, the valuation result will be an estimate of the valuation target attaining the most probable transaction price.
2. Assume the valuation target carries out the transaction in the open market, both the purchaser and the vendor have equal status in the market, both of them have the opportunity and time to obtain sufficient market information, and the transaction is conducted by both the purchaser and the vendor under willing, rational and non-compulsory conditions.
3. Assume the valuation target will not change its use after the base date of valuation, it will continue to be used at the original address and will be basically consistent with the current functions, utilization frequency and manner.
4. Assume there will be no material change in the prevailing interest rate, foreign exchange rate, taxation basis and tax rate, policy charges and levies of the nation relevant to the valuation target after the base date of valuation.
5. Assume there will be no material change in the current applicable laws, regulations, systems and social, political and economic policies prevailing in the countries and places where the valuation target is required to comply with in its usage.

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6. No material adverse effect is resulted from other force majeure and unforeseeable factors.

(2) Specific assumptions and limiting conditions

1. Assume the purchase, acquisition, construction and development process of the assets relating to the subject under valuation have complied with the relevant requirements of laws and regulations of the nation;
2. Assume there is no material technical fault or defect in assets, such as buildings and structures, equipment and land use rights, relating to the valuation target affecting its continuous usage, no harmful substance exists in such assets having adverse effect on its valuation, there are no hazardous things and other harmful environmental conditions existing in the place where such assets are located which will have adverse effect on the valuation of such assets;
3. In assessing the conditions of tangible assets relating to the valuation target, the valuer will only carry out visual inspection on their physical surface, no specific technical inspection and test is conducted on the technical data, usage condition, structure and concealed parts of such assets;

If discrepancy exists between the actual conditions and the above valuation assumptions in future, the valuation conclusion will be affected, hence users of the report should give sufficient consideration to the impact of valuation assumptions and limiting conditions on the valuation conclusion when using the report.

X. Valuation conclusion

As of the base date of valuation (31 December 2015), subject to the valuation purpose, valuation assumptions and limiting conditions as stated in the report, Zhuzhou CSR Times Electric Co., Ltd. proposed to acquire the High Power IGBT Production Line Single Assets — Buildings, Equipment and Land Use Rights with audited book value of RMB974.4267 million; their valuation was RMB1,044.0899 million, increased by RMB69.6632 million or an increase of 7.15%.

For details of valuation results, please refer to the following table of valuation result summary:

Table of Asset Valuation Result Summary

		Unit: RMB million			
		Book value	Valuation	Increase or decrease	Change %
		A	C	D=C-A	E=D/A100%
1	Buildings	347.2110	335.5677	-11.6433	-3.35
2	Machinery and equipment	604.9412	673.5542	68.6130	11.34
3	Land use rights	22.2745	34.9680	12.6935	56.99
4	Total	974.4267	1,044.0899	69.6632	7.15

XI. Explanation of Special Issues

The special issues presented in the valuation report refer to, subject to confirmation of the valuation conclusion, the issues discovered by the valuation personnel which may affect the valuation conclusion but the assessment of such issues is beyond the practice standard and capabilities of the valuation personnel.

- (1) The valuation of the assessment refers to the value of the asset portfolio, all single items of assets listed in the breakdown table shall not be used individually as separate items.
- (2) Pursuant to the “Agreement on the Leasing of High Power IGBT Production Line and Ancillary Facilities and Equipment” signed between CRRC Zhuzhou Institute Co., Ltd. and the semiconductor department of Zhuzhou CSR Times Electric Co., Ltd., as at the base date of valuation, the high power IGBT production line single assets—buildings, equipment and land use rights included in the scope of valuation are still within the lease term. Since issues such as whether the transfer of the assets can be completed and the date of the completion of the transfer are still uncertain, the valuation has not taken into account the impact of the above rent on the conclusion of valuation.
- (3) Zhuzhou CSR Times Electric Co., Ltd. (株洲南車時代電氣股份有限公司) changed its name to Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司) after the base date of valuation (March 2016).
- (4) As of the base date of valuation, all the buildings and structures included in the scope of the valuation had obtained Building Ownership Certificates, and the owner stated on such certificates was CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司), and the effect of the fees required for a name change of owner on the Building Ownership Certificates has not been taken into account in the valuation.
- (5) As of the base date of valuation, the land use rights included in the current scope of valuation had obtained State-owned Land Use Rights Certificates, and the owner of land use rights stated on the certificates was CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司), and the effect of the fees required for a name change of owner on the State-owned Land Use Rights Certificates has not been taken into account in the valuation.
- (6) Due to confidentiality of trade secrets, the entrusting party and the property right holder had not provided the model number and manufacturer of the equipment involving confidentiality, photographs on core equipment were forbidden to be taken, photocopies of information such as purchasing contract and receipts of payment involving core equipment were released from confidentiality treatment, but the relevant information on technical parameters of core equipment and other confidential information were prohibited from photocopying and photography for external disclosure. The valuation personnel verified the conditions of assets by on-site inspection of information, conducting stock taking on-site and interviewing the management staff of the assets, etc.

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- (7) Valuation personnel had not conducted technical inspection and testing on the internal structure of concealed projects included in the scope of the valuation, but conducted on-site inspection on the work plans, construction contracts and completion acceptance inspection information under the assumption that the relevant project information provided by the enterprise was true and valid, together with the information reported by the enterprise, to determine the volume of work of the projects. And an understanding on the asset utilization conditions was acquired through inspecting the operation record and the maintenance and repair records. The impact on the valuation conclusion due to any differences from the actual conditions had not been taken into account.
- (8) The valuation had not taken into account the effect of any possible existence of relevant liabilities in the subject under valuation on the valuation conclusion.
- (9) Prior to the issue date of the valuation report, the Ministry of Finance and the State Administration of Taxation had issued the Notice on the Comprehensive Implementation of the Pilot Scheme on Conversion of Business Tax to Value-added Tax (Cai Shui [2016] No.36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36 號)), pursuant to which Article 15 of Chapter III provided that the tax rate of value-added tax (VAT) in sales of real properties and transfer of land use rights shall be 11%; Article 22 of Chapter IV provided that the general formula for tax computation of VAT was: Tax amount of selling item = Sales amount \times tax rate. The implementation date of the Notice was 1 May 2016. As of the issue date of the valuation report, the Notice was not implemented.

With reference to the valuation results of the buildings and structures and land use rights in the valuation conclusion, the tax amount of selling item in the proposed transfer of IGBT real properties in the valuation = sales amount of real properties (sum of the valuation amounts of buildings and structures and land use rights) \times 11% = RMB (335.5677 million + 34.9680 million) \times 11% = RMB 40.7589 million.

With reference to the valuation result of machinery and equipment in the valuation (please refer to the valuation breakdown table for details), the tax amount of selling item in the proposed transfer of IGBT equipment = (Total valuation of equipment — Book value (tax inclusive) of equipment valuation) \times 17% + Book value (tax inclusive) of equipment valuation \div 1.17 \times 17%

= RMB (673.5542 million — 14.0634 million) \times 17% + 14.0634 million \div 1.17 \times 17%

= RMB 114.1568 million

The valuation has not taken into account the effect of the above VAT amount of selling item on the valuation conclusion, the final VAT amount generated from the acquisition process of the IGBT single assets by Zhuzhou CSR Times Electric Co., Ltd. shall be determined by the amount approved by the local taxation authority.

- (10) The valuation result reflects the prevailing price of the subject under valuation determined for the purpose of the valuation and subject to the assumptions and limiting conditions as set out in the report. When changes occur in the aforesaid assumptions and limiting conditions of valuation, the valuation result will generally become invalid.

APPENDIX I VALUATION REPORT ON THE IGBT PRODUCTION LINE

- (11) For defective issues existing in the enterprises that may possibly affect the valuation of the assets, if no special explanation was given at the time of commissioning by the enterprise and the valuer still failed to notice such defects after performing the valuation procedures, the valuation agency and the valuation personnel shall not be liable for the relevant responsibilities.
- (12) The valuation report has not taken into account the effects of any possible future auction or liquidation of charged (pledged) security on the valuation, the effects of any possible additional amount of payment arising from special transactions upon changes in ownership rights on the valuation, and the effects of changes in national macroeconomic policies and natural forces and other force majeure on asset prices.
- (13) In the course of implementing the valuation procedures, the valuer had carried out necessary and independent verification on the legal ownership of the assets, but did not represent a confirmation or an expression of opinions on the legal ownership of the valuation target by the valuer. The purpose of the valuer in performing asset valuation business is to conduct valuation on the valuation target and express professional opinions.
- (14) The business license, ownership certification documents, table of breakdown of assets and other relevant information related to the valuation and provided by the enterprise constituted the basis for the preparation of this report. The entrusting party, the property right holder and the relevant parties involved shall be held responsible for the truthfulness, legality and completeness of the above primary information provided for valuation.
- (15) The valuation conclusion was issued by ZhongHe Appraisal Co., Ltd. and was affected by the practice standard and capabilities of the valuation personnel of the valuation agency.

Users of the valuation report shall pay attention to the effects of the above special issues on the valuation conclusion.

XII. Explanation on the Limitations of Using the Valuation Report

- (1) The conclusion of the valuation report is subject to the continuous usage of the assets at the original address.
- (2) The valuation report is only limited to the purpose and usage of valuation as set out in the valuation report.
- (3) The valuation report is only limited to be used by the users of the valuation report as set out in the valuation report.
- (4) The valuation report may only be used officially after the valuation agency has affixed its seal and signed by the registered valuer.
- (5) According to the relevant requirements, this report is required to be submitted to the competent authority of State-owned assets for filing and may only be used to perform the prescribed economic behavior after completion of the filing procedure.

APPENDIX I VALUATION REPORT ON THE IGBT PRODUCTION LINE

- (6) Unless otherwise provided by laws and regulations and agreed by the relevant parties, the extraction, reproduction, quotation or disclosure of the content of the valuation report, whether wholly or partially, for release in public media shall be required to be reviewed by the valuation agency.
- (7) The effective period for the use of the valuation results shall be one year from the base date of valuation (i.e. it is ineffective to use the valuation results after 30 December 2016).
- (8) The valuation report must be used in completeness in order to be valid, the Company shall not be liable to any possible loss arising from the use of only part of the content of this report.

XIII. Date of Valuation Report

The issue date of this valuation report: 5 May 2016.

APPENDIX I VALUATION REPORT ON THE IGBT PRODUCTION LINE

Authorized by the Legal Representative: Wang Chengjun

ZhongHe Appraisal Co., Ltd.

Registered Asset Valuer

Person-in-charge of the Valuation Project: Qian Jianguo

5 May 2016

Registered Asset Valuer

Reviewer of the Valuation Report: Shen He

1. RESPONSIBILITY STATEMENT

This Supplemental 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 Supplemental 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 Supplemental 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, the following Directors were directors of companies which had an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. Ding Rongjun (the chairman of the Board and an executive Director) is the chairman of the board of the Parent Company. The Parent Company is interested in 589,585,699 Domestic Shares and, through its subsidiary, is deemed to be interested in, for the purpose of the SFO, 1,710,500 H Shares, representing an aggregate of approximately 50.30% of the total number of issued shares of the Company; and
- (b) Mr. Deng Huijin (the vice chairman of the Board and an executive Director) is the vice chairman of the board of the Parent Company. The Parent Company is interested in 589,585,699 Domestic Shares and, through its subsidiary, is deemed to be interested in, for the purpose of the SFO, 1,710,500 H Shares, representing an aggregate of approximately 50.30% of the total number of issued shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, 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 Supplemental 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, the Directors, Beijing Securities Limited and Zhonghe Appraisal Co., Ltd. did not have 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 EXPERTS

The qualifications of the experts who have given any opinion or advice in this Supplemental Circular with the inclusion of their letters, reports, and/or opinions or statements and references to their names and logos in the form and context in which they are included are as follows:

Name	Qualification
Beijing Securities Limited	A corporation licensed 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
Zhonghe Appraisal Co., Ltd.	PRC independent asset valuer

The above experts have given and have not withdrawn their written consents to the issue of this Supplemental Circular with the inclusion of their letters, reports, and/or opinions and the references to their names included herein in the form and context in which they are respectively included.

The above experts have no shareholding in any member of the Group or the rights (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 Asset Transfer Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 14 of this circular; and
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 15 to 26 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.



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)

**SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING
FOR YEAR 2015**

Reference is made to the notice (the “**Notice**”) of annual general meeting (the “**AGM**”) issued by Zhuzhou CRRC Times Electric Co., Ltd. (the “**Company**”) dated 22 April 2016, which sets out, among other things, the time and venue of the AGM and contains the relevant resolutions to be proposed to the shareholders at the AGM for their consideration and approval. Unless otherwise indicated, capitalized terms used herein have the same meanings as those defined in the circular of the Company dated 22 April 2016 (the “**Initial Circular**”) and the supplemental circular of the Company dated 7 June 2016 (the “**Supplemental Circular**”).

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the AGM will be held as originally scheduled 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. for the purpose of considering and, if thought fit, passing with or without amendments the following additional resolution (other than those proposed resolutions set out in the Initial Notice):

As ordinary resolution

9. To consider and approve the following:

“THAT the Asset Transfer Agreement dated 18 May 2016 entered into between the Company and the Semiconductor Business Unit (半導體事業部) of the Company as purchasers and 中車株洲電力機車研究所有限公司 (CRRC Zhuzhou Institute Co., Ltd.) as vendor (the details of which are set out in the Supplemental Circular dated 7 June 2016 despatched by the Company to its shareholders), a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for identification purpose, 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.”

By Order of the Board
Ding Rongjun
Chairman

Zhuzhou, China, 7 June 2016

Notes:

1. This supplemental notice should be read in conjunction with the Notice, the Initial Circular and the Supplemental Circular.

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2. Save for the inclusion of the newly submitted resolution, there are no other changes to the resolutions set out in the Notice. Please refer to the Notice and the Initial Circular for details of other resolutions to be tabled at the AGM, closure of register of members, eligibility of the AGM, registration procedures for attending the AGM, the voting arrangements, the poll procedure at the AGM and other relevant matters.

3. **Proxy form**

Since the First Proxy Form applicable to the AGM despatched on 22 April 2016 does not contain the additional resolution as set out in this supplemental notice, the Second Proxy Form has been prepared and is enclosed with this supplemental notice.

- (i) Each Shareholder who has the right to attend and vote at the AGM is entitled to appoint one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the AGM.
- (ii) Shareholders can appoint a proxy by an instrument in writing (i.e. by using the Second Proxy Form enclosed). The Second Proxy Form must be signed by the appointor or his/her attorney duly authorised in writing, or in case that the appointor is a body corporate, either under the common seal or signed by a director or a duly authorised attorney of the body corporate. If the Second Proxy Form is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarised.
- (iii) To be valid, for holders of H Shares, the Second Proxy Form and notarised power of attorney or other documents of authorisation (if applicable) must be delivered to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof.
- (iv) Holders of H Shares who have lodged the First Proxy Form with the Company should note that:
 - (a) If the Second Proxy Form is lodged with the Company's H Share registrar 24 hours prior to the time designated for convening the AGM (the "**Closing Time**"), the Second Proxy Form will revoke and supersede the First Proxy Form previously lodged by him/her. The Second Proxy Form will be treated as a valid form of proxy lodged by the H Shareholder if correctly completed and signed and returned in accordance with the instructions printed thereon.
 - (b) If no Second Proxy Form is lodged with the Company's H Share registrar as at the Closing Time, the First Proxy Form will be treated as a valid form of proxy lodged by the holder of H Shares if correctly completed. The proxy so appointed by the holder of H Shares will be entitled to vote at his/her discretion or to abstain from voting on any resolution properly put to the AGM including the resolution in relation to the proposed purchase of wealth management products as set out in this supplemental notice.

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- (v) Completion and return of the First Proxy Form or the Second Proxy Form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.
4. The votes at the AGM will be taken by poll.
5. 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
6. 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
7. 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
8. 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.