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株洲南车时代电气股份有限公司

ZHUZHOU CSR TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

ANNOUNCEMENT CONNECTED TRANSACTIONS

The EPC Contracts

The Board is pleased to announce that:

- 1) on 25 June 2012, the Company entered into the 1036kWp EPC Contract with ZNERCC pursuant to which the Company agreed to subcontract certain works of the 1036 kWp Project to ZNERCC for a consideration of RMB 980,000 (equivalent to approximately HK\$1,193,812); and
- 2) on 25 June 2012, the Company entered into the PV EPC Contract with ZNERCC pursuant to which the Company agreed to appoint ZNERCC to provide engineering, procurement and construction management services for the PV Project for a consideration of RMB 65,311,100 (equivalent to approximately HK\$79,560,361).

Listing Rules Requirements

The Parent Company is a controlling shareholder of the Company and ZNERCC is a wholly-owned subsidiary of the Parent Company, ZNERCC is therefore a connected person of the Company as defined under the Listing Rules. The applicable percentage ratios in respect of the 1036 kWp EPC Contract, if considered separately, are less than 0.1%, but when aggregated with the PV EPC Contract, exceed 0.1% but are less than 5%, the EPC Contracts constitute a non-exempt connected transaction of the Company and is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

BACKGROUND

The Board is pleased to announce that on 25 June 2012, the Company entered into the 1036kWp EPC Contract with ZNERCC pursuant to which the Company agreed to subcontract certain works of the 1036 kWp Project to ZNERCC for a consideration of RMB 980,000 (equivalent to approximately HK\$1,193,812).

On 25 June 2012, the Company further entered into the PV EPC Contract with ZNERCC pursuant to which the Company agreed to appoint ZNERCC to provide engineering, procurement and construction management services for the PV Project for a consideration of RMB 65,311,100 (equivalent to approximately HK\$79,560,361).

THE EPC CONTRACTS

The principal terms of the 1036 kWp EPC Contract are set out as follows:

- Date** : 25 June 2012
- Parties:** : (i) the Company as a principal
(ii) ZNERCC as a contractor
- Principal Terms** : The Company agreed to appoint ZNERCC to subcontract certain works of the 1036 kWp Project to ZNERCC for a consideration of RMB 980,000 (equivalent to approximately HK\$1,193,812).

The facilities of the 1036 kWp Project will be built on the roofs of designated plants of the Company with a total area of approximately 10,000 square meters located at Shi Dai Lu , Shifeng District, Zhuzhou City, Hunan Province, the PRC.

The 1036 kWp Project is expected to be completed by September 2012. The facilities of the 1036 kWp Project shall have a total installed capacity of 1,036 kW and are expected to have an annual power generation capacity of approximately 1,034,000 kWh.

The Company shall be responsible for, among other things, constructing the facilities of the 1036 kWp Project as well as monitoring and managing the progress of the 1036 kWp Project.

ZNERCC shall be responsible for, among other things, assisting in installation and management of the 1036 kWp Project, completing the environment assessment, connecting to the power plants, and conducting power plants testings so as to meet the required standards of the relevant authority and to pass the verification and acceptance process conducted by the relevant PRC authority.

- Consideration** : The consideration of RMB 980,000 (equivalent to approximately HK\$1,193,812) for the 1036 kWp Project will be paid by the Company to ZNERCC by two installments:
- (i) a sum of RMB 686,000 (equivalent to approximately HK\$835,668) has been paid within five business days upon signing of the 1036 kWp EPC Contract; and
 - (ii) the remaining sum of RMB 294,000 (equivalent to approximately HK\$358,144) will be paid by the Company within five days upon receipt of the subsidy from the PRC government by the Company and the 1036 kWp Project passing the relevant verification and acceptance process conducted by the relevant PRC authority.

The principal terms of the PV EPC Contract are set out as follows:

- Date** : 25 June 2012
- Parties:** : (i) the Company as a principal
(ii) ZNERCC as a contractor
- Principal Terms** : The Company agreed to appoint ZNERCC to provide engineering, procurement and construction management services for the PV Project for a consideration of RMB 65,311,100 (equivalent to approximately HK\$79,560,361).

The Facilities shall be built on the roofs of the designated plants and/or buildings of the CSR Group (including the Group) located in Zhuzhou, Hunan Province, PRC with the total installed area of approximately 90,000 square meters.

The Facilities are expected to be completed by September 2012. The Facilities shall have a total installed capacity of 8,163.9kW and are expected to have an annual power generation capacity of approximately 7,510,000 kWh.

The Company shall be responsible for, among other things, providing the roofs of the designated plants and/or buildings of the Group and procuring the provision of the roofs of designated plants and/or buildings of other members of the CSRG Group for constructing and installing the solar panels for photovoltaic power generation at no cost and arranging for the execution of the relevant agreements.

ZNERCC shall be responsible for, among other things, constructing the Facilities to meet the required standards of the relevant authority and to pass the verification and acceptance process conducted by the relevant PRC authority, as well as procuring the maintenance and repair of the Facilities.

Upon completion of the PV Project, the Group shall be entitled to consume electricity generated by the Facilities at a lower tariff of 90% of the prevailing market tariff of electricity supply.

- Consideration** : The consideration of RMB 65,311,100 (equivalent to approximately HK\$79,560,361) for the PV EPC Contract will be paid by the Company to ZNERCC by two installments:
- (i) a sum of RMB 5,143,000 (equivalent to approximately HK\$6,265,075) will be paid within five business days upon signing of the PV EPC Contract; and
 - (ii) the remaining sum of RMB 13,881,100 (equivalent to approximately HK\$16,909,611) will be paid by the Company within five days upon receipt of the subsidy from the PRC government by the Company and the PV Project passing the relevant verification and acceptance process conducted by the relevant PRC authority.

TOTAL CONSIDERATION

The Total Consideration (being the total consideration for the 1036 kWp Project and the PV Project) was agreed after arm's length negotiations between the Company and ZNERCC, with reference to the similar projects and the subsidy granted by the PRC government.

The Directors are of the view that the Total Consideration is fair and reasonable.

The payment for the Total Consideration under the EPC Contracts will be funded by the subsidy received by the Company from the PRC government.

INFORMATION ON THE GROUP AND ZNERCC

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

ZNERCC is principally engaged in the research and development, manufacture and sales of converters and related products other than rolling stock.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EPC CONTRACTS

In August 2011, the Company and an Independent Third Party, jointly applied to the relevant PRC authority for the approval of the PV Project and the Company obtained a subsidy of RMB 65,311,100 (equivalent to approximately HK\$79,560,361) from the PRC government in relation to the PV Project.

It is intended that during a specified term of operation (which is subject to agreement between the Company and such Independent Third Party) of the PV Project, such Independent Third Party shall own the Facilities and shall be entitled to collect electricity tariffs for the electricity generated by the Facilities and consumed by the Group, and thereafter, the Company shall own the Facilities and shall generate the electricity from the Facilities at its own cost. Therefore, there will not be a continuing connected transaction in relation to the supply of electricity generated by the Facilities to the Group.

In order to focus on its existing lines of business, the Group entered into the PV EPC Contract with ZNERCC to appoint ZNERCC to provide engineering, procurement and construction management services and to jointly implement the PV Project with such Independent Third Party. As ZNERCC has a professional technical team and the related experience in engineering, procurement and construction of the photovoltaic power generation system facilities, the Board is of the view that it is more appropriate for ZNERCC to carry out the responsibilities of the Company towards the

PV Project. The PV EPC Contract not only allow the Group to successfully leverage on the technical expertise and experience of ZNERCC to carry on the PV Project without devoting the manpower and resources of the Group, and at the same time, it also helps to save electricity cost for the Group in the long run as it enable the Group to have a lower tariff to use electricity generated by the Facilities.

For the same reasons as stated above, the Board considers that with the technical expertise and experience of ZNERCC, it was appropriate for the Company to enter into the 1036 kWp EPC Contract with ZNERCC so as to enable the Group to subcontract certain works of the 1036kWp Project to ZNERCC without diverting the manpower and resources of the Group.

LISTING RULES REQUIREMENTS

The Parent Company is a controlling shareholder of the Company and ZNERCC is a wholly-owned subsidiary of the Parent Company, ZNERCC is therefore a connected person of the Company as defined under the Listing Rules. The applicable percentage ratios in respect of the 1036 kWp EPC Contract, if considered separately, are less than 0.1%, but when aggregated with the PV EPC Contract, exceed 0.1% but are less than 5%, the EPC Contracts constitute a non-exempt connected transaction of the Company and is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

A meeting of the Board was held on 25 June 2012 at which the EPC Contracts were reviewed and approved. At the said meeting of the Board, Mr. Ding Rongjun (the chairman of the Board, an executive Director and a general manager of the Parent Company) and Mr. Deng Huijin (a non-executive Director and a deputy general manager of the Parent Company) were abstained from the examination of and voting on the EPC Contracts due to conflict of interests.

The Directors, excluding Mr. Ding Rongjun and Mr. Deng Huijin but including the independent non-executive Directors, consider that the terms of the EPC Contracts are on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

DEFINITIONS

“1036 kWp Project”	the demonstration project in relation to the construction and application of 1036 kWp solar energy power generation system
“1036 kWp EPC Contract”	the contract dated 25 June 2012 entered into between the Company and ZNERCC pursuant to which the Company agreed to subcontract certain works of the 1036kWp Project to ZNERCC
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Zhuzhou CSR Times Electric Co., Ltd. (株洲南車時代電氣股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange
“CSR”	China South Locomotive & Rolling Stock Corporation Limited (中國南車股份有限公司), a joint stock company incorporated 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; CSR is directly and indirectly held as to approximately 55.06% by CSRG and holds the entire equity interest in the Parent Company
“CSRG”	中國南車集團公司 (CSR Group), a PRC State-owned enterprise and the controlling shareholder of CSR
“CSRG Group”	CSRG and its subsidiaries (including the Parent Group)
“Director(s)”	director(s) of the Company
“EPC Contracts”	collectively, the 1036 kWp EPC Contract and the PV EPC Contract
“Facilities”	photovoltaic power generation system facilities that generate electricity using solar energy with a total installed capacity of 8,163.9kW
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	an independent third party who is not connected with any of the directors, chief executive and substantial shareholders of the Company or any of subsidiaries or any of their respective associates
“kW”	kilowatt, a unit of power. 1 kW = 1,000 watts
“kWh”	kilowatt-hour, a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a power generator producing one thousand watts for one hour
“kWp”	kilowatts-peak, a measure of the nominal power of a photovoltaic solar energy device under laboratory illumination conditions
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Parent Company”	南車株洲電力機車研究所有限公司 (CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.), a limited liability company established under the laws of the PRC, the controlling shareholder of the Company, and a wholly-owned subsidiary of CSR
“Parent Group”	the Parent Company and its subsidiaries (excluding the Group)
“PRC”	the People’s Republic of China
“PV EPC Contract”	the contract dated 25 June 2012 entered into between the Company and ZNERCC pursuant to which the Company agreed to appoint ZNERCC to provide engineering, procurement and construction management services for the PV Project
“PV Project”	the project in relation to the construction and installation of the Facilities to generate electricity using solar energy with a total installed capacity of 8,163.9kW
“RMB”	Renminbi, the lawful currency of the PRC

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Consideration”	an aggregate of RMB66,291,100 (equivalent to approximately HK\$80,754,172), being the total consideration for the 1036 kWp Project and the PV Project, paid or to be paid by the Company to ZNERCC pursuant to the EPC Contracts
“ZNERCC”	株洲變流技術國家工程研究中心有限公司 (Zhuzhou National Engineering Research Centre of Converters Co., Ltd.), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Parent Company

This announcement contains translation of HK\$ to RMB at the rate of HK\$1 = RMB 0.8209 for the purpose of illustration only. The translation shall not be taken as representation that any amounts in HK\$ or RMB could be converted at such rate or at any other rate.

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

Zhuzhou, China, 25 June 2012

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