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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
PROPOSED ADOPTION OF
SHARE APPRECIATION RIGHTS SCHEME**

The Board proposed to adopt the Scheme of the Company. After approval by the Board, the Scheme will be submitted to SASAC for approval. If and after SASAC approves the Scheme, the Scheme will be submitted to the Shareholders for approval in general meeting. The Scheme is valid for seven years, commencing from the date on which the Scheme is approved by the Shareholders in general meeting.

The Scheme does not involve the grant of options over any new shares of the Company. Therefore, it is not required to be subject to the provisions in Chapter 17 of the Listing Rules.

This announcement is made by the Company on a voluntary basis.

SHARE APPRECIATION RIGHTS SCHEME

On 1 November 2012, the Board resolved to propose to the Shareholders to adopt the Scheme, certain provisions of which are as follows:

(A) Incentive instrument: Share Appreciation Rights

1. SARs refer to a certain amount of rights being granted to the recipients eligible for incentive, through which the recipients can obtain a particular amount of gain from such SARs during a particular period and under certain conditions.

2. The recipients who are granted with such incentive do not actually hold the Shares, and do not have any rights as the Shareholders such as voting rights or rights to dividends. Only the recipients granted with such incentive are entitled to the SARs, which cannot be transferred, sold, exchanged, gifted, guaranteed, charged, pledged or applied to settle indebtedness. In the event any recipient who is granted with the SARs breaches any of the aforesaid provisions, upon determination by the Board, a portion or all of the SARs will automatically lapse and the benefits derived therefrom will return to the Company.
3. Each SAR is linked with one H Share.
4. Under the Scheme, the SAR is to be settled by way of cash. Therefore, this does not affect the total number of H Shares outstanding and will not result in any dilution effect on the Shares of the Company.
5. The Scheme does not involve the grant of options over any new Shares of the Company. Therefore, it is not required to be subject to the provisions in Chapter 17 of the Listing Rules.

(B) Recipients eligible for the Scheme

The recipients eligible for the grant of the SARs under the Scheme are those senior management and key persons who contribute substantially to the realization of the Company's strategic missions, such as:

1. Directors (excluding independent non-executive Directors and external directors), General Manager, Deputy General Manager, Assistant to General Manager, Chief Administrative Officer, Secretary to the Board and other executives who are affirmed by the Articles; and
2. Core technical staff, key management staff and other staff of the Group nominated by the Board.

Independent non-executive Directors and external directors, supervisors or Shareholders holding 5% or more interest in the Company or such ultimate beneficial owners or their associates (as defined in the Listing Rules) shall not be the recipients under the Scheme except with the approval of Shareholders in general meeting and the relevant authorities.

The Board has the right to interpret the scope of the Scheme.

(C) Allocation under the Scheme

1. The total amount of the SARs granted under the Scheme shall not exceed 1% of the total share capital of the Company.
2. The total amount of the SARs granted under the Scheme and any other share incentive schemes (if any) shall not in aggregate exceed 10% of the relevant class of securities of the Company.
3. Except with the approval of Shareholders in general meeting, the total amount of SARs granted under the Scheme and any other share incentive schemes (if any) to any recipient shall not at any time in aggregate exceed 1% of the relevant class of securities of the Company.

(D) Other major provisions of the Scheme

1. *Validity, Date of Grant and Exercise Period of the Scheme*

Validity: Subject to the consideration and approval by the Board, the review and approval by the SASAC and the approval by the Shareholders in general meeting, the Scheme is valid for seven years, commencing from the date on which the Scheme is approved by the Shareholders in general meeting.

Date of Grant: The grant of SARs must be a Trading Day which is determined by the Board and informed to the recipients eligible for the incentive.

Exercise Period: The SARs granted pursuant to the Scheme is exercisable during the three years after the Effective Date in accordance with the provisions of paragraph 3 below.

2. *Conditions of the grant*

The Company and each recipient shall fulfill certain conditions in order to make the SARs to be granted, including but not limited to:

- (i) Compound annual growth rate in revenue of the Company for the three financial years prior to the grant of the SARs shall not be lower than 20% and shall not be lower than 50 percentile of such growth rate in revenue of peer benchmark companies in the same period;

- (ii) Weighted average return on net assets (weighted average return on net assets after deducting non-recurring gains and losses) for the three financial years prior to the grant of the SARs shall not be lower than 12% and shall not be lower than 50 percentile of such return on net assets of peer benchmark companies in the same period;
- (iii) None of the following has occurred to the Company:
- the auditors of the Company having provided an adverse opinion or a disclaimer of opinion in the Company's financial and accounting report for the latest financial year; or
 - other circumstances which, in the opinion of the SASAC, the Stock Exchange or other regulatory authorities, would render the implementation of the Scheme impossible.
- (iv) Such recipient has worked for the Group for more than a year and is still under employment of the Group on the Date of Grant; and
- (v) Recipients shall obtain a grade of pass or above in the performance appraisal for the financial year prior to the Date of Grant.
- (vi) None of the following has occurred to the recipient:
- public censure or declaration as an improper candidate by the Stock Exchange during the last three years; or
 - circumstances under which the recipient is prohibited from acting as a director or a senior management as stipulated in the relevant laws and regulations.

3. *Exercise arrangements*

The SARs granted pursuant to the Scheme is valid for seven years from the Date of Grant and upon expiry of which all unexercised SARs shall automatically lapse.

The recipients eligible for incentive must exercise SARs during the Exercise Period and failure to do so will cause the SARs to automatically lapse which shall not be exercised retrospectively.

After two years from the Date of Grant, if the Company and each recipient fulfill the Effective conditions, the SARs shall become Effective in principle according to the following proportions:

- (i) From the date of the second anniversary of the Date of Grant, one-third of the SARs (the “**First Batch of SARs**”) granted to each of the recipients eligible for incentive shall become Effective which can be exercisable during the period from the first Trading Day after the date of the second anniversary of the Date of Grant to the last Trading Day before the date of the fifth anniversary of the Date of Grant;
- (ii) From the date of the third anniversary of the Date of Grant, one-third of SARs (the “**Second Batch of SARs**”) granted to each of the recipients eligible for incentive shall become Effective which can be exercisable during the period from the first Trading Day after the date of the third anniversary of the Date of Grant to the last Trading Day before the date of the sixth anniversary of the Date of Grant; and
- (iii) From the date of the fourth anniversary of the Date of Grant, one-third of SARs (the “**Third Batch of SARs**”) granted to each of the recipients eligible for incentive shall become Effective which can be exercisable during the period from the first Trading Day after the date of the fourth anniversary of the Date of Grant to the last Trading Day before the date of the seventh anniversary of the Date of Grant.

Only SARs that are already Effective may be exercised. The portion of SARs which have not become Effective may not be exercised.

4. *Effective conditions*

The Company and each recipient shall fulfill certain conditions for that particular year in order to make the related batch (one-third of the SARs granted) of SARs become Effective, including but not limited to:

- (i) Annual growth rate in revenue of the Company for each of the financial year preceding the Effective Date of the First Batch of SARs, the Second Batch of SARs and the Third Batch of SARs shall not be lower than 25% and shall not be lower than 75 percentile of such growth rate in revenue of peer benchmark companies in the same period;

(ii) Weighted average return on net assets (weighted average return on net assets after deducting non-recurring gains and losses) for the financial year preceding the Effective Date of the First Batch of SARs, the Second Batch of SARs and the Third Batch of SARs shall not be lower than 13%, 14% and 15% respectively and shall not be lower than 75 percentile of such return on net assets of peer benchmark companies in the same period;

(vii) None of the following has occurred to the Company:

- the auditors of the Company having provided an adverse opinion or a disclaimer of opinion in the Company's financial and accounting report for the latest financial year; or
- other circumstances which, in the opinion of the SASAC, the Stock Exchange or other regulatory authorities, would render the implementation of the Scheme impossible; and

(viii) Recipients shall obtain a grade of pass or above in the performance appraisal for the financial year preceding any SAR becoming Effective and the Effective proportion of SARs is linked to the performance grade as follows:

Evaluation Grade	Performance Grade	Effective Proportion of SARs
A	Excellent	100%
B	Good	100%
C	Satisfactory	90%
D	Pass	80%
E	Fail	0%

If the actual benefits derived from the SARs exceed 40% of the total remuneration of the recipient, the remaining unexercised portion of the SARs shall not become Effective, regardless of whether the Effective conditions of the said remaining unexercised portion of the SARs of the said recipient have been fulfilled or not.

If the Company or the recipient fails to fulfill such conditions for that particular year, such batch (one-third of the SARs granted) of SARs which have been granted to such recipient shall forthwith lapse.

5. *Exercise Price*

The exercise price of SARs shall be determined by the Board with reference to the higher of the following two prices:

- (a) The closing price for the H Shares of the Company on the Stock Exchange on the Date of Grant; or
- (b) The average closing price for the H Shares of the Company on the Stock Exchange for five consecutive Trading Days prior to the Date of Grant.

6. *Adjustment to the SARs*

In the event there is any change in the number of issued Shares of the Company and the Share price as a result of bonus issue, transfer of capital reserve fund for increase of share capital, placing, new share issue, merger or share swap, the Company shall make corresponding adjustment to the Exercise Price and/or the amounts of SARs which have been granted but not yet exercised. The Company's lawyers shall issue an opinion to the Board on whether the adjustment complies with the relevant laws and regulations, the Articles and the Scheme. An independent financial advisor or auditors of the Company shall present its opinion on the adjustment in writing to the Board and confirms that the related adjustment complies with the provisions of the Scheme.

REASONS FOR ADOPTING THE SCHEME

The Directors are of the view that the Scheme will be able to provide long term incentive to the Directors, senior management, core technical staff, key management staff and other employees of the Group and promote the continuous development of the business of the Group and consider that the proposed terms and conditions of the Scheme are fair and reasonable.

PROPOSED GRANT UNDER THE SCHEME

The Board proposed that approximately 9,544,000 units of SARs (the “**Proposed Grant**”) to be granted to 315 persons, comprising 7 Directors and senior management, 94 key management staff, 172 core technical staff and 42 other key staff, upon satisfaction of the granting conditions, subject to the approval of the Scheme and the Proposed Grant by the Shareholders in the general meeting. The recipients and their entitlements have been proposed by the Remuneration Committee of the Company in accordance with each conditions of grant stipulated under the Scheme.

A summary of the details of the Proposed Grant is set out below:

No.	Name / Personnel hierarchy	Position	Personnel hierarchy level	Number of personnel	Number of units of SARs to be granted*	Total number of units of SARs to be granted per hierarchy level*	Approximate percentage of total number of units of SARs to be granted per hierarchy level to		
							Total number of H Shares in issue*	Total number of Shares in issue*	Total number of units of SARs to be granted under the Proposed Grant*
A. Directors and Senior Management									
1	Du Jin Song (杜勁松)	Manager	A-level	1	41,000	41,000	0.009%	0.004%	0.43%
2	Chen Jian (陳劍)	Manager	A-level	1	41,000	41,000	0.009%	0.004%	0.43%
3	Xiao Shao Ping (肖紹平)	Manager	A-level	1	41,000	41,000	0.009%	0.004%	0.43%
4	Liu Da Xi (劉大喜)	Manager	A-level	1	41,000	41,000	0.009%	0.004%	0.43%
5	Tan Yong Neng (譚永能)	Manager	A-level	1	41,000	41,000	0.009%	0.004%	0.43%
6	Niu Jie (牛杰)	Manager	A-level	1	41,000	41,000	0.009%	0.004%	0.43%
7	Yan Wu (言武)	Manager	A-level	1	41,000	41,000	0.009%	0.004%	0.43%
Sub-total				7		287,000	0.063%	0.026%	3.01%
B. Key Management Staff									
8	Mid-level Management Staff	Manager	A-level	9	36,000	324,000	0.071%	0.030%	3.39%
9		Manager	B1-level	28	33,000	924,000	0.203%	0.085%	9.68%
10		Manager	B2-level	57	30,000	1,710,000	0.375%	0.158%	17.92%
Sub-total				94		2,958,000	0.649%	0.273%	30.99%
C. Core Staff									
11	Core staff	Technical	A-level	2	38,000	76,000	0.017%	0.007%	0.80%
12		Technical	B1-level	23	32,000	736,000	0.161%	0.068%	7.71%
13		Technical	B2-level	147	29,000	4,263,000	0.935%	0.393%	44.67%
14		Professional Management	B2-level	14	29,000	406,000	0.089%	0.037%	4.25%
15		Sales	B1-level	2	32,000	64,000	0.014%	0.006%	0.67%
16		Sales	B2-level	26	29,000	754,000	0.165%	0.070%	7.90%
Sub-total				214		6,299,000	1.381%	0.581%	66.00%
Total				315		9,544,000	2.092%	0.880%	100%

*Note: The proposed Date of Grant for the Scheme is 30 March 2012. After the actual Date of Grant is determined, the number of units of SARs to be granted shall be recalculated based on the actual Date of Grant and a corresponding adjustment shall be made to the abovementioned figures calculated.

GENERAL

The disclosure above does not comprise all the terms under the Scheme. The terms of the Scheme may be further amended if requested by SASAC. Further details on the Scheme, including the opinion of the independent non-executive Directors, will be set out in the circular to the Shareholders prior to the general meeting of the Shareholders of the Company to approve, among other things, the Scheme.

The announcement is made by the Company on a voluntary basis.

DEFINITIONS

“Articles”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors of the Company
“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
“Date of Grant”	the date the SARs are granted pursuant to the Scheme which shall be Trading Day and shall be determined by the Board according to the relevant laws and regulations
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic share(s) of RMB 1.00 each in the share capital of the Company
“Effective”	the recipients eligible for incentive may exercise their rights in the SARs according to the provisions, and upon fulfilling the conditions on timing and results, as provided in the Scheme
“Effective Date”	the date the SARs becoming Effective
“Exercise Period”	the period of three years after the Effective Date
“Exercise Price”	the exercise price of the SARs
“Group”	the Company and its subsidiaries

“H Shares”	the overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, traded in Hong Kong dollars under the share capital of the Company, such shares of which are listed on the Main Board of the Stock Exchange
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Share Appreciation Rights” or “SARs”	the share appreciation rights granted under the Scheme, representing the rights to receive stipulated earnings from the increase in share price of H Shares granted by the Company to the recipients eligible for incentive subject to specific timeframe and conditions
“Share Appreciation Rights Scheme” or the “Scheme”	the H-share appreciation rights scheme of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	Domestic Share(s) and/or H Share(s)
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trading Day”	the date the Stock Exchange is open for trading marketable securities

By order of the Board
Ding Rongjun
Chairman

Zhuzhou, China, 1 November 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.