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

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

**If you have sold** or transferred all your shares in ZHUZHOU CSR 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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**中国南车**

**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)**

**GENERAL MANDATE TO ISSUE SHARES  
AND  
PROPOSED ADOPTION OF  
SHARE APPRECIATION RIGHTS SCHEME  
AND  
PROPOSED ISSUE AND REGISTRATION OF  
THE ISSUE OF SHORT-TERM FINANCING NOTES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the annual general meeting for year 2012 of Zhuzhou CSR Times Electric Co., Ltd. to be held at Wanda Hilton Xi'an, No. 199 Dong Xin Road, Xincheng District, Xi'an, the PRC on Monday, 10 June 2013 at 9:00 a.m. is set out in Appendix II to this circular. Whether or not you intend to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not less than 24 hours before the time fixed for holding the meeting or the adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjournment thereof if you so wish.

If you intend to attend the meeting in person or by proxy, you should also complete and return the accompanying reply slip in accordance with the instructions printed thereon on or before Tuesday, 21 May 2013.

23 April 2013

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Appendix I — Summary of Share Appreciation Rights Scheme</b> .....	11
<b>Appendix II — Notice of Annual General Meeting for Year 2012</b> .....	26

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## DEFINITIONS

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

“AGM”	the annual general meeting for year 2012 of the Company to be held on Monday, 10 June 2013
“AGM Notice”	the notice of AGM set out in Appendix II to this circular
“Articles”	the articles of association of the Company as amended from time to time
“Board”	the board of Directors
“Company”	Zhuzhou CSR Times Electric Co., Ltd., a joint stock company incorporated in the PRC with limited liability
“Date of Grant”	the date on which the SARs are granted pursuant to the Scheme after fulfilment of the conditions of grant which shall be a Trading Day as determined by the Board
“Date of Lapse”	the date on which the SARs ceased to be Effective
“Domestic Share(s)”	domestic share(s) of RMB 1.00 each in the share capital of the Company
“Director(s)”	the director(s) of the Company
“Effective”	the Eligible Recipients 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 on which the SARs becoming Effective (which must be a Trading Day)
“Eligible Recipient(s)”	the recipient(s) eligible to participate in the Scheme
“Exercise Date”	the date on which an Eligible Recipient exercises the SARs to realize gains from the SARs
“Exercise Period”	the period from the Effective Date to the last Trading Day immediately preceding the Date of Lapse during which the SARs may be exercised according to the Scheme
“Exercise Price”	the pre-set exercise price of the SARs
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“H Share(s)”	overseas listed foreign share(s) of RMB 1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in HKD
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	17 April 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Issue Mandate”	a general mandate which is exercisable by the Board to allot, issue and deal with additional Domestic Shares and/or H Shares not exceeding 20% of the Domestic Shares and the H Shares respectively in issue as at the date of passing of the relevant shareholders’ resolution
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this circular
“Proposed Grant”	the proposed grant of an aggregate of approximately 9,868,000 units of SARs to a total of up to 262 Eligible Recipients under the Scheme upon satisfaction of the granting conditions and subject to the approval by the Shareholders at the AGM
“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Share(s)”	Domestic Share(s) and/or H Share(s)
“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 Eligible Recipients subject to specific timeframe and conditions

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## DEFINITIONS

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“Share Appreciation Rights Scheme” or the “Scheme”	the H Share appreciation rights scheme of the Company
“Shareholder(s)”	the holder(s) of Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Committee”	the supervisory committee of the Company
“Trading Day”	the day on which the Stock Exchange is open for trading in securities

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Ding Rongjun (*Chairman*)

Mr. Li Donglin

*Non-executive Directors:*

Mr. Deng Huijin (*Vice Chairman*)

Mr. Yan Wu

Mr. Ma Yunkun

*Independent non-executive Directors:*

Mr. Gao Yucai

Mr. Chan Kam Wing, Clement

Mr. Pao Ping Wing

Ms. Liu Chunru

*Registered office:*

Times Road

Shifeng District

Zhuzhou

Hunan Province

PRC 412001

*Principal place of business*

*in Hong Kong:*

Unit 1106, 11th Floor

Jubilee Centre

18 Fenwick Street

Wanchai

Hong Kong

23 April 2013

*To the Shareholders*

Dear Sir/Madam,

**GENERAL MANDATE TO ISSUE SHARES  
AND  
PROPOSED ADOPTION OF  
SHARE APPRECIATION RIGHTS SCHEME  
AND  
PROPOSED ISSUE AND REGISTRATION OF  
THE ISSUE OF SHORT-TERM FINANCING NOTES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to give you the notice of the AGM and to provide you with information relating to the grant of the Issue Mandate, the proposed adoption of the Share Appreciation Rights Scheme and the proposed issue and registration of the issue of short-term financing notes, among other resolutions as set out in the AGM Notice, to be considered, and if thought fit, pass at the AGM.

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## LETTER FROM THE BOARD

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### 2. GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting for year 2011 of the Company held on 8 June 2012, a special resolution was passed granting the Board the Issue Mandate to allot, issue and deal with additional Domestic Shares and/or H Shares not exceeding 20% of the Domestic Shares and the H Shares respectively in issue as at 8 June 2012.

Considering that the Issue Mandate granted in the annual general meeting of the Company held on 8 June 2012 will have expired at the expiration of the period of twelve months following the passing the resolution granting the Issue Mandate on 8 June 2012, the Board will seek approval from the Shareholders at the AGM, by way of a special resolution, for granting the Issue Mandate, subject to the conditions as set out in the AGM Notice.

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

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

### 3. PROPOSED ADOPTION OF THE SCHEME AND PROPOSED GRANT OF SHARE APPRECIATION RIGHTS THEREUNDER

In order to establish a long-term incentive mechanism that links the remuneration of the Directors (excluding independent non-executive directors), senior management, core technical staff, key management staff and other employees with the Company's business results so as to contribute to the realization of the Company's long-term strategic goals and the maximization of Shareholders' value, the Board proposed the adoption of the Scheme. The previous version of the Scheme as summarized in the circular of the Company dated 12 November 2012 had been submitted by the Company to SASAC for its review. As announced by the Company in its announcement dated 19 December 2012, the approval of SASAC had not been granted as at that date and was not anticipated to be granted within the then expected timeframe, the extraordinary general meeting proposed to be held on 27 December 2012 was therefore cancelled. As announced by the Company in its announcement dated 28 March 2013, SASAC has granted its approval of the Scheme in February 2013. Prior to the SASAC's approval being granted, the Company has modified the previous version of the Scheme according to the comments made by SASAC. The adoption of the Scheme, in the form as approved by SASAC and the Board in its meeting held on 28 March 2013 is subject to the Shareholders' approval at the AGM. The Board would like to draw the attention of the Shareholders that certain terms of the Scheme as described in the circular of the Company dated 12 November 2012 have been changed and they should refer to the summary of the principal terms of the Scheme set out in Appendix I to this circular for the purpose of considering whether to approve the Scheme.

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## LETTER FROM THE BOARD

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### **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.

The independent non-executive Directors are also of the view that the proposed terms and conditions of the Scheme are fair and reasonable and the adoption of the Scheme and the Proposed Grant are in the interests of the Company and its Shareholders as a whole.

### **Proposed Grant under the Scheme**

The Board proposed the Proposed Grant of an aggregate of approximately 9,868,000 units of SARs to a total of up to 262 Eligible Recipients, comprising 5 senior management, 88 key management staff (of which Mr. Yan Wu, a non-executive Director, vice general manager and secretary to the Board is proposed to be granted the SARs in his capacity as a key management staff), 142 core technical staff and 27 other key staff as at the Latest Practicable Date, upon satisfaction of the granting conditions, and subject to the approval of the Scheme and the Proposed Grant by the Shareholders at the AGM. The Eligible Recipients and their entitlements have been proposed by the Remuneration Committee in accordance with each conditions of grant stipulated under the Scheme.



## LETTER FROM THE BOARD

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

No.	Name/category	Position	Personnel hierarchy level	Number of personnel	Number of SARs to be granted	Total number of units of SARs to be granted per category (Note 1)	Approximate percentage of total number of units of SARs to be granted per category to		total number of units of SARs to be granted under the Proposed Grant (Notes 1 & 2)
							total number of H Shares in issue (Notes 1 & 2)	total Shares in issue (Notes 1 & 2)	
<b>A. Senior Management</b>									
1	Du Jin Song (杜勁松)	Manager	A-level	1	51,000	51,000	0.011%	0.005%	0.517%
2	Chen Jian (陳劍)	Manager	A-level	1	51,000	51,000	0.011%	0.005%	0.517%
3	Xiao Shao Ping (肖紹平)	Manager	A-level	1	51,000	51,000	0.011%	0.005%	0.517%
4	Liu Da Xi (劉大喜)	Manager	A-level	1	51,000	51,000	0.011%	0.005%	0.517%
5	Tan Yong Neng (譚永能)	Manager	A-level	1	51,000	51,000	0.011%	0.005%	0.517%
			<b>Sub-total</b>	<b>5</b>	<b>255,000</b>	<b>0.056%</b>	<b>0.024%</b>	<b>2.584%</b>	
<b>B. Key Management Staff</b>									
6	Mid-level management staff	Manager	A-level	11	45,000	495,000	0.109%	0.046%	5.016%
7		Manager	B1-level	27	41,000	1,107,000	0.243%	0.102%	11.218%
8		Manager	B2-level	50	37,000	1,850,000	0.406%	0.171%	18.747%
			<b>Sub-total</b>	<b>88</b>	<b>3,452,000</b>	<b>0.757%</b>	<b>0.318%</b>	<b>34.982%</b>	
<b>C. Core Staff</b>									
9	Core staff	Technical	A-level	1	47,000	47,000	0.010%	0.004%	0.476%
10		Technical	B1-level	20	39,000	780,000	0.171%	0.072%	7.904%
11		Technical	B2-level	121	36,000	4,356,000	0.955%	0.402%	44.143%
12		Professional Management	B2-level	7	36,000	252,000	0.055%	0.023%	2.554%
13		Sales	B1-level	2	39,000	78,000	0.017%	0.007%	0.790%
14		Sales	B2-level	18	36,000	648,000	0.142%	0.060%	6.567%
			<b>Sub-total</b>	<b>169</b>	<b>6,161,000</b>	<b>1.351%</b>	<b>0.568%</b>	<b>62.434%</b>	
			<b>Total</b>	<b>262</b>	<b>9,868,000</b>	<b>2.164%</b>	<b>0.910%</b>	<b>100%</b>	

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## LETTER FROM THE BOARD

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*Note 1: The percentages were calculated based on (a) 456,108,400 H Shares in issue and (b) 1,084,255,637 Domestic Share and H Shares in issue as at the Latest Practicable Date.*

*Note 2: The Scheme has set 30 March 2012 as the simulated Date of Grant. 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, if required.*

### **General Information**

Pursuant to the Scheme, the Eligible Recipients who are granted with such incentive do not actually hold the Shares, and do not have any rights as Shareholders such as voting rights or rights to dividends. Only the Eligible Recipients are entitled to the SARs, which cannot be transferred, sold, exchanged, gifted, guaranteed, charged, pledged or applied to settle indebtedness. In the event any Eligible Recipients who is granted with the SARs breaches any of the aforesaid provisions, upon determination by the Board, all or part of the SARs will automatically lapse and the benefits derived therefrom will have to be returned to the Company.

Under the Scheme, each SAR is linked with one H Share and 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 Shares. The Scheme does not involve the grant of options over any new Shares. Therefore, it is not required to be subject to the provisions in Chapter 17 of the Listing Rules.

The above list of Eligible Recipients and their entitlements for the Proposed Grant are proposals only, subject to the Shareholders' approval of the Scheme and the Proposed Grant at the AGM.

The Scheme and the Proposed Grant are subject to the Shareholders' approval at the AGM. In addition, to ensure the smooth implementation of the Scheme and the Proposed Grant, Shareholders' approval will also be sought at the AGM for the grant of authority to the Board to deal with matters relevant to the Scheme.

Those Eligible Recipients under the Proposed Grant who hold or whose associates (as defined under the Listing Rules) hold any Shares (if any) will abstain from voting on the resolution approving the adoption of the Scheme and the Proposed Grant at the AGM.

### **4. PROPOSED ISSUE AND REGISTRATION OF THE ISSUE OF SHORT-TERM FINANCING NOTES**

In order to meet the funding requirement of the Company and to reduce the cost of financing, the Board has approved the proposed issue of short-term financing notes in the aggregate principal amount of up to RMB1 billion (the "Notes") with a term not exceeding 1 year.

The proposed issue and registration of the issue of the Notes is subject to approval by the Shareholders by way of an ordinary resolution at the AGM and the approval of or registration or filing with the relevant PRC authorities.

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## LETTER FROM THE BOARD

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### 5. THE AGM

The votes at the AGM will be taken by poll.

Notice of the AGM to be held at Wanda Hilton Xi'an, No. 199 Dong Xin Road, Xincheng District, Xi'an, the PRC, on Monday, 10 June 2013 at 9:00 a.m. is set out in Appendix II to this circular.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be temporarily closed from Saturday, 11 May 2013 to Monday, 10 June 2013 (both days inclusive), during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all transfer documents together with the relevant Share certificates must be lodged, for holders of H Shares, with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or, for holders of Domestic Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC, not later than 4:30 p.m. on Friday, 10 May 2013.

In order to determine shareholders' entitlements to the final dividend, the register of members of the Company will be temporarily closed from Saturday, 15 June 2013 to Thursday, 20 June 2013 (both days inclusive), during which period no transfer of Shares will be registered. All transfer documents together with the relevant Share certificates must be lodged, for holders of H Shares, with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or, for holders of Domestic Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC, not later than 4:30 p.m. on Friday, 14 June 2013.

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

If you intend to attend the AGM in person or by proxy, you should also complete and return the accompanying reply slip in accordance with the instructions printed thereon on or before Tuesday, 21 May 2013.

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## LETTER FROM THE BOARD

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### 6. RECOMMENDATION

The Board considers that the proposed grant of the Issue Mandate, the proposed adoption of the Share Appreciation Rights Scheme, the Proposed Grant and the proposed issue of the Notes mentioned above together with other resolutions set out in the AGM Notice are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the resolutions set out in the AGM Notice.

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

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## **APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME**

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*The following is a summary of the principal terms of the Scheme proposed to be approved and adopted by the Shareholders at the AGM. The following is not and will not constitute part of the terms of the Scheme, and hence does not affect any interpretation of the terms of the Scheme.*

### **1. General Principles**

The Share Appreciation Rights Scheme has been formulated in accordance with the Trial Procedures for State-owned Listed Companies (Overseas) to Implement Equity Incentive Plans (SASAC Remuneration Board No. [2006] 8), Notice on Regularizing Relevant Issues of Implementing Equity Incentive Plans of State-owned Listed Companies (SASAC Remuneration Board No. [2008] 171) issued by SASAC and the relevant regulations for Hong Kong listed companies and having taken into account the actual situation of the Company.

### **2. Objectives of the Scheme**

- (a) To establish a long-term incentive mechanism with constraints based on the market economic principles and the Company's strategic development needs in order to support the Company's long-term development and to maximize Shareholders' value; and
- (b) To optimize the remuneration packages of key employees and make it more competitive in order to better attract and retain the key management staff and core technical staff to serve the Company so as to provide protection to the long-term development of the Company.

### **3. Principles of the Scheme**

- (a) Link key employees' individual interests to the Company's long-term performance;
- (b) Balance incentives and constraints;
- (c) Balance benefits and risks; and
- (d) Balance market competitiveness and internal equity.

### **4. Validity**

Subject to 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.

### **5. Overview of the Scheme**

SARs is a long-term incentive vehicle of the Company. SARs refer to a certain amount of rights being granted to the Eligible Recipients, through which the Eligible Recipients can obtain a particular amount of gain from such SARs during a particular period and under certain conditions.

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## **APPENDIX I      SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME**

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The Eligible 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 Eligible Recipients are entitled to the SARs, which cannot be transferred, sold, exchanged, gifted, guaranteed, charged, pledged or applied to settle indebtedness. In the event any Eligible Recipients who is granted with the SARs breaches any of the aforesaid provisions, upon determination by the Board, all or part of the SARs will automatically lapse and the benefits derived therefrom will have to be returned to the Company.

Each SAR is linked with one H Share.

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.

The Scheme is intended to be an one-off grant only. If the Company wishes to implement any other share appreciation rights scheme in the future, it will need to obtain the approvals from both the SASAC and the Shareholders.

### **6. Eligible Recipients**

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

- (a) Directors (excluding independent non-executive Directors and external Directors) and senior management which includes General Manager, Deputy General Manager, Assistant to General Manager, Chief Administrative Officer, Secretary to the Board and other executives as determined by the Articles; and
- (b) Core technical staff and key management staff who can influence the performance and continuing development of the Company.

Independent non-executive Directors, external Directors and supervisors are not eligible to participate in the Scheme. Shareholders holding more than 5% interest in the Company or actual controlling shareholders or their associates (as defined in the Listing Rules) are not eligible to participate in the Scheme except with the approvals of Shareholders in general meeting and the relevant authorities.

The Board has the right to interpret the Scheme. The Remuneration Committee shall propose the list of Eligible Recipients to be approved by the Board. An Eligible Recipient cannot at the same time participate in two or more share incentive schemes of any listed companies.

### **7. Amounts of SARs which may be granted**

- (a) The total amount of the SARs granted under the Scheme shall not exceed 1% of the total share capital of the Company.

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## **APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME**

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- (b) 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.
- (c) 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 Eligible Recipient shall not at any time in aggregate exceed 1% of the relevant class of securities of the Company.

### **8. Date of Grant**

The Date of Grant shall be determined by the Board in accordance with the Scheme after the Scheme has been approved by the Shareholders and informed to the Eligible Recipients. The Date of Grant should be a Trading Day and if such date is not a Trading Day, it shall be the next Trading Day following such date.

The SARs must not be granted within five days after disclosure of material information has been made. In addition, the following requirements must be complied with:

- (a) The Company shall not grant any SARs if anything which may affect Share price has occurred or if a decision which may affect Share price has been made, until public disclosure of the information which may affect Share price has been made; and
- (b) The Company shall not grant any SARs within 60 days before the announcement of its annual financial results, or within 30 days before the announcement of its interim or quarterly financial results, until and including the date of announcement; and if such announcement is delayed, the Company shall not grant any SARs during such extended period.

### **9. Conditions of Grant**

The Company and each Eligible Recipient shall fulfil certain conditions for the grant of the SARs, including but not limited to:

- (a) The compound growth rate in revenue of the principal business of the Company for the financial year 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;
- (b) Weighted average return on net assets (weighted average return on net assets after deducting non-recurring gains and losses) for the financial year 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;
- (c) The receivable turnover ratio for the financial year prior to the grant of the SARs shall not be lower than 6.2 times and shall not be lower than 50 percentile of such ratio of peer benchmark companies in the same period;

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## APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME

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- (d) None of the following has occurred to the Company:
  - (i) 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
  - (ii) Other circumstances which the SASAC, the Stock Exchange or other regulatory authorities consider that share appreciation schemes shall not be implemented.
- (e) The Eligible Recipient must have worked for the Group for more than a year and is still under the employment of the Group on the Date of Grant; and
- (f) Such Eligible Recipient shall obtain a grade of pass or above in the performance appraisal for the full financial year prior to the Date of Grant.
- (g) None of the following has occurred to the Eligible Recipient:
  - (i) Public censure or declaration as an inappropriate person by the Stock Exchange during the last three years; or
  - (ii) Circumstances under which the Eligible Recipient is prohibited from acting as a director or a senior management as stipulated in the relevant laws and regulations.

As at 20 March 2012, being the simulated Date of Grant, the Company's weighted average return on net assets for the last year after deducting the non-recurring gains and losses was 18.51%, the three-year compound growth rate in revenue from principal business was 21.06% and the receivable turnover ratio was 6.76 times. In addition, none of the events stated in (d) above has occurred. Accordingly, the Company has fulfilled the conditions of grant under the Scheme.

### 10. When the SARs shall become Effective and the Exercise Arrangements

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

The Eligible Recipient 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 Eligible Recipient fulfil the Effective conditions, the SARs shall become Effective and exercisable as described below:

- (a) From the first working day after the expiry of two years of the Date of Grant, one-third of the SARs (the "**First Batch of SARs**") granted to each Eligible Recipient shall become Effective and such SARs shall be exercisable during the period from first working day after the expiry of two years of the Date of Grant up to the last Trading Day in the 60 months after the Date of Grant;



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## APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME

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- (b) From the first working day after the expiry of three years of the Date of Grant, one-third of SARs (the “**Second Batch of SARs**”) granted to each Eligible Recipient shall become Effective and such SARs shall be exercisable during the period from the first working day after the expiry of three years of the Date of Grant up to the last Trading Day in the 72 months after the Date of Grant; and
- (c) From the first working day after the expiry of four years of the Date of Grant, one-third of SARs (the “**Third Batch of SARs**”) granted to each Eligible Recipient shall become Effective and such SARs shall be exercisable from the first working day after the expiry of four years of the Date of Grant up to the last Trading Day in the 84 months after the Date of Grant.

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

The SARs granted pursuant to the Scheme shall not be exercisable in the following periods:

- (a) During the restricted period of exercising the SARs;
- (b) Outside the validity period of the SARs;
- (c) From the period of 30 days prior to the announcement of the Company’s regular report and until the date of such announcement;
- (d) During the determination process of any major transactions or major events and until the date of such announcement;
- (e) If the Eligible Recipient is a Director, within 60 days before the announcement of the Company’s annual results, and within 30 days before the announcement of the Company’s interim or quarterly results, until and including the date of such announcement;
- (f) From the date of acknowledging any price sensitive information and until and including the date of the disclosure of such information; or
- (g) Any other period specified by the Stock Exchange prohibiting the sale and purchase of the Shares by the Directors or employees of the Company (and its subsidiaries).

### 11. Effective Conditions

Certain conditions for the relevant year must be fulfilled before the related batch (one-third of the SARs granted) of SARs shall become Effective, including but not limited to:

- (a) the growth rate in the revenue of the Company from its principal business for the financial year preceding the Effective Date of the relevant batch 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 corresponding year;

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## APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME

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- (b) 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 of SARs shall not be lower than 13% (in relation to the First Batch of SARs), 14% (in relation to the Second Batch of SARs) and 15% (in relation to the Third Batch of SARs) respectively and shall not be lower than 75 percentile of such return on net assets of peer benchmark companies in the corresponding year;
- (c) the receivables turnover ratio for the financial year preceding the Effective Date of the relevant batch shall not be lower than 6.5 times and shall not be lower than 75 percentile of such ratio of peer benchmark companies in the corresponding year;
- (d) None of the following has occurred to the Company:
  - (i) 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
  - (ii) other circumstances which the SASAC, the Stock Exchange or other regulatory authorities consider that share appreciation schemes shall not be implemented; and
- (e) Such Eligible Recipient shall obtain a grade of pass or above in the performance appraisal for the financial year preceding any SAR becoming Effective.

If the actual benefits derived from the SARs exceed 40% of the total remuneration of the Eligible Recipient on the Date of Grant, 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 Eligible Recipient fails to fulfil such conditions for that particular year, such batch (one-third of the SARs granted) of SARs which have been granted to such Eligible Recipient shall forthwith lapse.

### 12. Exercise Price

The Exercise Price of the SARs shall be determined by the Board which, in principle, shall be the highest of the following three prices:

- (a) The closing price for the H Shares of the Company on the Stock Exchange on the Date of Grant;
- (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; and
- (c) The nominal value of the H Shares of the Company.

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## APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME

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### 13. Performance Appraisal of the Eligible Recipients

The performance appraisal for the Eligible Recipients are implemented in accordance with the Measures of Performance Appraisal for Eligible Recipients of the Share Appreciation Rights Scheme of the Company.

The proportion of SARs granted becoming Effective depends on, among other things, the results of the performance appraisal on the Eligible Recipient as illustrated in the table below:

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

Any cash gains to be received by the senior management of the Company as a result of exercising the SARs shall be deposited into the designed bank account set up for the Eligible Recipients, and not less than 20% of such aggregated cash gains so deposited shall remain in that account and cannot be withdrawn until that senior management has passed the performance appraisal upon the expiry of the term of service. If such senior management fails at the performance appraisal, the SARs for the relevant assessment period shall automatically lapse.

### 14. Method and Procedure for Adjustment of 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 in the following manner:

- (a) In the event of a bonus issue or transfer of capital reserve fund for increase of share capital:

$$Q = Q_0 \div (1+n)$$

where  $Q_0$  represents the amount of SARs before adjustment;  $n$  represents the ratio of increase per share as a result of bonus issue or transfer of capital reserve fund for increase of share capital; and  $Q$  represents the adjusted amount of SARs; and

$$P = P_0 \div (1+n)$$

where  $P_0$  represents the Exercise Price before adjustment;  $n$  represents the ratio of bonus issue or transfer of capital reserve fund for increase of share capital; and  $P$  represents the adjusted Exercise Price.

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## APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME

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- (b) In the event of a placing:

$$Q=Q_0 \times (1+n)$$

where  $Q_0$  represents the amount of SARs before adjustment;  $n$  represents the ratio of placing; and  $Q$  represents the adjusted amount of SARs; and

$$P=(P_0+P_1 \times n)/(1+n)$$

where  $P_0$  represents the Exercise Price before adjustment;  $P_1$  represents the placing price;  $n$  represents the ratio of placing; and  $P$  represents the adjusted Exercise Price.

- (c) In the event of new share issue, the same adjustments as in a placing would apply if the issue is made to the existing Shareholders with ex-entitlement treatment. If the issue is not made to the existing Shareholders and without ex-entitlement treatment, no adjustment is required.
- (d) In the event of a share swap as a result of a merger (regardless of a merger by incorporation or a merger by absorption):

$$Q=Q_0 \times n$$

where  $Q_0$  represents the amount of SARs before adjustment;  $n$  represents the ratio of share swap; and  $Q$  represents the adjusted amount of SARs; and

$$P=P_0 \div n$$

where  $P_0$  represents the Exercise Price before adjustment;  $n$  represents the ratio of share swap; and  $P$  represents the adjusted Exercise Price.

If the Company swap its shares through the merger by absorption of other companies, no adjustment is required.

Shareholders in general meetings shall authorise the Board to make corresponding adjustment to the amounts of SARs and the Exercise Price upon occurrence of bonus issue, transfer of capital reserve fund for increase of share capital, placing, new share issue, merger or share swap, etc. The Company should seek professional legal opinion from lawyers to advise the Board as to whether the relevant adjustments comply 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.

If there is a need to adjust the amount, Exercise Price of the SARs and other terms for any other reason, it shall be resolved by the Board and approved by the Shareholders.

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## APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME

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### 15. Procedure for Grant of the SARs

- (a) The Remuneration Committee shall be responsible for formulating the Scheme and the detailed granting proposal, including the scope of Eligible Recipients, the main parameters of the Black-Scholes pricing model and the Exercise Price for SARs, etc.
- (b) The Remuneration Committee shall determine the list of Eligible Recipients in accordance with the Scheme, review whether their performance appraisals fulfil the conditions of grant, and submit the list of the Eligible Recipients to the Board for consideration.
- (c) The Remuneration Committee shall follow the standards and principles stated in the Scheme in determining the SARs allocation proposal, evaluating the performance results of Eligible Recipients and determining the amount of SARs to be granted based on the performance appraisal results.
- (d) The Supervisory Committee shall verify whether the list of Eligible Recipients is in line with the intended scope of Eligible Recipients and the conditions of grant.
- (e) The Board shall consider the detailed granting proposal submitted by the Remuneration Committee.
- (f) After fulfilment of the conditions of grant, the Board shall approve the granting proposal and determine the Date of Grant.
- (g) The Remuneration Committee shall handle the grant of the SARs.

### 16. The Exercise Procedure

As long as the Eligible Recipients meet the exercising conditions, they can exercise the SARs at any time within the Exercise Period according to individual needs.

Only when the Company receives all of the following documents before the expiry of the Exercise Period would the Company consider an exercise application valid:

- (a) An exercise notice (“**Exercise Notice**”) signed by the Eligible Recipient or his/her legitimate beneficiary. The Exercise Notice shall state the amount of SARs to exercise, expected Exercise Date and the share price at which to exercise, etc.; and
- (b) A copy of the SARs grant agreement (“**Grant Agreement**”) signed by the Eligible Recipient or his/her legitimate beneficiary.

During the specified Exercise Period, when the share price meets the pre-set share price as indicated in the Exercise Notice, the Company shall then send a written notice to the Eligible Recipient to confirm the completion of exercise within one week after the Exercise Date, including the calculation of cash gains.

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## APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME

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If share price does not meet the pre-set share price as indicated in the Exercise Notice within the specified period, the Company shall within one week after the expiry of the period send out a written notice of failure of exercise, the Eligible Recipient may submit his/her Exercise Notice for application again before the expiration of the Exercise Period.

According to the terms of the Scheme, the Company shall calculate the cash gains from the exercise of the SARs as follows:

- (a) For those receiving the cash gains in the PRC:

Cash gains from exercising the SARs = the amount of SARs exercised  $\times$  (pre-set Share price as indicated in the Exercise Notice — Exercise Price as indicated in the Grant Agreement)  $\times$  exchange rate at the Exercise Date (being the mid-point of the exchange rate of HKD to RMB quoted by the People's Bank of China) — relevant tax payable (in accordance with applicable tax laws of the PRC);

- (b) For those receiving the cash gains in Hong Kong:

Cash gains from exercising the SARs = the amount of SARs exercised  $\times$  (pre-set Share price as indicated in the Exercise Notice — Exercise Price as indicated in the Grant Agreement) — relevant tax payable (in accordance with the applicable tax laws of Hong Kong);

- (c) For those receiving the cash gains in other countries:

Cash gains from exercising the SARs = the amount of SARs exercised  $\times$  (pre-set Share price as indicated in the Exercise Notice — Exercise Price as indicated in the Grant Agreement)  $\times$  exchange rate at the Exercise Date (being the mid-point of the foreign exchange rate quoted by the People's Bank of China) — relevant tax payable (in accordance with the relevant tax laws applicable to the Eligible Recipient);

Cash gains from SARs and interests accrued thereon should be paid in July of each year to the Eligible Recipients whose exercise of their SARs during the period from 1 January to 30 June of that year has been completed. Cash gains from SARs and interests accrued thereon should be paid in January of each year to the Eligible Recipients whose exercise of their SARs during the period from 1 July to 31 December for the previous year had been completed. Interest rates shall be in line with the prevailing interest rates for bank demand deposit for the corresponding period.

### 17. Restrictions

Eligible Recipients must comply with the following terms and conditions:

- (a) Eligible Recipients shall not deal in the SARs held under the Scheme on their own including but not limited to transfer, sell, exchange, gift, guarantee, charge, pledge the SARs or apply the SARs for settling indebtedness, etc.

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## APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME

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- (b) Eligible Recipients must avoid behaviours that are prejudicial to the interests of the Company, including major derelictions of duties, major decision-making mistakes resulting in substantial damages to the Company's interests and dealing in SARs in violation of (a) above. In the event any Eligible Recipient breaches any of the aforesaid provisions, upon determination by the Board, all or part of the SARs will automatically lapse and the benefits derived therefrom shall return to the Company.
- (c) Determination and treatment of the above behaviours of the Eligible Recipients shall be based on the relevant laws, and rules and the regulations of the Company.

### 18. Special Circumstances

If an Eligible Recipient under the Scheme has changed his/her job position, the amount of SARs granted, the Effective conditions and exercising conditions shall remain unchanged provided that he/she remains in employment with the Company.

Where an Eligible Recipient has left the Company for reason other than change of his/her job position, the details for the exercise of the SARs is as follows:

- (a) Upon expiry of the employment contract for the Eligible Recipient and if such employment contract shall not be renewed: the undrawn portion of his/her cash gains from exercising SARs may be withdrawn within one month upon the Eligible Recipient's departure from the Company, or shall lapse after this deadline; any Effective but unexercised SARs shall be exercised within six months after the departure, or shall lapse after this deadline; any SARs which has not become Effective shall be cancelled.
- (b) If an Eligible Recipient is transferred to another company during his/her term of service as per the Company's request: the undrawn portion of his/her cash gains from exercising SARs may be withdrawn within one month upon the Eligible Recipient's departure from the Company, or shall lapse after this deadline; any Effective but unexercised SARs may be exercised within six months after the departure, or shall lapse after this deadline; any SARs which has not become Effective shall be cancelled.
- (c) If an Eligible Recipient is dismissed by the Company due to individual performance reasons (including violating employees' handbook of the Company or was found guilty by the courts in the PRC) during the term of his/her employment contract: the undrawn portion of his/her cash gains from exercising the SARs shall be forfeited; the unexercised SARs (including the SARs which have become Effective and not yet Effective) shall lapse automatically.
- (d) If an Eligible Recipient resigns before the expiry of the term of his/her employment contract that has been agreed by the Company: the undrawn portion of his/her cash gains from exercising SARs may be withdrawn within one month after the Eligible Recipient's departure from the Company, or shall lapse after this deadline; the unexercised SARs (including the Effective and not yet Effective SARs) shall lapse automatically.

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## APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME

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- (e) If an Eligible Recipient leaves the Company without the Company's agreement during the term of his/her employment contract: the undrawn portion of his/her cash gains from exercising the SARs shall be forfeited; the unexercised SARs (including the Effective and not yet Effective SARs) shall lapse automatically.

If an Eligible Recipient cannot perform his/her duties due to loss of working capability: the undrawn portion of his/her cash gains from exercising SARs may be withdrawn within one month after the date of loss of working capability, or shall lapse after this deadline; the Effective but unexercised SARs shall be exercised within six months after the date of loss of working capability, or shall lapse after this deadline; the SARs which has not become Effective shall be cancelled.

In the event of retirement of an Eligible Recipient: the undrawn portion of his/her cash gains from exercising SARs can be withdrawn within one month after the date of his/her retirement; or shall lapse after this deadline; the Effective but unexercised SARs shall be exercised within six months after the date of the retirement, or shall lapse after this deadline; the portion which has not yet become Effective shall be cancelled.

In the event of death of an Eligible Recipient: the undrawn portion of his/her cash gains from exercising SARs may be withdrawn within one month after the date of death by the beneficiary of his/her estate, or shall lapse after this deadline; the Effective but unexercised SARs shall be exercised within six months after the date of death by the beneficiary of his/her estate, or shall lapse after this deadline; the SARs which has not become Effective shall be cancelled.

When there is a change in control, merger or demerger of the Company: the undrawn portion of his/her cash gains from exercising SARs may be withdrawn within one month, or shall lapse after this deadline; the Effective but unexercised SARs shall be exercised within six months, or shall lapse after this deadline; the SARs which has not become Effective shall be cancelled.

### 19. Termination of the Scheme on occurrence of specified events

The Scheme shall be terminated if any of the following applies to the Company:

- (a) The auditors of the Company has provided an adverse opinion or a disclaimer of opinion in the audit report of the most recent financial year;
- (b) The Company has been dissolved or liquidated; or
- (c) Other circumstances which the relevant regulatory authorities consider that that share appreciation schemes shall not be implemented.

Prior to the occurrence of the events to the Company or the Eligible Recipients which have not been specifically set out in the Scheme, the Board shall deal with the SARs in accordance with the principles set out in the Scheme.



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## **APPENDIX I      SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME**

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### **20. Tax**

Cash gains received by exercising the SARs are regarded as individual income, and tax shall be payable according to the relevant law. The Company may withhold and pay the tax amount on behalf of the Eligible Recipients.

Eligible Recipients exercising the SARs must pay the tax on the cash gains payable by individual according to the law; if an Eligible Recipient dies, his/her legitimate beneficiary of estate shall pay estate duty in accordance with the relevant applicable laws and regulations.

### **21. Modification of the Scheme**

The Board may modify the Scheme it considers necessary and then file the modified Scheme with the SASAC and Stock Exchange for record (where applicable). If there is any discrepancy between (a) the Scheme and (b) the relevant laws, regulations, agreements and requirements of the Stock Exchange (if applicable), the latter shall prevail. The Board must also obtain the necessary approvals in general meetings and from the SASAC if the relevant laws, regulations, agreements and requirements of the Stock Exchange (if applicable) require any modifications of the Scheme be approved in such manner.

Where SARs have been granted under the Scheme, any modifications or suspension of the Scheme shall not modify or undermine the existing rights and obligations of the holders of these SARs unless otherwise with their consent.

### **22. Termination of the Scheme upon expiry of its validity and early termination proposed by the Board**

The Scheme shall be automatically terminated after seven years from the date on which the Scheme is approved by the Shareholders in general meeting.

If at anytime before the Scheme is automatically terminated, the Board considers it necessary to terminate the Scheme, it may submit a proposal for early termination at a general meeting. Where such early termination is approved in the general meeting, any SARs already granted before such date shall continue to be valid unless otherwise specified.

### **23. Disclosure of Information**

The Company shall provide updates about the implementation of the Scheme in its regular reports, including:

- (a) the scope of the Eligible Recipients within that reporting period;
- (b) the information about the grant of any SARs within that reporting period, including the amount of SARs, Date of Grant, Effective Date, Exercise Period, Exercise Price, etc.; and

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## APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME

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- (c) the names and positions of the directors and senior management and the details of any SARs granted to and exercised by them during that reporting period.

The Company shall make the appropriate disclosure as soon as possible after the occurrence of the following events:

- (a) when the draft Scheme is approved by the Board;
- (b) when the Scheme is modified; or
- (c) when there is any change in the Scheme resulting from any acquisition, merger or demerger of the Company, etc.

### 24. Administrative Authorities

- (a) The Company's general meeting is the decision-making and approval body in respect of the Scheme and shall perform the following duties:
  - (i) to determine matters relating to the coming into effect, suspension and termination of the Scheme; and
  - (ii) to determine matters relating to the amendment and adjustment of the Scheme.
- (b) The Board shall, after obtaining the mandate granted by the Shareholders at the general meeting, manage and implement the Scheme. The Board shall perform the following duties:
  - (i) to approve the Scheme;
  - (ii) to approve the implementation rules of the Scheme;
  - (iii) to approve the detailed granting proposal under the Scheme; and
  - (iv) to be responsible for the final interpretations on the Scheme.
- (c) The Remuneration Committee is authorised by the Board to be in charge of the daily management of the Scheme and shall perform the following duties:
  - (i) to formulate the Scheme and to propose on modifications;
  - (ii) to determine, among other things, the amounts and allocations of the SARs and to provide the detailed granting proposal to the Board;
  - (iii) to track and study on the market conditions in relation to long term incentives, to suggest to the Board of the improvement proposals relating to the long term incentive mechanism of key employees and to engage external professionals for assistance, if necessary;

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## APPENDIX I SUMMARY OF SHARE APPRECIATION RIGHTS SCHEME

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- (iv) to provide updates on the implementation of the Scheme regularly to the Board and the general meetings;
  - (v) to answer any enquiries relating to the implementation of the Scheme; and
  - (vi) to be responsible for any other rights and obligations assigned by the Board or the general meetings.
- (d) The Supervisory Committee shall be the supervisory body in the implementation of the Scheme and shall be responsible for:
- (i) verifying the list of Eligible Recipients;
  - (ii) monitoring on whether the implementation of the Scheme complies with the relevant laws, rules and regulations and the rules and regulations of stock exchange; and
  - (iii) proposing modifications or giving opinion relating to the Scheme to Board meetings or the general meetings.

*The Scheme was originally drafted in Chinese and the English translation of the Scheme is for your reference only. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.*



# 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)

## NOTICE OF ANNUAL GENERAL MEETING FOR YEAR 2012

NOTICE IS HEREBY GIVEN that the annual general meeting (the “AGM”) of Zhuzhou CSR Times Electric Co., Ltd. (the “Company”) for year 2012 will be held at Wanda Hilton Xi’an, No. 199 Dong Xin Road, Xincheng District, Xi’an, the People’s Republic of China (the “PRC”), on Monday, 10 June 2013 at 9:00 a.m. for the following purposes:

### As Ordinary Resolutions

1. To consider and approve the report of the board of directors (the “Directors”) of the Company (the “Board”) for the year ended 31 December 2012.
2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2012.
3. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2012 and the auditors’ report thereon.
4. To consider and approve the profits distribution plan of the Company for the year ended 31 December 2012 and to declare a final dividend for the year ended 31 December 2012.
5. To consider and approve the re-appointment of the retiring auditor, Ernst & Young Hua Ming, as the auditors of the Company until the conclusion of the next annual general meeting of the Company and to authorize the Board to fix their remuneration.
6. (a) subject to the approval of the relevant governmental authorities in the PRC, the Board be and is hereby granted an unconditional general mandate to issue short-term financing notes in the aggregate principal amount of up to RMB1 billion (the “Notes”) for a term not exceeding 1 year and in particular be authorized to effect the following:
  - (i) to determine the terms and conditions, plan and all other matters in respect of the issue of the Notes based on the needs of the Company and market conditions, including without limitation to the form of issue, issue value, issue term, interest rates, the placing or underwriting arrangements and the use of proceeds;
  - (ii) to make corresponding changes to the plan of such issue based on the opinions of the regulatory authorities when there is any change on the policies or

governmental or regulatory requirements which affects the issue of the Notes or when there are changes in the market conditions, save for issues which are subject to further approval at shareholders' meeting as required by the relevant laws, regulations and the Articles of Association of the Company; and

- (iii) to sign, seal, execute, perfect, deliver and arrange for the registration with the relevant PRC authority for and on behalf of the Company all such documents and deeds and to do all such other acts and things as it may in its absolute discretion consider necessary, desirable or expedient in connection with the issue of the Notes; and
- (b) all actions and steps taken by the Board with respect to the issue of the Notes prior to the date of the AGM be and are hereby approved, ratified and confirmed.”.

#### **As Special Resolutions**

- 7. To approve the grant to the Board a general mandate to allot, issue and deal with additional domestic shares (the “**Domestic Shares**”) and/or H shares (the “**H Shares**”, together with the Domestic Shares, the “**Shares**”) of the Company subject to the following conditions:
  - (a) subject to paragraphs (c) to (e) below, the Board be and is hereby authorized to exercise, whether by a single exercise or otherwise, all the powers of the Company to allot, issue and deal with additional Domestic Shares and/or H Shares during the Relevant Period (as defined in paragraph (g) below);
  - (b) the authority granted under paragraph (a) above shall authorize the Board to make an offer or agreement or grant an option during the Relevant Period which would or might require Shares to be allotted and issued either during or after the end of the Relevant Period;
  - (c) the aggregate nominal amount of Domestic Shares and/or H Shares allotted or agreed to be allotted (whether pursuant to an option or otherwise) by the Board pursuant to the authority granted under paragraphs (a) and (b) above shall not exceed 20% of the aggregate nominal amount of Domestic Shares and H Shares respectively in issue at the date of passing of this special resolution;
  - (d) the Board shall only exercise the authority granted under paragraphs (a) and (b) above in accordance with the Articles, the Company Law of the PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) and all other applicable laws, rules, regulations and requirements of relevant governmental or regulatory authorities;
  - (e) authority granted under paragraphs (a) and (b) above shall be conditional upon the approval of the China Securities Regulatory Commission and/or any other governmental or regulatory authorities as required by the laws, rules and regulations of the PRC being obtained by the Company;

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## APPENDIX II NOTICE OF ANNUAL GENERAL MEETING FOR YEAR 2012

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- (f) subject to paragraph (e) above, the Board be and it is hereby authorized to:
  - (i) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new Shares; and
  - (ii) increase the registered capital of the Company pursuant to the issue of such new Shares and make such corresponding amendments to the Articles as it thinks fit so as to reflect the new capital structure of the Company; and
- (g) for the purpose of this special resolution, “Relevant Period” means the period from the passing of this special resolution until whichever is the earlier of:
  - (i) the expiration of a period of twelve months following the passing of this special resolution;
  - (ii) the conclusion of the next annual general meeting following the passing of this special resolution; and
  - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting.

8. To approve:

- (a) the adoption of the share appreciation rights Scheme of the Company, a summary of the principal terms of which is set out in the circular of the Company dated 23 April 2013 (the “**Circular**”) dispatched to the shareholders of the Company (the “**Scheme**”);
- (b) the grant of an aggregate of approximately 9,868,000 units of Share Appreciation Rights (as defined in the Circular) to a total of up to 262 Eligible Recipients (as defined in the Circular) pursuant to the Scheme, the details of allocation of which is set out in the Circular;
- (c) the authorization of the Board to grant the Share Appreciation Rights to the Eligible Recipients and to determine, among other things, the final list of the Eligible Recipients, the Date of Grant (as defined in the Circular), the Exercise Price (as defined in the Circular) and the amount of the Share Appreciation Rights to be granted to each Eligible Recipient pursuant to the terms and conditions of the Scheme; and
- (d) the authorization of the Board to proceed with the examination, registration, filing, approval and consent procedures with relevant governmental authorities; to sign, execute, amend and complete documents to be submitted to relevant governmental authorities, organisations and individuals; to handle all matters relating to the Scheme, including but not limited to adjusting the Exercise Price or number of Share Appreciation Rights, amending the Scheme pursuant to the authority given under the

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## APPENDIX II NOTICE OF ANNUAL GENERAL MEETING FOR YEAR 2012

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Scheme and/or determining any matters relating to the Scheme, and to do all such acts, matters and things that the Board considers necessary, expedient or desirable in its sole discretion in respect of the Scheme in accordance with the terms of the Scheme and the relevant laws, rules and regulations and that all such actions taken by the Board prior to the passing of this resolution be and are hereby approved, ratified and confirmed.

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

Zhuzhou, China, 23 April 2013

*Notes:*

1. The votes at the AGM will be taken by poll.
2. Where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such share at the AGM, and the service of this notice to that person shall be deemed to have served on all joint holders of such share.
3. In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be temporarily closed from Saturday, 11 May 2013 to Monday, 10 June 2013 (both days inclusive), during which period no transfer of shares will be registered. In order to attend and vote at the AGM, all transfer documents together with the relevant share certificates must be lodged, for holders of H Shares, with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or, for holders of Domestic Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC, not later than 4:30 p.m. on Friday, 10 May 2013.
4. In order to determine shareholders' entitlements to the final dividend, the register of members of the Company will be temporarily closed from Saturday, 15 June 2013 to Thursday, 20 June 2013 (both days inclusive), during which period no transfer of shares will be registered. All transfer documents together with the relevant share certificates must be lodged, for holders of H Shares, with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or, for holders of Domestic Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC, not later than 4:30 p.m. on Friday, 14 June 2013.
5. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company at the close of business on Friday, 10 May 2013 are entitled to attend and vote at the AGM and may appoint one or more proxies to attend and vote in his stead. A proxy needs not be a shareholder of the Company.

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## APPENDIX II NOTICE OF ANNUAL GENERAL MEETING FOR YEAR 2012

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6. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited, for holders of H Shares, to the H Share registrar of the Company or, for holders of Domestic Shares, the registered office address of the Company, not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof.
7. Shareholders who intend to attend the AGM in person or by proxy should complete and return the attached reply slip by hand or by post, for holders of H Shares, to the principal place of business of the Company in Hong Kong or, for holders of Domestic Shares, to the registered office address of the Company, on or before Tuesday, 21 May 2013.

8. The address of the H Share registrar of the Company is as follows:

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

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

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

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

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

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

*As at the date of this document, our chairman of the Board and executive director is Ding Rongjun, our vice chairman of the Board and non-executive director is Deng Huijin, our other executive director is Li Donglin, our other 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.*