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ANNOUNCEMENT CONNECTED TRANSACTION

The Transfer Agreements

The Board is pleased to announce that on 5 December 2013:

- 1) the Company entered into the First Assets Transfer Agreement with ZNERCC pursuant to which ZNERCC agreed to transfer the First Assets to the Company for a consideration of RMB602,854.47 (equivalent to approximately HK\$766,990.42);
- 2) Times Equipment, a direct wholly-owned subsidiary of the Company, entered into the Second Assets Transfer Agreement with ZNERCC pursuant to which ZNERCC agreed to transfer the Second Assets to Times Equipment for a consideration of RMB2,070,226.50 (equivalent to approximately HK\$2,633,875.95);
- 3) Times Equipment entered into the First Technologies Transfer Agreement with ZNERCC pursuant to which ZNERCC agreed to transfer the First Technologies to Times Equipment for a consideration of RMB17,160,600.00 (equivalent to approximately HK\$21,832,824.43); and
- 4) Times Equipment entered into the Second Technologies Transfer Agreement with ZNERCC pursuant to which ZNERCC agreed to transfer the Second Technologies to Times Equipment for a consideration of RMB16,779,300.00 (equivalent to approximately HK\$21,347,709.92).

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 Total Consideration of the Transfer Agreements is RMB36,612,980.97 (equivalent to approximately HK\$46,581,400.73). As the applicable percentage ratios in respect of the Transfer Agreements exceed 0.1% but are less than 5%, the Transaction constitutes 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

On 5 December 2013, the Group entered into the Transfer Agreements with ZNERCC pursuant to which ZNERCC agreed to transfer the Target Assets and Technologies to the Group for the Total Consideration of RMB36,612,980.97 (equivalent to approximately HK\$46,581,400.73).

THE TRANSFER AGREEMENTS

First Assets Transfer Agreement

The principal terms of the First Assets Transfer Agreement are as follows:

Date

5 December 2013

Parties

- (i) Transferor: ZNERCC
- (ii) Transferee: the Company

Assets to be transferred

- (i) Fixed assets: all the fixed assets other than the metro energy feedback experimental platform (地鐵能量回饋試驗平台), including machinery and electronic equipment such as duct cutting machine (線槽切割機), rail cutting machine (導軌切割機), digital storage oscilloscope (數字存儲示波器), computers, printers and wireless data collection terminal, as listed in the Valuation Report;
- (ii) Intangible assets: the barcode system implementation software (條碼系統實施軟件) as listed in the Valuation Report; and
- (iii) Technical information: all technical and operational information in relation to the fixed assets including copies of the purchase agreements entered into by ZNERCC with the manufacturers or suppliers, and all information in relation to the intangible assets including but not limited to documents, graphics, models, codes, compact disks (collectively, the “First Assets”).

Consideration and payment terms

The consideration for the First Assets Transfer Agreement of RMB602,854.47 (equivalent to approximately HK\$766,990.42) shall be paid in full by the Company to ZNERCC within two months of the Completion Date.

Conditions precedent

Completion of the transfer of the First Assets is conditional upon fulfilment of the following conditions on or before 6 December 2013, failing which, the First Assets Transfer Agreement shall automatically terminate:

- (i) the Company shall have completed a due diligence review and/or run tests on the First Assets and the review findings and/or test results shall be to its satisfaction;
- (ii) the parties shall have obtained all necessary internal authorizations and all requisite consents, approvals and authorization required under all applicable laws and regulations in connection with the transactions contemplated under the First Assets Transfer Agreement and all other relevant matters;
- (iii) the Company shall have complied with the requirements of the Listing Rules, including the independent shareholders approval of the First Assets Transfer Agreement and the transactions contemplated thereunder (if applicable);
- (iv) all the warranties shall be and remain true and accurate in all material respects on the date of the First Assets Transfer Agreement and at all times up to and including the date of Completion; and
- (v) ZNERCC shall not have breached its obligations, covenants and undertakings under the First Assets Transfer Agreement.

Second Assets Transfer Agreement

The principal terms of the Second Assets Transfer Agreement are as follows:

Date

5 December 2013

Parties

- (i) Transferor: ZNERCC
- (ii) Transferee: Times Equipment, a wholly-owned subsidiary of the Company

Assets to be transferred

- (i) Fixed assets: the metro energy feedback experimental platform as listed in the Valuation Report; and

- (ii) Technical information: all technical and operational information in relation to the fixed assets including copies of the purchase agreements entered into by ZNERCC with the manufacturers or suppliers (collectively, the “Second Assets”).

Consideration and payment terms

The consideration for the Second Assets Transfer Agreement of RMB2,070,226.50 (equivalent to approximately HK\$2,633,875.95) shall be paid in full by Times Equipment to ZNERCC within two months of the Completion Date.

Conditions precedent

Completion of the transfer of the Second Assets is conditional upon fulfilment of the following conditions on or before 6 December 2013, failing which, the Second Assets Transfer Agreement shall automatically terminate:

- (i) Times Equipment shall have completed a due diligence review and/or run tests on the Second Assets and the review findings and/or test results shall be to its satisfaction;
- (ii) the parties shall have obtained all necessary internal authorizations and all requisite consents, approvals and authorization required under all applicable laws and regulations in connection with the transactions contemplated under the Second Assets Transfer Agreement and all other relevant matters;
- (iii) Times Equipment shall have procured the Company to comply with the requirements of the Listing Rules, including obtaining the approval from the Company’s independent shareholders of the Second Assets Transfer Agreement and the transactions contemplated thereunder (if applicable);
- (iv) all the warranties shall be and remain true and accurate in all material respects on the date of the Second Assets Transfer Agreement and at all times up to and including the date of Completion; and
- (v) ZNERCC shall not have breached its obligations, covenants and undertakings under the Second Assets Transfer Agreement.

First Technologies Transfer Agreement

The principal terms of the First Technologies Transfer Agreement are as follows:

Date

5 December 2013

Parties

- (i) Transferor: ZNERCC
- (ii) Transferee: Times Equipment

Technologies to be transferred

- (i) Proprietary technologies: all proprietary technologies and ownership of the metro energy feedback device (地鐵能量回饋裝置) and urban rail braking energy absorption device (城軌制動能量吸收裝置) as listed in the Valuation Report;
- (ii) Patent: the patent for a type of feedback traction power supply device (一種能饋型牽引供電裝置) (Patent No. ZL201120143826.5);
- (iii) Patent application: the patent applications for a type of feedback traction power supply device and its control method (一種能饋型牽引供電裝置及其控制方法) (Patent Application Acceptance No. ZL201110118007.X) and a type of high braking energy consuming device and its control method (一種大功率制動能量消耗裝置及其控制方法) (Patent Application Acceptance No. 20122104164035); and
- (iv) Technical information: all technical and operational information in relation to the proprietary technologies, including copies of any technology development agreements or documents, and all information related to the proprietary technologies (including but not limited to documents, graphics, models, codes, compact disks) (collectively, the “First Technologies”).

Consideration and payment terms

The consideration for the First Technologies Transfer Agreement of RMB17,160,600.00 (or equivalent to approximately HK\$21,832,824.43) shall be paid in full by Times Equipment to ZNERCC within two months of the Completion Date.

Conditions precedent

Completion of the transfer of the First Technologies is conditional upon fulfilment of the following conditions on or before 6 December 2013, failing which, the First Technologies Transfer Agreement shall automatically terminate:

- (i) Times Equipment shall have completed a due diligence review and/or run tests on the First Technologies and the review findings and/or test results shall be to its satisfaction;

- (ii) the parties shall have obtained all necessary internal authorizations and all requisite consents, approvals and authorization required under all applicable laws and regulations in connection with the transactions contemplated under the First Technologies Transfer Agreement and all other relevant matters;
- (iii) Times Equipment shall have procured the Company to comply with the requirements of the Listing Rules, including obtaining the approval from the Company's independent shareholders of the First Technologies Transfer Agreement and the transactions contemplated thereunder (if applicable);
- (iv) all the warranties shall be and remain true and accurate in all material respects on the date of the First Technologies Transfer Agreement and at all times up to and including the date of Completion; and
- (v) ZNERCC shall not have breached its obligations, covenants and undertakings under the First Technologies Transfer Agreement.

Second Technologies Transfer Agreement

The principal terms of the Second Technologies Transfer Agreement are as follows:

Date

5 December 2013

Parties

- (i) Transferor: ZNERCC
- (ii) Transferee: Times Equipment

Technologies to be transferred

- (i) Proprietary technologies: all proprietary technologies and ownership of the metro rectifiers (地鐵整流器), motor test power supply (電機試驗電源) and special rectifiers (特種整流器) as listed in the Valuation Report; and
- (ii) Technical information: all technical and operational information in relation to the proprietary technologies, including copies of any technology development agreements or documents, and all information related to the proprietary technologies (including but not limited to documents, images, models, codes, compact disks) (collectively, the "Second Technologies").

Consideration and payment terms

The consideration for the Second Technologies Transfer Agreement of RMB16,779,300.00 (equivalent to approximately HK\$21,347,709.92) shall be paid in full by Times Equipment to ZNERCC within two months of the Completion Date.

Conditions precedent

Completion of the transfer of the Second Technologies is conditional upon fulfilment of the following conditions on or before 6 December 2013, failing which, the Second Technologies Transfer Agreement shall automatically terminate:

- (i) Times Equipment shall have completed a due diligence review and/or run tests on the Second Technologies and the review findings and/or test results shall be to its satisfaction;
- (ii) the parties shall have obtained all necessary internal authorizations and all requisite consents, approvals and authorization required under all applicable laws and regulations in connection with the transactions contemplated under the Second Technologies Transfer Agreement and all other relevant matters;
- (iii) Times Equipment shall have procured the Company to comply with the requirements of the Listing Rules, including obtaining the approval from the Company's independent shareholders of the Second Technologies Transfer Agreement and the transactions contemplated thereunder (if applicable);
- (iv) all the warranties shall be and remain true and accurate in all material respects on the date of the Second Technologies Transfer Agreement and at all times up to and including the Completion Date; and
- (v) ZNERCC shall not have breached its obligations, covenants and undertakings under the Second Technologies Transfer Agreement.

COMPLETION

Completion of all the Transfer Agreements shall take place simultaneously within five days of the conditions precedent as set out in the respective Transfer Agreements having been satisfied.

Upon Completion, ZNERCC shall transfer the Target Assets and Technologies to the Group. ZNERCC shall proceed with the necessary registration for the assignment of the patents and the patent applications pursuant to the First Technologies Transfer Agreement.

TOTAL CONSIDERATION

The Total Consideration of RMB36,612,980.97 (equivalent to approximately HK\$46,581,400.73) (being the total consideration for the Transfer Agreements) was agreed after arm's length negotiations between the Group and ZNERCC, with reference to a total sum of (i) the valuation of the fair value of all the fixed assets set out in the Transfer Agreements (the "Fixed Assets") which amounted to approximately RMB2,376,080.97 (equivalent to approximately HK\$3,023,003.78) as at 30 June 2013 as appraised by the Valuer by adopting the replacement cost approach (重置成本法), (ii) the valuation of the fair value of the purchased intangible assets (i.e. the barcode system implementation software) set out in the Transfer Agreements (the "Purchased Intangible Assets") which amounted to approximately RMB297,000.00 (equivalent to approximately HK\$377,862.60) as at 30 June 2013 as appraised by the Valuer by adopting the replacement cost approach, and (iii) the valuation of the fair value of the self-developed intangible assets (i.e. metro energy feedback devices, urban rail braking energy absorption devices, metro rectifiers, special rectifiers and motor test power supply set out in the Transfer Agreements (the "Relevant Intangible Assets") which amounted to approximately RMB33,939,900.00 (equivalent to approximately HK\$43,180,534.35) as at 30 June 2013 as appraised by the Valuer by adopting the income approach (收益法) with a forecast of the discounted value of net profit after sharing, where such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules (the "Profit Forecast").

The Target Assets and Technologies, which were acquired or self-developed by ZNERCC between 2004 and 2013, costed a total book value of RMB8,135,059.38 (equivalent to approximately HK\$10,349,948.32) as at 30 June 2013, of which the Fixed Assets had the original book value of RMB3,033,976.81 (equivalent to approximately HK\$3,860,021.39) and the book value of RMB2,325,371.78 (equivalent to approximately HK\$2,958,488.27) as at 30 June 2013, and the Purchased Intangible Assets and the Relevant Intangible Assets had the book values of RMB247,500.00 (equivalent to approximately HK\$314,885.50) and RMB5,562,187.60 (equivalent to approximately HK\$7,076,574.55) as at 30 June 2013 respectively.

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

The payment of the Total Consideration shall be funded by internal resources of the Group.

DISCLOSURE IN RELATION TO RULES 14.62 AND 14A.56(8) OF THE LISTING RULES

For the purpose of complying with Rules 14.62 and 14A.56(8) of the Listing Rules, the principal assumptions, including commercial assumptions, upon which the Profit Forecast was based are as follows:

- (i) there will be an open market through which buyers and sellers will have equal opportunity and time to obtain sufficient market information about the Relevant Intangible Assets to make a voluntary and informed purchase decision and are not subject to any mandatory or restricted conditions;
- (ii) the Valuer will appraise the Relevant Intangible Assets according to the trading conditions for such assets as well as under simulated market conditions;
- (iii) machinery and equipment underlying the valuation will be used in the current places and for the current purposes;
- (iv) there will be no material changes in the existing laws and regulations and macro-economic conditions of the PRC, and there will be no material adverse effect on the Relevant Intangible Assets resulting from any unforeseeable or force majeure events;
- (v) there will be no material change in the interest rate, tax base, tax rate and other policy levy charges of the PRC;
- (vi) the company has responsible operators and capable management team to fulfil their duties, and has fully complied with all relevant laws and regulations of the PRC;
- (vii) the relevant production, sales and research and development activities relating to the Relevant Intangible Assets will not be affected during the period of transfer of the Relevant Intangible Assets;
- (viii) income is calculated using accounting years and based on the assumption that income and expenses will be received and paid at year-end; and
- (ix) the construction process of urban rail transit in the PRC cities is largely the same with that planned by the National Development and Reform Commission.

The Profit Forecast underlying the valuation of the Relevant Intangible Assets made on the above bases and principal assumptions is as below:

A. *Metro energy feedback devices*

Units : RMB'0,000

Items	January to June 2013	2014	2015	2016	2017
Income	239.32	1,675.21	3,000.00	4,384.62	3,333.33
Cost	141.36	989.51	1,867.02	2,728.72	2,169.53
Taxes and surcharges	2.29	16.04	26.85	39.24	27.96
Operating expenses	25.00	126.65	226.80	331.48	252.00
Administrative expenses	18.09	126.65	226.80	331.48	252.00
Research and development expenses	19.15	100.51	90.00	87.69	66.67
Financial expenses	1.01	7.04	12.60	18.42	14.00
Operating profit	32.42	308.82	549.93	847.60	551.17
Total profit	32.42	308.82	549.93	847.60	551.17
Income tax	4.86	46.32	82.49	127.14	82.68
Net profit	27.56	262.50	467.44	720.46	468.50
Sharing ratio	33.5475%	33.5475%	33.5475%	33.5475%	33.5475%
Profit after sharing	9.25	88.06	156.82	241.70	157.17
Discount rate	16.51%	16.51%	16.51%	16.51%	16.51%
Discounting terms	0.50	1.50	2.50	3.50	4.50
Discounted value	8.57	70.02	107.02	141.58	79.02

Items	2018	2019	2020	2021	2022	January to June, 2023
Income	4,666.67	5,555.56	7,111.11	7,111.11	7,111.11	3,555.56
Cost	3,037.34	3,622.00	4,636.16	4,644.69	4,644.69	2,322.35
Taxes and surcharges	39.15	46.61	59.66	59.66	59.66	29.83
Operating expenses	352.80	420.00	537.60	537.60	537.60	268.80
Administrative expenses	352.80	420.00	537.60	537.60	537.60	268.80
Research and development expenses	46.67	55.56	71.11	71.11	71.11	35.56
Financial expenses	19.60	23.33	29.87	29.87	29.87	14.94
Operating profit	818.31	968.06	1,239.12	1,230.59	1,230.59	615.30
Total profit	818.31	968.06	1,239.12	1,230.59	1,230.59	615.30
Income tax	122.75	145.21	185.87	184.59	184.59	92.30
Net profit	695.56	822.85	1,053.25	1,046.00	1,046.00	523.00
Sharing ratio	33.5475%	33.5475%	33.5475%	33.5475%	33.5475%	33.5475%
Profit after sharing	233.34	276.05	353.34	350.91	350.91	175.46
Discount rate	16.51%	16.51%	16.51%	16.51%	16.51%	16.51%
Discounting terms	5.50	6.50	7.50	8.50	9.50	10.00
Discounted value	100.69	102.24	112.32	95.74	82.18	38.07

Note: The figures shown in above table are illustrated in RMB'0,000, any discrepancy on the figures due to rounding does not have any impact on the appraised value.

The valuation of the fair value of the metro energy feedback devices amounted to approximately RMB9,374,500 (equivalent to approximately HK\$11,926,844.78) as at 30 June 2013 as appraised by the Valuer by adopting the income approach.

B. *Other self-developed intangible assets*

By using the income approach, the valuation of the fair value of other Relevant Intangible Assets are as follows:

No.	Name of intangible assets	Sharing ratio	Discount rate	Valuation (RMB)
1	urban rail braking energy absorption devices	33.3375%	15.51%	7,786,100.00
2	metro rectifiers	28.19%	14.51%	5,607,900.00
3	special rectifiers	33.3375%	13.51%	5,381,000.00
4	motor test power supply	33.3375%	13.51%	5,790,400.00

Therefore, the valuation of the total fair value of the Relevant Intangible Assets amounted to approximately RMB33,939,900.00 (equivalent to approximately HK\$43,180,534.35) as at 30 June 2013 as appraised by the Valuer by adopting the income approach.

The Board is satisfied that the Profit Forecast underlying the valuation of the Relevant Intangible Assets as mentioned above, for which the Directors are solely responsible, has been made after due and careful enquiry.

Letter from the Reporting Accountants

Ernst & Young Hua Ming LLP, the reporting accountant of the Company, has checked the arithmetical accuracy of the calculations of a forecast of the discounted value of net profit after sharing, which does not involve the adoption of accounting policies, underlying the valuation of the Relevant Intangible Assets.

A letter from the Board and a letter from the Reporting Accountants are included in the appendices to this announcement for the purpose of Rules 14.62 and 14A.56(8) of the Listing Rules.

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 TRANSFER AGREEMENTS

Pursuant to the Transfer Agreements, ZNERCC undertakes to the Group that ZNERCC shall, among other things, not use any asset or technology similar to the Target Assets and Technologies to commence or carry on the operation of metro energy feedback devices, urban rail braking energy absorption devices, metro rectifiers, special rectifiers and motor test power supply businesses so as to avoid the competition or reliance issues.

The Company considers that the Transfer Agreements represent an opportunity for the Group to expand its lines of business to the operation of metro energy feedback devices, urban rail braking energy absorption devices, metro rectifiers, special rectifiers and motor test power supply businesses. The Company has sufficient manpower, resources, technical expertise and experience to unlock the value of the Target Assets and Technologies transferred to the Group pursuant to the Transfer Agreements. The Board believes that the operation of metro energy feedback devices, urban rail braking energy absorption devices, metro rectifiers, special rectifiers and motor test power supply businesses is a quality business with growing potential which is beneficial to the Group's business in the long run.

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 Total Consideration of the Transfer Agreement is RMB36,612,980.97 (equivalent to approximately HK\$46,581,400.73). As the applicable percentage ratios in respect of the Transfer Agreements exceed 0.1% but are less than 5%, the Transaction constitutes 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.

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) have abstained from voting on the board resolution approving the Transfer Agreements and the Transaction due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the Transaction and hence no other Director has abstained from voting on such board resolution.

The Directors, excluding Mr. Ding Rongjun and Mr. Deng Huijin but including the independent non-executive Directors, consider that the Transaction is in the ordinary and usual course of business of the Group and the terms of the Transfer Agreements have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable and in the interest of the Group and its shareholders as a whole.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
Beijing Longyuan Zhibo Assets Valuation Company Limited	Professional valuer
Ernst & Young Hua Ming LLP	Certified Public Accountants

To the best knowledge, information and belief of the Directors, each of the Valuer and the Reporting Accountants is a third party independent of, and not connected with the Company or its connected persons (as defined in the Listing Rules).

As at the date of this announcement, neither the Valuer nor the Reporting Accountants has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Valuer and the Reporting Accountants has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its letter or report and all reference to its name in the form and context in which it included.

DEFINITIONS

“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
“Completion”	completion of the Transaction
“Director(s)”	director(s) of the Company
“First Assets Transfer Agreement”	the agreement dated 5 December 2013 and entered into between the Company and ZNERCC pursuant to which ZNERCC agreed to transfer the First Assets to the Company
“First Technologies Transfer Agreement”	the agreement dated 5 December 2013 and entered into between the Times Equipment and ZNERCC pursuant to which ZNERCC agreed to transfer the First Technologies to Times Equipment
“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
“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
“PRC”	the People’s Republic of China
“Reporting Accountants”	Ernst & Young Hua Ming LLP, being the reporting accountant to the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Second Assets Transfer Agreement”	the agreement dated 5 December 2013 and entered into between Times Equipment and ZNERCC pursuant to which ZNERCC agreed to transfer the Second Assets to Times Equipment
“Second Technologies Transfer Agreement”	the agreement dated 5 December 2013 and entered into between Times Equipment and ZNERCC pursuant to which ZNERCC agreed to transfer the Second Technologies to Times Equipment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets and Technologies”	collectively, the First Assets, the Second Assets, the First Technologies and the Second Technologies as set out in the Transfer Agreements
“Times Equipment”	Zhuzhou Times Equipment Technology Co., Ltd. (株洲時代裝備技術有限責任公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Total Consideration”	an aggregate sum of RMB36,612,980.97 (equivalent to approximately HK\$46,581,400.73), being the total consideration paid or to be paid by the Group to ZNERCC pursuant to the Transfer Agreements
“Transaction”	the transactions contemplated under the Transfer Agreements
“Transfer Agreements”	collectively, the First Assets Transfer Agreement, the Second Assets Transfer Agreement, the First Technologies Transfer Agreement and the Second Technologies Transfer Agreement
“Valuation Report”	the valuation report in respect of the Target Assets and Technologies dated 30 October 2013 and prepared by the Valuer
“Valuer”	Beijing Longyuan Zhibo Assets Valuation Company Limited (北京龍源智博資產評估有限責任公司), an independent valuer

“ZNERCC”

Zhuzhou National Engineering Research Centre of Converters Co., Ltd. (株洲變流技術國家工程研究中心有限公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Parent Company

This announcement contains translation of HK\$ to RMB at the rate of HK\$1 = RMB 0.786 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, 5 December 2013

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.

APPENDIX I — LETTER FROM THE BOARD RELATING TO THE PROFIT FORECAST

The following is the text of a letter prepared for the purpose of incorporation in this announcement, executed by the Board.



5 December 2013

The Listing Division
The Stock Exchange of Hong Kong Limited
11/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

**Re: Zhuzhou CSR Times Electric Co., Ltd. (Stock Code: 3898)
Announcement — Connected Transaction**

We refer to the announcement of the Company dated 5 December 2013 (the “Announcement”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

In accordance with the requirements under Rule 14.62(3) of the Listing Rules, we confirm that the Profit Forecast underlying the valuation of the Relevant Intangible Assets have been made after due and careful enquiry by us.

Yours faithfully,
For and on behalf of the board of directors of
Zhuzhou CSR Times Electric Co., Ltd.
Ding Rongjun
Chairman

APPENDIX II — LETTER FROM THE REPORTING ACCOUNTANTS



Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower
Oriental Plaza
No. 1 East Chang An Avenue
Dong Cheng District
Beijing, China 100738

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5 December 2013

The Directors

Zhuzhou CSR Times Electric Co., Ltd.
Times Road, Shifeng District,
Zhuzhou,
Hunan, China

Dear Sirs,

We have performed the work described below, in respect of the arithmetical accuracy of the calculations of a forecast of the discounted value of net profit after sharing (hereinafter referred to as the “Underlying Forecast”) underlying the valuation dated 30 October 2013 prepared by Beijing Longyuan Zhibo Assets Valuation Company Limited (北京龍源智博資產評估有限責任公司) in respect of certain intangible assets (i.e. metro energy feedback devices, urban rail braking energy absorption devices, metro rectifiers, special rectifiers and motor test power supply) of Zhuzhou National Engineering Research Centre of Converters Co., Ltd. (株洲變流技術國家工程研究中心有限公司) (“Certain Intangible Assets”) as at 30 June 2013. The Underlying Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors (the “Directors”) of Zhuzhou CSR Times Electric Co., Ltd. (the “Company”) to prepare the Underlying Forecast. The Underlying Forecast has been prepared using a set of assumptions (the “Assumptions”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors.

It is our responsibility to draw a conclusion, based on our work on the arithmetical accuracy of the calculations of the Underlying Forecast and to present our conclusion solely to you, as a body, for the purpose of reporting under paragraph 14.62(2) and

paragraph 14A.56(8) of the Listing Rules and for no other purpose. We are not reporting on the appropriateness and validity of the bases and Assumptions on which the Underlying Forecast are based and our work does not constitute any valuation of Certain Intangible Assets. The Underlying Forecast does not involve the adoption of accounting policies. The Assumptions used in the preparation of the Underlying Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. We have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and thus express no opinion whatsoever thereon. Our work is more limited than that for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We also accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

BASIS OF CONCLUSION

We conducted our work in accordance with China Standards on Other Assurance Engagements 3101 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Chinese Institute of Certified Public Accountants. Our work consisted primarily of checking the arithmetical accuracy of the calculations, of the Underlying Forecast prepared based on the Assumptions made by the Directors. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of Certain Intangible Assets as at 30 June 2013.

CONCLUSION

Based on our work described above, nothing has come to our attention that causes us to believe that the Underlying Forecast, so far as the arithmetical accuracy of the calculations of the Underlying Forecast is concerned, has not been properly compiled on the basis of the Assumptions made by the Directors.

Yours faithfully,

Ernst & Young Hua Ming LLP
Beijing, China