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 **株 洲 南 车 时 代 电 气 股 份 有 限 公 司**
中国南车 **ZHUZHOU CSR TIMES ELECTRIC CO., LTD.**
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3898)

CONNECTED TRANSACTION PROVISION OF ENTRUSTED LOAN

The Board is pleased to announce that on 30 December 2013, the Company entered into the Entrustment Agent Agreement with ICBC and the Entrustment Loan Agreement with ICBC and the Parent Company, respectively, in relation to the provision of the Entrusted Loan by the Company to the Parent Company with ICBC acting as the lending agent.

Listing Rules Implications

The Parent Company is a controlling shareholder of the Company and is therefore a connected person of the Company as defined under the Listing Rules. The provision of the Entrusted Loan by the Company to the Parent Company under the Entrustment Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Entrusted Loan exceed 0.1% but are less than 5%, the Entrustment Agreements are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

BACKGROUND

On 30 December 2013, the Company entered into the Entrustment Agent Agreement with ICBC and the Entrustment Loan Agreement with ICBC and the Parent Company, respectively, in relation to the provision of the Entrusted Loan by the Company to the Parent Company with ICBC acting as the lending agent. Pursuant to the Entrustment Agent Agreement, ICBC has, at the request of and acting as an agent to the Company, agreed to provide the service as a lending agent in relation to the release of the Entrusted Loan. Pursuant to the Entrustment Loan Agreement, ICBC is designated by the Company to act as a lending agent to release the Entrusted Loan, which is funded by the Company, to the Parent Company. The Entrusted Loan is provided to the Parent Company for the sole purpose as its working capital.

THE ENTRUSTMENT AGREEMENTS

Principle terms of the Entrustment Agreements are set out below:

Date

30 December 2013

Parties

- (1) the Company as the principal;
- (2) ICBC, as the lending agent; and
- (3) the Parent Company, as the borrower.

Loan amount

ICBC has, at the request of and acting as a lending agent to the Company, agreed to provide the Entrusted Loan with the principal amount of RMB500 million (equivalent to approximately HK\$639,222,705) to the Parent Company. The Entrusted Loan is to be drawn down in a single tranche.

Term

The term of the Entrusted Loan shall be twelve (12) months commencing from 31 December 2013 (the “**Drawdown Date**”). The Parent Company shall repay in full the outstanding principal of the Entrusted Loan and interest accrued thereon at maturity.

Interest rate

The interest payable by the Parent Company for the Entrusted Loan shall be calculated at a 10% discount to the benchmark lending rate of the corresponding loan type and period promulgated by the PBOC. If there are any changes in such benchmark lending rate, the interest rate of the Entrusted Loan will be adjusted accordingly. Interest will be charged and calculated from the Drawdown Date, and will be payable quarterly by the Parent Company. In the event of any late repayment of the principal or interest of the Entrusted Loan, a daily default interest rate of 0.025% will be charged by ICBC, upon receipt of written instruction from the Company, on the principal and interest amount overdue.

Purpose of the Entrusted Loan

The Entrusted Loan is provided to Parent Company for the sole purpose as its working capital. A daily default interest rate of 0.05% will be charged by ICBC, upon receipt of written instruction from the Company, on the principal and interest amount accrued if the Entrusted Loan is not applied for this specific purpose.

Handling fee

Each of the Company and the Parent Company shall open and maintain a bank account with ICBC for the purpose of drawdown and repayment of the Entrusted Loan and the payment of interest accrued thereon.

The handling fee charged by ICBC is 0.05% of the principal amount of the Entrusted Loan and shall be payable by the Company upon the drawdown by Parent Company.

Event of defaults

ICBC is entitled to, at the written instruction of the Company, among other things, stop the drawdown of or demand early repayment of the principal of the Entrusted Loan and all interests accrued thereon upon occurrence of any of the following events:

- (a) the Parent Company is in breach of any of its obligations under the Entrustment Loan Agreement;
- (b) the Parent Company does not use the Entrusted Loan as the specific purpose;
- (c) the Entrusted Loan is overdue and unpaid upon demand for repayment by ICBC;
- (d) the non-provision of financial statements and other documents or the provision of false financial statements and other documents to the Company or ICBC; and/or
- (e) the Parent Company is involved in material legal proceedings or arbitration proceedings.

Early repayment

The Parent Company may, by giving a prior written notice of three (3) days to the Company and with the written consent of the Company, repay the outstanding principal of the Entrusted Loan and any interest accrued thereon before maturity.

INFORMATION OF THE PARTIES

ICBC is a bank incorporated in the PRC and is principally engaged in banking, financial and other financial related services. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, ICBC and its ultimate beneficial owner(s) are third parties independent of the Company and are not connected persons of the Company.

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

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTMENT AGREEMENTS

Given that the lending rate of the Entrusted Loan is higher than the interest rate the Group could obtain by placing the same amount of deposit with commercial banks in the PRC and taking into account the flexibility that the Company could recall the Entrusted Loan at any time by giving only one month prior written notice to the Parent Company, the Directors consider that this arrangement will provide a better utilization of such surplus cash with acceptable levels of risk, and the interest charged thereto will, after deducting the relevant fees charged by ICBC, provide satisfactory economic returns for the Group.

LISTING RULES IMPLICATIONS

The Parent Company is a controlling shareholder of the Company and is therefore a connected person of the Company as defined under the Listing Rules. The provision of the Entrusted Loan by the Company to the Parent Company under the Entrustment Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Entrusted Loan exceed 0.1% but are less than 5%, the Entrustment Agreements are subject to the reporting and announcement requirements but are 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 Entrustment Agreements due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the Entrustment Agreements 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 terms of the Entrustment 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.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Entrusted Loan”	a loan of the principal amount of RMB500 million (equivalent to approximately HK\$639,222,705) entrusted by the Company to be provided to the Parent Company through the Entrustment Agreements, in which ICBC acts as the lending agent
“Entrustment Agent Agreement”	the entrustment agent agreement (委託代理協議) dated 30 December 2013 entered into between the Company and ICBC in relation to the Entrusted Loan
“Entrustment Agreements”	collectively, the Entrustment Agent Agreement and the Entrustment Loan Agreement
“Entrustment Loan Agreement”	the entrustment loan agreement (委託貸款借款合同) dated 30 December 2013 entered into between the Company, ICBC and the Parent Company in relation to the Entrusted Loan
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC”	Industrial and Commercial Bank of China Ltd., Zhuzhou Tianxin Branch (中國工商銀行股份有限公司 株洲田心支行), the lending agent of the Entrusted Loan
“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
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

This announcement contains translation of HK\$ to RMB at the rate of HK\$1 = RMB0.7822 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, 30 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.