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(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3898)

CONNECTED TRANSACTION PROVISION OF PROPOSED ENTRUSTED LOAN

Reference is made to the announcement of the Company dated 30 December 2013 in relation to the Original Entrusted Loan.

The Board is pleased to announce that on 14 January 2014, the Board approved that subject to, among others, the Independent Shareholders' approval, the Company shall enter into the Proposed Entrustment Arrangement with the Bank and the Parent Company in relation to the provision of the Proposed Entrusted Loan by the Company to the Parent Company with the Bank 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 Proposed Entrusted Loan by the Company to the Parent Company under the Proposed Entrustment Arrangement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Original Entrusted Loan were greater than 0.1% but less than 5%, the Original Entrustment Agreements were subject to the reporting and announcement requirements but were exempt from the independent shareholders' approval requirement under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the maximum principal amount of the Proposed Entrusted Loan, when considered separately or aggregated with the Original Entrusted Loan, exceed 5%, the Proposed Entrustment Arrangement is subject to the reporting, announcement and the independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Proposed Entrustment Arrangement. In this connection, the Company has appointed GF Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Proposed Entrustment Arrangement.

The advice from the independent non-executive Directors (i.e. members of the Independent Board Committee) will be set out in the circular after receiving advice from the Independent Financial Adviser.

A circular containing, among other things, (i) details of the Proposed Entrustment Arrangement; (ii) advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Proposed Entrustment Arrangement; and (iii) a notice of the EGM, is expected to be despatched to the shareholders of the Company no later than 6 February 2014.

BACKGROUND

Reference is made to the announcement of the Company dated 30 December 2013 in relation to the Original Entrusted Loan. On 30 December 2013, the Company, ICBC and the Parent Company entered into the Original Entrustment Agreements in relation to the provision of the Original Entrusted Loan by the Company to the Parent Company with ICBC acting as the lending agent. The drawdown of the Original Entrusted Loan by the Parent Company was completed on 31 December 2013.

On 14 January 2014, the Board approved that subject to, among others, the Independent Shareholders' approval, the Company shall enter into the Proposed Entrustment Arrangement with the Bank and the Parent Company in relation to the provision of the Proposed Entrusted Loan by the Company to the Parent Company with the Bank acting as the lending agent. It is contemplated under the Proposed Entrustment Arrangement that the Bank shall be designated by the Company to act as a lending agent to release the Proposed Entrusted Loan, which shall be funded by the Company, to the Parent Company. It is proposed that the Proposed Entrusted Loan shall be provided to Parent Company for the sole purpose of working capital.

Assuming that completion of the drawdown of the Proposed Entrusted Loan by the Parent Company takes place, the aggregate sum of the maximum principal amount of the Proposed Entrusted Loan and the Original Entrusted Loan provided by the Company to the Parent Company shall be RMB 1,500,000,000 (equivalent to approximately HK\$1,925,298,421).

THE PROPOSED ENTRUSTMENT ARRANGEMENT

It is proposed that the principal terms of the Proposed Entrustment Arrangement shall be similar to those terms of the Original Entrustment Agreements (which have been set out in the announcement of the Company dated 30 December 2013) and are summarised as follows:

Date

A date to be determined by the parties

Parties

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

Loan amount

It is proposed that the Company shall provide the Proposed Entrusted Loan with the principal amount of up to RMB 1,000,000,000 (equivalent to approximately HK\$1,283,532,281) to the Parent Company, which shall be drawn down in a manner as set out in the definitive entrustment agreement(s) to be entered into by the parties.

Term

It is proposed that the Proposed Entrusted Loan shall be a term of not more than twelve (12) months commencing from the date of drawdown to be determined by the parties (the “**Drawdown Date**”). The Parent Company shall repay in full the outstanding principal amount of the Proposed Entrusted Loan and any interest accrued thereon at maturity.

Interest rate

It is proposed that the interest payable by the Parent Company for the Proposed 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 Proposed 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.

Purpose of the Proposed Entrusted Loan

It is proposed that the Proposed Entrusted Loan shall be provided to the Parent Company for the sole purpose of working capital.

Handling fee

It is proposed that each of the Company and the Parent Company shall open and maintain a bank account with the Bank for the purpose of the drawdown and repayment of the Proposed Entrusted Loan and the payment of interest accrued thereon.

It is proposed that the handling fee to be charged by the Bank shall not be more than 0.05% of the final principal amount of the Proposed Entrusted Loan and shall be payable by the Company upon the drawdown by the Parent Company.

Event of defaults

It is contemplated that the Bank shall be entitled to, at the written instruction of the Company, among other things, stop the drawdown of or demand early repayment of the outstanding principal amount of the Proposed Entrusted Loan and all interests accrued thereon upon the occurrence of any of the following events:

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

Early repayment

It is contemplated that 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 amount of the Proposed Entrusted Loan and any interest accrued thereon before maturity.

It is contemplated that the Company shall be entitled to demand for repayment of the outstanding principal amount of the Proposed Entrusted Loan and all interests accrued thereon any time before maturity by giving one month prior written notice to the Parent Company and the Parent Company shall repay the same within the specified time limit as set out in the said written notice.

As at the date of this announcement, the parties have not executed any definitive entrustment agreement in relation to the Proposed Entrusted Loan.

INFORMATION OF THE PARTIES

As at the date of this announcement, the Company has not yet confirmed the appointment of the Bank as the lending agent of the Proposed Entrusted Loan. It is however contemplated that the Bank should be a commercial bank established in the PRC which is licensed under the PRC laws to principally engage in banking, financial and other financial related services. The Directors undertake and procure that to their best knowledge, information and belief having made all reasonable enquiries, the Bank and its ultimate beneficial owner(s) shall be third parties independent of the Company and shall not be 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 PROPOSED ENTRUSTMENT ARRANGEMENT

Given that the proposed lending rate of the Proposed Entrusted Loan is higher than the interest rate the Group could obtain by placing the same amount of fund in deposit with commercial banks in the PRC and taking into account the flexibility that the Company shall be entitled to demand for repayment of the outstanding principal amount of the Proposed Entrusted Loan and all interests accrued thereon at any time by giving only one month prior written notice to the Parent Company, the Directors consider that the Proposed Entrustment 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 to be charged by the Bank, 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 Proposed Entrusted Loan by the Company to the Parent Company under the Proposed Entrustment Arrangement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Original Entrusted Loan were greater than 0.1% but less than 5%, the Original Entrustment Agreements were subject to the reporting and announcement requirements but were exempt from the independent shareholders' approval requirement under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the maximum principal amount of the Proposed Entrusted Loan, when considered separately or aggregated with the Original Entrusted Loan, exceed 5%, the Proposed Entrustment Arrangement is subject to the reporting, announcement and the independent shareholders' approval requirements 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 Proposed Entrustment Arrangement due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the Proposed Entrustment Arrangement and hence no other Directors have abstained from voting on such board resolution.

The Directors, excluding Mr. Ding Rongjun, Mr. Deng Huijin and the independent non-executive Directors (who will form their views after having received the advice of the Independent Financial Adviser), consider that the proposed principal terms of the Proposed Entrustment Arrangement have been and will be negotiated on an arm's length basis and on normal commercial terms or if there are no sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned. The Proposed Entrustment Arrangement is conditional upon, among others, the Independent Shareholders' approval in respect thereof.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Proposed Entrustment Arrangement. In this connection, the Company has appointed GF Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Proposed Entrustment Arrangement.

The advice from the independent non-executive Directors (i.e. members of the Independent Board Committee) will be set out in the circular after receiving advice from the Independent Financial Adviser.

A circular containing, among other things, (i) details of the Proposed Entrustment Arrangement; (ii) advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Proposed Entrustment Arrangement; and (iii) a notice of the EGM, is expected to be despatched to the shareholders of the Company no later than 6 February 2014.

DEFINITIONS

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

“Bank”	a commercial bank in the PRC to be designated by the Company to act as the lending agent of the Proposed Entrusted Loan
“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 established 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
“EGM”	an extraordinary general meeting (including any adjournment thereof) to be held for the Independent Shareholders to consider and, if thought fit, approve the Proposed Entrustment Arrangement

“GF Capital” or “Independent Financial Adviser”	GF Capital (Hong Kong) Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Entrustment Arrangement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board (which consists only of independent non-executive Directors) formed to advise the Independent Shareholders in relation to the Proposed Entrustment Arrangement
“Independent Shareholders”	shareholders of the Company other than those who are required by the Listing Rules to abstain from voting on the resolution to approve the Proposed Entrustment Arrangement
“Independent Third Parties”	parties who are independent of, and not connected with, the Company or any of its connected persons
“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 Original Entrusted Loan
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Original Entrusted Loan”	the loan of a principal amount of RMB 500,000,000 (equivalent to approximately HK\$641,766,140) entrusted by the Company and provided to the Parent Company through the Original Entrustment Agreements, in which ICBC acted the lending agent

“Original 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 Original Entrusted Loan
“Original Entrustment Agreements”	collectively, the Original Entrustment Agent Agreement and the Original Entrustment Loan Agreement
“Original Entrustment Loan Agreement”	the entrustment loan agreement (委託貸款借款合同) dated 30 December 2013 entered into among the Company, ICBC and the Parent Company in relation to the Original Entrusted Loan
“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
“Proposed Entrusted Loan”	the loan of a principal amount of up to RMB 1,000,000,000 (equivalent to approximately HK\$1,283,532,281) entrusted by the Company and to be provided to the Parent Company through the Proposed Entrustment Arrangement, in which the Bank acts the lending agent
“Proposed Entrustment Arrangement”	the transactions contemplated under the entrustment loan agreement and other related agreement(s) to be entered by the Company in relation to the Proposed Entrusted Loan entrusted by the Company and to be provided to the Parent Company, in which the Bank acts the lending agent
“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 = RMB0.7791 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, 14 January 2014

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.