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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)

CONTINUING CONNECTED TRANSACTIONS FINANCIAL SERVICES FRAMEWORK AGREEMENT

FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Board is pleased to announce that on 2 April 2014, the Company and CSR Finance entered into the Financial Services Framework Agreement, pursuant to which, CSR Finance has agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CSRG directly and indirectly holds approximately 57.16% equity interest in CSR in aggregate. CSR directly holds the entire equity interest in the Parent Company. The Parent Company is a controlling shareholder of the Company. CSR Finance is held as to 91% by CSR and 9% as to CSRG and is therefore a connected person of the Company as defined under the Listing Rules. Therefore, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of the Company.

The loan services to be provided by CSR Finance to the Company under the Financial Services Framework Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are provided on normal commercial terms which are similar to or even more favourable than those offered by independent third parties for comparable services in the PRC, and no security over the assets of the Group will be granted in respect thereof, pursuant to Rule 14A.65(4) of the Listing Rules, the loan services are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to deposit services and the total fees payable by the Group to CSR Finance for the provision of other financial services under the Financial Services Framework Agreement, whether alone or aggregated, is more than 0.1% but less than 5%, the deposit services and other financial services to be provided by CSR Finance to the Group constitute continuing connected transactions under Rule 14A.34 of the Listing Rules and are subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules. The Company will disclose the relevant details in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in the Rule 14A.45 of the Listing Rules.

The Directors, excluding Mr. Ding Rongjun and Mr. Deng Huijin but including the independent non-executive Directors, consider that the terms of the Financial Services Framework Agreement 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 Company and its shareholders as a whole.

FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Board is pleased to announce that on 2 April 2014, the Company and CSR Finance entered into the Financial Services Framework Agreement, pursuant to which, CSR Finance has agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein.

The principal terms of the Financial Services Framework Agreement are set out below:

Date :

2 April 2014

Parties :

(1) The Company; and

(2) CSR Finance

Term :

The Financial Services Framework Agreement shall be for a term commencing from 2 April 2014 to 31 December 2016.

Material Terms:

Pursuant to the Financial Services Framework Agreement, the services to be provided by CSR Finance to the Group include deposit services, loan services and other financial services as described below.

CSR Finance shall ensure the stable operation of the fund management system to safeguard the funds, to monitor the credit risk and to satisfy the payment needs of the Group.

The parties have agreed to enter into separate agreements for each service provided under the Financial Services Framework Agreement and the terms of such agreements shall be, in principle, in compliance with the terms stipulated in the Financial Services Framework Agreement.

Pricing Policy:***Deposit services***

The interest rate for the Group's deposits with CSR Finance shall not be lower than (i) the benchmark interest rate as published by PBOC for the same type of deposit; (ii) the interest rate payable by other principal commercial banks in the PRC to the Group for comparable deposits; and (iii) the interest rate payable by CSR Finance to other members of the CSRG Group for comparable deposits.

Loan services

The interest rate for loans granted to the Group by CSR Finance shall comply with the benchmark interest rates as published by PBOC for the same type of loans and with the same periods and shall not be higher than (i) the interest rate payable by the Group to other principal commercial banks in the PRC for comparable loans; and (ii) the interest rate payable by other members of the CSRG Group to CSR Finance for comparable loans.

Other financial services

The fees charged by CSR Finance for the provision of other financial services shall comply with benchmark fees published by PBOC or CBRC for the same type of financial services and shall not be higher than (i) the fees charged by other principal commercial banks in the PRC for comparable financial services; and (ii) the fees paid by other members of the CSRG Group to CSR Finance for comparable financial services.

ANNUAL CAPS AND BASIS OF ANNUAL CAPS

Deposit services

The Company estimates that the proposed annual cap for the deposit services, being the maximum daily deposit balance (including any interest accrued thereon) with CSR Finance, for each of the three years ending 31 December 2016 shall be RMB350 million (approximately HK\$437.77 million), after taking into account of:

- (a) the increasing total assets of the Group;
- (b) the fact that CSR Finance is under supervision of CBRC and it has been maintaining good risk control, satisfactory operating results and well-regulated management and settlement systems; and
- (c) the fact that the Company's cooperation with CSR Finance will allow it to reduce financial charges, increase income from interest on deposits, and reduce settlement costs with good risk control.

Loan services

The Company estimates that the proposed annual cap for the loan services, being the maximum daily credit facility (including any interest accrued thereon) with CSR Finance, for each of the three years ending 31 December 2016 shall be RMB350 million (approximately HK\$437.77 million).

Other financial services

The other financial services which may be provided by CSR Finance to the Group include but not limited to investment and financial advisory and consultation services, credit assurance and related consulting and agency services, assistance in the receipt and payment of transaction proceeds, providing guarantees, entrusted loans, acceptance and discount of bills, intra-group transfer and settlement services, providing settlement solutions and finance leasing.

The Company estimates the annual cap for other financial services, being the fees payable by the Group to CSR Finance for the provision of other financial services for each of the three years ending 31 December 2016 shall be RMB30 million (approximately HK\$37.52 million).

INFORMATION ON THE GROUP

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

INFORMATION ON CSRG GROUP

The principal business of the CSRG Group is design, manufacture and repair, of locomotive trains, urban railway transport trains, mechanical and electrical equipment and parts and components, electronics, electrical appliances and environmental protection related products; leasing of equipment; sale of the aforementioned related products; technological services, advising on information; investment in industry; management of assets as agent; import and export; installation of construction equipment; chemical industry materials (excluding dangerous chemicals) and sale of construction materials.

INFORMATION ON CSR FINANCE

CSR Finance is a non-banking institution established under the laws of the PRC in December 2012 with the approval of CBRC and is subject to the supervision of CBRC. CSR Finance is principally engaged in providing financial services including but not limited to deposit services, loan and entrusted loan services, discounting services and settlement services to the CSRG Group (and the Group as contemplated under the Financial Services Framework Agreement).

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

Having considered (1) the interest rates on loans and deposits offered by CSR Finance to the Group will be equal to or more favourable than those offered by other commercial banks in the PRC, (2) CSR Finance is regulated by PBOC and CBRC and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities; (3) the Group is expected to benefit from CSR Finance's better understanding of operations of the Group which should allow expedient and efficient service provision (such as it is expected that CSR Finance may be more efficient in approving the loans than other commercial banks in the PRC); and (4) pursuant to the relevant regulations of PBOC and CBRC, the customers of CSR Finance are limited to entities within the CSRG Group (including the Group), thereby reducing the risks that CSR Finance may otherwise be exposed to if its customers included other entities unrelated to the CSRG Group or the Group, the Directors consider that the Financial Services Framework Agreement will provide a better utilization of such surplus cash with acceptable levels of risk and an efficient management of loan, deposit and other financial services for meeting the daily operation needs of the Group. The deposit transactions do not have any effect on the assets and liabilities of the Group. In addition, the interest earned out of the deposit transactions will provide satisfactory economic returns for the Group.

Mr. Ding Rongjun and Mr. Deng Huijin have abstained from voting on the Board resolution approving the Financial Services Framework Agreement due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the Financial Services Framework Agreement 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 Financial Services Framework Agreement 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 Company and its shareholders as a whole.

LISTING RULE IMPLICATIONS

As at the date of this announcement, CSRG directly and indirectly holds approximately 57.16% equity interest in CSR in aggregate. CSR directly holds the entire equity interest in the Parent Company. The Parent Company is a controlling shareholder of the Company. CSR Finance is held as to 91% by CSR and 9% as to CSRG and is therefore a connected person of the Company as defined under the Listing Rules. Therefore, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of the Company.

The loan services to be provided by CSR Finance to the Company under the Financial Services Framework Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are provided on normal commercial terms which are similar to or even more favourable than those offered by independent third parties for comparable services in the PRC, and no security over the assets of the Group will be granted in respect thereof, pursuant to Rule 14A.65(4) of the Listing Rules, the loan services are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to deposit services and the total fees payable by the Group to CSR Finance for the provision of other financial services under the Financial Services Framework Agreement, whether alone or aggregated, is more than 0.1% but less than 5%, the deposit services and other financial services to be provided by CSR Finance to the Group constitute continuing connected transactions under Rule 14A.34 of the Listing Rules and are subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules. The Company will disclose the relevant details in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in the Rule 14A.45 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the Board of Directors
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“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
“CSR”	China South Locomotive & Rolling Stock Corporation Limited (中國南車股份有限公司), a joint stock company incorporated in the PRC with limited liability, the A shares and the H shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange respectively; CSR is directly and indirectly held as to approximately 57.16% by CSRG and holds the entire equity interest in the Parent Company
“CSR Finance”	南車財務有限公司 (CSR Finance Co. Ltd), a company incorporated under the laws of the PRC with limited liability
“CSRG”	中國南車集團公司 (CSR Group), a PRC State-owned enterprise and the controlling shareholder of CSR
“CSRG Group”	CSRG and its subsidiaries (excluding the Group)
“Director(s)”	the directors of the Company
“Financial Services Framework Agreement”	the Financial Services Framework Agreement entered into between CSR Finance and the Company on 2 April 2014
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“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 company established under the laws of the PRC with limited liability, the controlling shareholder of the Company, and a wholly-owned subsidiary of CSR
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi , the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

This announcement contains translation of HK\$ to RMB at the rate of HK\$1 = RMB0.7995 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, 2 April 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 executive Director is Deng Huijin, our other executive Directors are Li Donglin and Yan Wu, our non-executive Director is Ma Yunkun, and our independent non-executive Directors are Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Liu Chunru.