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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)

CONNECTED TRANSACTION

ESTABLISHMENT OF A JOINT VENTURE COMPANY

The Board is pleased to announce that on 2 April 2014, the Company, CSR Sifang and Hongda Schnell (an Independent Third Party) entered into the JV Agreement for the establishment of the JV Company in Qingdao City, Shandong Province, the PRC.

As at the date of this announcement, the Parent Company is a controlling shareholder of the Company. CSR directly holds the entire equity interest in the Parent Company and approximately 97.81% equity interest in CSR Sifang. CSR Sifang is an associate of the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the establishment of the JV Company contemplated under the JV Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the JV Agreement is more than 0.1% but less than 5%, the JV Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 2 April 2014, the Company, CSR Sifang and Hongda Schnell entered into the JV Agreement for the establishment of the JV Company in Qingdao City, Shandong Province, the PRC.

THE JV AGREEMENT

The principal terms of the JV Agreement are as follows:

- Date:** 2 April 2014
- Parties:** (i) the Company;
(ii) CSR Sifang; and
(iii) Hongda Schnell

Capital Contribution:

The Company, CSR Sifang and Hongda Schnell have agreed to contribute RMB45 million (equivalent to approximately HK\$56.29 million), RMB38 million (equivalent to approximately HK\$47.53 million) and RMB17 million (equivalent to approximately HK\$21.26 million) respectively to jointly establish the JV Company in Qingdao City, Shandong Province, the PRC. The JV Company will have a registered capital of RMB100 million (equivalent to approximately HK\$125.08 million), and will be held as to 45% by the Company, 38% by CSR Sifang, and 17% by Hongda Schnell.

Consideration:

Pursuant to the JV Agreement and in light of the potential capital needs of the JV Company, the parties have agreed that the registered capital of the JV Company shall be RMB100 million (equivalent to approximately HK\$125.08 million). The registered share capital shall be paid by the parties in cash in two installments. The first instalment of RMB50 million (equivalent to approximately HK\$62.54 million) shall be paid upon the establishment of the JV Company by the parties in accordance to their respective shareholdings. The second instalment of RMB50 million shall be paid within two years of the establishment of the JV Company by the parties in accordance to their respective shareholdings.

The consideration was determined upon arm's length negotiations between the parties on normal commercial terms after taking into account of the potential capital needs of the JV Company. The payment of the Company's share of capital contribution shall be funded by the internal resources of the Group.

Management of the JV Company:

The board of directors of the JV Company shall be composed of seven members, among which four directors shall be nominated by the Company, two directors shall be nominated by CSR Sifang and one director shall be nominated by Hongda Schnell. The chairman of the board of directors of the JV Company (who shall also be the legal representative of the JV Company) shall be appointed by the Company. Upon completion of the establishment, the JV Company will be held as to 45% by the Company, 38% by CSR Sifang, and 17% by Hongda Schnell. The JV Company will be accounted for as a subsidiary of the Company through the control of the majority members of the board of directors of the JV Company.

The supervisory committee of the JV Company shall be composed of three members and each of the Company, CSR Sifang and Hongda Schnell shall nominate one member.

INFORMATION ABOUT THE COMPANY, CSR SIFANG AND HONGDA SCHNELL

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

CSR Sifang is principally engaged in research and development and manufacture of railway electric multiple units, passenger coaches and city railway vehicles and the repair services of railway electric multiple units and high quality passenger coaches. CSR Sifang is held as to 97.81% by CSR and therefore is a connected person of the Company.

Hongda Schnell is principally engaged in the manufacture and sale of rail transportation parts, components and equipment. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, prior to the establishment of the JV Company, Hongda Schnell and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT

The JV Company will be formed in Qingdao City, Shandong Province, the PRC with the intention to, among other things, (i) expand and strengthen the Company's electrical railway business, (ii) enhance the assembly of its whole locomotive

electrical systems, (iii) reinforce the cooperation between the suppliers of the whole locomotive and the suppliers of the key spare parts, and (iv) improve the Company's internal support system. The establishment of the JV Company will support the Group's ancillary production facilities in Qingdao City, Shandong Province, the PRC and will benefit the Group from the combined technical, production and management expertise of the Company, CSR Sifang and Hongda Schnell and will bring synergy effect on the business development of the Group as a whole in the long run.

The Directors (including the independent non-executive Directors) are of the view that (i) the establishment of the JV Company contemplated under the JV Agreement will be carried out in the ordinary and usual course of business of the Company and (ii) the terms of the JV Agreement are entered into on normal commercial terms or terms not less favourable than those of similar transactions with Independent Third Parties, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Parent Company is a controlling shareholder of the Company. CSR directly holds the entire equity interest in the Parent Company and approximately 97.81% equity interest in CSR Sifang. CSR Sifang is an associate of the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the establishment of the JV Company contemplated under the JV Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the JV Agreement is more than 0.1% but less than 5%, the JV Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Ding Rongjun and Mr. Deng Huijin have abstained from voting on the Board resolution approving the JV Agreement due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the JV Agreement and hence no other Director has abstained from voting on such Board resolution.

GENERAL

The establishment of the JV Company is subject to the approval of the relevant PRC government authorities which may or may not be obtained. As such, the Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“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
“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 as at the date of this announcement
“CSRG”	中國南車集團公司 (CSR Group), a PRC State-owned enterprise and the controlling shareholder of CSR
“CSR Sifang”	南車青島四方機車車輛股份有限公司 (CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), formerly known as 南車四方機車車輛股份有限公司 (CSR Sifang Locomotive & Rolling Stock Co., Ltd) a joint stock company established in the PRC, which was held as to 97.81% by CSR as at the date of this announcement
“Director(s)”	the directors of the Company

“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
“Hongda Schnell”	Qingdao Hongda Schnell Science & Technology Co., Ltd. (青島宏達賽耐爾科技股份有限公司), a joint stock company established in the PRC and an Independent Third Party
“JV Agreement”	the joint venture JV Agreement dated 2 April 2014 entered into among the Company, CSR Sifang and Hongda Schnell in relation to the establishment of the JV Company
“JV Company”	a company with limited liability to be established in the PRC with a proposed name of Qingdao CSR Times Electric Equipment Co., Ltd (青島南車時代電氣設備有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Independent Third Party”	a party who is independent of, and not connected with the Company or any of its connected persons
“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 in the PRC with limited liability, the controlling shareholder of the Company, and a wholly-owned subsidiary of CSR
“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
“Shareholder(s)”	holders of shares of the Company

“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.