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

(Stock Code: 3898)

ANNOUNCEMENT

CONNECTED TRANSACTION IN RELATION TO ESTABLISHMENT OF A JOINT VENTURE COMPANY

The Board is pleased to announce that on 30 October 2018, the Company, Chongqing Changan, CSG Electric Power, Zhuhai Gree, Tianjin Zhonghuan, Hunan Xiangtou, Times Electric Vehicle and Times New Material entered into the JV Agreement for the establishment of the JV Company in Zhuzhou, Hunan Province, the PRC.

As at the date of this announcement, CRRCG directly and indirectly holds approximately 51.43% equity interest in CRRC in aggregate. CRRC is an indirect controlling shareholder of the Company holding indirectly approximately 52.38% of the shares of the Company in aggregate. CRRCG directly and indirectly holds approximately 87.37% and 51.02% equity interest in Times Electric Vehicle and Times New Material in aggregate respectively. Each of Times Electric Vehicle and Times New Material 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 of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the JV Agreement is more than 0.1% but less than 5%, the establishment of the JV Company contemplated under 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 30 October 2018, the Company, Chongqing Changan, CSG Electric Power, Zhuhai Gree, Tianjin Zhonghuan, Hunan Xiangtou, Times Electric Vehicle and Times New Material entered into the JV Agreement for the establishment of the JV Company in Zhuzhou, Hunan Province, the PRC.

THE JV AGREEMENT

The principal terms of the JV Agreement are as follows:

Date: 30 October 2018

Parties: (i) the Company;
(ii) Chongqing Changan;
(iii) CSG Electric Power;
(iv) Zhuhai Gree;
(v) Tianjin Zhonghuan;
(vi) Hunan Xiangtou;
(vii) Times Electric Vehicle; and
(viii) Times New Material

Establishment of the JV Company:

The Company, Chongqing Changan, CSG Electric Power, Zhuhai Gree, Tianjin Zhonghuan, Hunan Xiangtou, Times Electric Vehicle and Times New Material have agreed to jointly establish the JV Company in Zhuzhou, Hunan Province, the PRC. The principal businesses of the JV Company include, among others, technology development, technical consultation, technical services and technology transfer in the field of power semiconductors; design, research and development, testing and sale of power semiconductors; import and export of goods and technology; conference and exhibition services; personnel training, subject to the filing with the State Administration for Industry and Commerce of the PRC.

Term of operation:

The term of operation of the JV Company is 30 years from the date of establishment of the JV Company. The Shareholders shall decide whether to extend the term of operation of the JV Company at least six months prior to the expiry of the term, subject to the approval of the relevant PRC authorities.

Capital contribution:

The JV Company will have a registered capital of RMB500 million (equivalent to approximately HK\$561.80 million) which shall be contributed by the Shareholders by way of cash in instalments according to the business development of the JV Company. The initial contribution by the Shareholders shall be a total sum of RMB100 million (equivalent to approximately HK\$112.36 million) which shall be paid within 60 days of the establishment of the JV Company. Accordingly, the Shareholders shall contribute the amounts as set out in the table below respectively by way of cash as initial contribution in proportion to their respective percentage of equity interest held in the JV Company. The remainder of the registered capital shall be contributed by the Shareholders within three years of the establishment of the JV Company.

Shareholder	Capital contribution <i>(RMB millions)</i>	Equity interest <i>(%)</i>	Initial contribution <i>(RMB millions)</i>
The Company	125	25	25
Chongqing Changan	125	25	25
CSG Electric Power	50	10	10
Zhuhai Gree	50	10	10
Tianjin Zhonghuan	50	10	10
Hunan Xiangtou	50	10	10
Times Electric Vehicle	25	5	5
Times New Material	25	5	5
Total	500	100	100

Consideration:

The registered capital of the JV Company in the amount of RMB500 million (equivalent to approximately HK\$561.80 million) and the respective proportions of the registered capital contribution undertaken by the Shareholders were determined upon arm's length negotiations between the Shareholders on normal commercial terms after taking into account the potential capital needs of the JV Company initially.

The payment of the Company's share of the registered capital contribution shall be funded by the internal resources of the Group.

Board of directors and supervisory committee of the JV Company:

The board of directors of the JV Company shall be composed of nine directors. Each of the Shareholders shall recommend one director and an elected staff representative shall be the remaining one director. The chairman of the board of directors of the JV Company (who shall also be the legal representative of the JV Company) shall be recommended by the Company and shall be elected by the board of directors.

The supervisory committee of the JV Company shall be composed of three members. Chongqing Changan shall recommend one member. The Shareholders (other than the Company and Chongqing Changan) shall recommend one member. The remaining one member shall be a staff representative. The chairman of the supervisory committee of the JV Company shall be recommended by Chongqing Changan and shall be elected by the supervisory committee.

Sharing of profits or losses:

Any profits or losses of the JV Company shall be shared by the Shareholders in proportion to their respective contribution to the registered capital of the JV Company.

Lock-up period:

In order to maintain the stable operation of the JV Company, the Shareholders have agreed not to dispose of their equity interests in the JV Company to any third party other than the Shareholders (except for the equity transfer(s) to the respective subsidiaries of the Shareholders) within three years of the establishment of the JV Company without the approval of all the other Shareholders.

Pre-emptive rights:

If any of the Shareholders wishes to transfer all or part of its equity interests in the JV Company to any third party, the other Shareholders shall have pre-emptive right to acquire the equity interest on the same conditions.

INFORMATION ABOUT THE PARTIES TO THE JV AGREEMENT

The Group is mainly engaged in the research, development, manufacture and sale of locomotive train power converters, control systems, urban railway train electrical systems and other train borne electrical systems, as well as engaged in the research, development, manufacture and sale of electric components for the railway industry, urban railway industry and non-railway purposes.

Chongqing Changan is principally engaged in the manufacture and sale of automobiles (including cars), automotive engine series products and accessory parts.

CSG Electric Power is principally engaged in conducting power grid scientific research, technology development, product development, manufacture and sale of equipment, technology transfer, technical supervision, technical training, technical consulting, technical services, etc.; conducting project review, power engineering commissioning, system integration, etc.; the investment in and management of industries related to power grid core technology and new grid technology; the supervision of power transmission and transformation engineering equipment, engineering design, engineering consulting, engineering construction; the development of information systems, system operation maintenance and sale of software; the testing of electrical equipment; computer network technology service; the editing, publishing and issuance of the Southern Power System Technology Journal; the design, production, agency and release of various domestic and international advertisements; the import and export of goods and technology.

Zhuhai Gree is principally engaged in the research and development, manufacture and sale of household air conditioners, HVAC equipment, smart equipment, household appliances, air energy water heaters, industrial products, etc..

Tianjin Zhonghuan is principally engaged in the manufacture, processing, wholesaling and retail of semiconductor materials and semiconductor devices, electronic components, electronic instruments, equipment and parts; leasing of housing; export business of self-produced products and technologies of Tianjin Zhonghuan and import business of mechanical equipment, spare parts, raw and auxiliary materials and technologies required by Tianjin Zhonghuan; research and development, manufacture and sale of solar batteries and components; manufacture, installation and sale of photovoltaic power generation systems and components; photovoltaic power plant operation.

Hunan Xiangtou is principally engaged in the investment in state-owned assets, finance, electricity, natural gas, new metal materials, electronic information, hotels, tourism, wholesale and retail business as well as operation of state-owned assets, new metal materials, electronic information, wholesale and retail business.

Times Electric Vehicle is principally engaged in the manufacture, sale and after-sales service of passenger vehicles, special vehicles and parts and mechanical and electrical products; import and export business of the aforementioned technology and commodity; development, production, system integration and service of computer software and products; road cargo transportation.

Times New Material is principally engaged in the research and development and engineering application of polymer materials such as vibration reduction, noise reduction and weight reduction. The products of Times New Material extend to rubber, plastics, composites, functional materials and many other fields and are mainly used in the fields of rail transit, automobiles, new energy and special equipment, etc..

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, prior to the establishment of the JV Company, save for Times Electric Vehicle and Times New Material, each of Chongqing Changan, CSG Electric Power, Zhuhai Gree, Tianjin Zhonghuan, Hunan Xiangtou and its respective ultimate beneficial owners are all Independent Third Parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT

The JV Company will be established in Zhuzhou, Hunan Province, the PRC with the intention to, among other things, (i) create a power semiconductor device and application industry collaborative innovation base; (ii) promote the forward-looking nature of the new power semiconductor industry, basic key technology innovation, intellectual property transformation, commercial application, commercial promotion and industrial services through market adjustment; (iii) facilitate the coordinated development of the Shareholders and alliance enterprises within the industry; and (iv) boost the development of the power semiconductor industry in the PRC. The Directors believe that the establishment of the JV Company will benefit the Group by combining the resources strengths of the Company and the other Shareholders and will bring synergy effect on the business development of the Group as a whole in the long run.

Mr. Li Donglin, Mr. Yang Shouyi and Mr. Zhang Xinning 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.

The Directors, excluding Mr. Li Donglin, Mr. Yang Shouyi and Mr. Zhang Xinning but including the independent non-executive Directors, are of the view that the JV Agreement and the transactions contemplated thereunder (including the establishment of the JV Company) are on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the JV Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CRRCG directly and indirectly holds approximately 51.43% equity interest in CRRC in aggregate. CRRC is an indirect controlling shareholder of the Company holding indirectly approximately 52.38% of the shares of the Company in aggregate. CRRCG directly and indirectly holds approximately 87.37% and 51.02% equity interest in Times Electric Vehicle and Times New Material in aggregate respectively. Each of Times Electric Vehicle and Times New Material 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 of the Company under Chapter 14A of the Listing Rules.

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GENERAL

The establishment of the JV Company is subject to the approval of the relevant PRC authorities which may or may not be obtained. As such, shareholders of the Company 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
“Chongqing Changan”	重慶長安汽車股份有限公司 (Chongqing Changan Automobile Company Limited*), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange
“Company”	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CRRC”	CRRC Corporation Limited (中國中車股份有限公司), a joint stock company established 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
“CRRCG”	中國中車集團有限公司 (CRRC Group Co., Ltd.), a wholly state-owned enterprise of the PRC and the controlling shareholder of CRRC
“CSG Electric Power”	南方電網科學研究院有限責任公司 (Electric Power Research Institute, CSG.*), a company established in the PRC with limited liability and a subsidiary of 中國南方電網有限責任公司 (China Southern Power Grid Co., Ltd.*)
“Director(s)”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Xiangtou”	湖南湘投控股集團有限公司 (Hunan Xiangtou Holdings Group Co., Ltd.*), a company established in the PRC with limited liability

“Independent Third Party(ies)”	parties who are independent of, and not connected with the Company or any of its connected persons
“JV Agreement”	the joint venture agreement dated 30 October 2018 entered into between the Company, Chongqing Changan, CSG Electric Power, Zhuhai Gree, Tianjin Zhonghuan, Hunan Xiangtou, Times Electric Vehicle and Times New Material in relation to the establishment of the JV Company
“JV Company”	a company with limited liability to be established in Zhuzhou, Hunan Province, the PRC pursuant to the JV Agreement with a proposed name of Hunan Power Semiconductor Innovation Centre Co., Ltd.* (湖南功率半導體創新中心有限公司) (subject to the approval of the State Administration for Industry and Commerce of the PRC)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties” or “Shareholders”	Parties to the JV Agreement, namely, the Company, Chongqing Changan, CSG Electric Power, Zhuhai Gree, Tianjin Zhonghuan, Hunan Xiangtou, Times Electric Vehicle and Times New Material who shall be the initial shareholders of the JV Company upon its establishment
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, does not include Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Zhonghuan”	天津中環半導體股份有限公司 (Tianjin Zhonghuan Semiconductor Co., Ltd.*), a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange
“Times Electric Vehicle”	Hunan CRRC Times Electric Vehicle Co., Ltd., (湖南中車時代電動汽車股份有限公司), a joint stock company established in the PRC with limited liability, which was directly and indirectly held as to approximately 87.37% in aggregate by CRRCG as at the date of this announcement

“Times New Material”	Zhuzhou Times New Material Technology. Co., Ltd., (株 洲 時 代 新 材 料 科 技 股 份 有 限 公 司), a joint stock company established in the PRC with limited liability, the A shares of which are listed on the Shanghai Stock Exchange, which was directly and indirectly held as to approximately 51.02% in aggregate by CRRCG as at the date of this announcement
“Zhuhai Gree”	珠 海 格 力 電 器 股 份 有 限 公 司 (Gree Electric Appliances, Inc. of Zhuhai*), a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange
“%”	per cent

This announcement contains translation of HK\$ to RMB at the rate of HK\$1 = RMB0.89 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.

The English names of the PRC entities mentioned in this announcement which are marked with “” are translation, or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency between the Chinese name of the PRC entities mentioned in this announcement and their English translation, the Chinese version shall prevail.*

By order of the Board
Zhuzhou CRRC Times Electric Co., Ltd.
Li Donglin
Chairman

Zhuzhou, China, 30 October 2018

As at the date of this announcement, our chairman of the Board and executive director of the Company is Li Donglin, our vice chairman of the Board and executive director of the Company is Yang Shouyi, our other executive directors of the Company are Liu Ke’an and Yan Wu, our non-executive director of the Company is Zhang Xinning, and our independent non-executive directors of the Company are Chan Kam Wing, Clement, Pao Ping Wing, Liu Chunru, Chen Xiaoming and Gao Feng.