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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 13 December 2018, Baoji Times (a subsidiary of the Company) and CRRC Taiyuan entered into the JV Agreement for the establishment of the JV Company in Taiyuan City, Shanxi Province, the PRC.

As at the date of this announcement, the Parent Company is a controlling shareholder of the Company. CRRC directly holds the entire equity interest in the Parent Company and indirectly holds the entire equity interest in CRRC Taiyuan. CRRC Taiyuan 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 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 13 December 2018, Baoji Times (a subsidiary of the Company) and CRRC Taiyuan entered into the JV Agreement for the establishment of the JV Company in Taiyuan City, Shanxi Province, the PRC.

THE JV AGREEMENT

The principal terms of the JV Agreement are as follows:

- Date: 13 December 2018
- Parties: (i) Baoji Times; and
(ii) CRRC Taiyuan

Establishment of JV Company:

Baoji Times and CRRC Taiyuan have agreed to jointly establish the JV Company in Taiyuan City, Shanxi Province, the PRC to carry on the principal business of operating rail vehicles, catenary vehicles and large-scale maintenance machinery on the railway as well as undertaking the research and development, manufacture, overhaul, sale, service, training, maintenance, leasing, import and export of self-running special equipment for railway construction, maintenance, testing and rescue operations; technical services and professional training of railway construction, maintenance, testing and rescue operations; import and export of raw materials, machinery and equipment, instruments, spare parts and technology required for manufacture and production; external leasing and technical services of corporate resources (subject to the business scope as approved by the State Administration for Industry and Commerce of the PRC). The equity interest of the JV Company will be held as to 55% and 45% by Baoji Times and CRRC Taiyuan respectively. The JV company will become a subsidiary of the Company.

Term of operation:

The term of operation of the JV Company is 20 years from the date of establishment of the JV Company.

Capital contribution:

The JV Company will have a registered capital of RMB50 million (equivalent to approximately HK\$56.82 million) as to 55% of which, in the amount of RMB27.5 million (equivalent to approximately HK\$31.25 million), and 45% of which, in the amount of RMB22.5 million (equivalent to approximately HK\$25.57 million), will be contributed in cash by Baoji Times and CRRC Taiyuan respectively.

Consideration:

The registered capital of the JV Company in the amount of RMB50 million (equivalent to approximately HK\$56.82 million) and the respective proportions of the registered capital contribution undertaken by Baoji Times and CRRC Taiyuan were determined upon arm's length negotiations between the parties on normal commercial terms after taking into account the potential capital needs of the JV Company initially. The payment of Baoji Times's share of the registered capital contribution shall be funded by its internal resources.

Management of the JV Company:

The board of directors of the JV Company shall be composed of eight members, among which four directors shall be recommended by Baoji Times, three directors shall be recommended by CRRC Taiyuan and the remaining one director shall be an elected staff representative. 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 Baoji Times and shall be appointed by a majority vote of approval of the board.

The supervisory committee of the JV Company shall be composed of three members. Baoji Times and CRRC Taiyuan shall recommend one member respectively and a staff representative shall be the remaining one member.

INFORMATION ON BAOJI TIMES

Baoji Times is mainly engaged in the research and development, manufacture, overhaul, sale, service, import and export and rail transit technical service of construction machinery vehicles for heavy-duty railway vehicle series for railway and urban rail transit, catenary vehicle series, railway crane series, rail flaw detection vehicle series, rail grinding vehicle series, track laying and replacement equipment series, inspection vehicle series and urban railway engineering vehicle series.

INFORMATION ON THE GROUP

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.

INFORMATION ON CRRC TAIYUAN

CRRC Taiyuan is mainly engaged in the manufacture, sale and overhaul of railway rolling stock and parts, construction vehicles and parts, railway machinery and parts, construction machinery and parts, coal machinery and parts, automobile and motorcycle parts, wood products and environmental protection equipment; sale of building materials, steel and computers; cargo storage; house leasing; consulting services of rolling stock technology and cargo transport information; import and export; gas cylinder filling; installation, debugging, repair and maintenance of mechanical and electrical equipment, power equipment and lifting transport equipment; design, manufacture, installation, debugging, repair and maintenance of non-standard equipment and process equipment; sale and maintenance of cars; design, leasing, technical services and maintenance of railway rolling stock.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT

Baoji Times and CRRC Taiyuan agreed to establish the JV Company with the intention to, among other things, (i) improve the allocation of resources and give play to the advantages of both Baoji Times and CRRC Taiyuan; (ii) foster the development of railway construction machinery industry and create good social and economic benefits; and (iii) expand and strengthen the Company's electrical railway business. The Directors believe that the establishment of the JV Company will benefit the Group from the combined advantage of resources of Baoji Times and CRRC Taiyuan 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 (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 better, 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. CRRC directly holds the entire equity interest in the Parent Company and indirectly holds the entire equity interest in CRRC Taiyuan. CRRC Taiyuan 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 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.

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:

“Baoji Times”	寶雞中車時代工程機械有限公司 (Baoji CRRC Times Engineering Machinery Co., Ltd.), a subsidiary of the Company in which the Company holds 85.8% of its equity interests
“Board”	the board of Directors
“Company”	Zhuzhou CRRC Times Electric Co., Ltd. (株州中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
“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

“CRRC Taiyuan”	CRRC Taiyuan Co., Ltd. (中車太原機車車輛有限公司), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of CRRC
“Director(s)”	the 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
“JV Agreement”	the joint venture JV Agreement dated 13 December 2018 entered into between Baoji Times and CRRC Taiyuan 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 Taiyuan CRRC Times Rail Engineering Machinery Co., Ltd. (太原中車時代軌道工程機械有限公司) (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
“Parent Company”	中車株洲電力機車研究所有限公司 (CRRC Institute Co., Ltd.) (formerly known as 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 CRRC
“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
“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 = RMB0.88 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 CRRC Times Electric Co., Ltd.
Li Donglin
Chairman

Zhuzhou, China, 14 December 2018

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