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

(Stock Code: 3898)

CONTINUING CONNECTED TRANSACTIONS WITH CHINA RAILWAY GROUP

2017-19 CHINA RAILWAY MUTUAL SUPPLY AGREEMENT

On 12 January 2017, the Company entered into the 2017-19 China Railway Mutual Supply Agreement with China Railway.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company owns approximately 85.8% equity interest in Baoji CRRC Times, and China Railway Baoji Machinery (an indirect wholly-owned subsidiary of China Railway) owns approximately 14.2% equity interest in Baoji CRRC Times. As China Railway Baoji Machinery is a substantial shareholder of Baoji CRRC Times, which is a subsidiary of the Company, China Railway Baoji Machinery and its associates (including China Railway) are connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the continuing transactions contemplated under the 2017-19 China Railway Mutual Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the total assets, profits and revenue of Baoji CRRC Times were less than 10% of those of the Company for each of the three financial years ended 31 December 2014, 2015 and 2016, Baoji CRRC Times was an insignificant subsidiary of the Company for the purpose of Rule 14A.09(1) of the Listing Rules, and the Company had relied on the insignificant subsidiary exception in respect of the 2017-19 China Railway Mutual Supply Agreement and the transactions contemplated thereunder.

However, pursuant to the announcement of the Company dated 26 March 2018 regarding the audited consolidated financial results of the Group for the year ended 31 December 2017, Baoji CRRC Times is no longer an insignificant subsidiary of the Company as one or more of the applicable percentage ratios exceed 10% for the financial year ended 31 December 2017. Accordingly, the Company is no longer able to rely on the insignificant subsidiary exception set out in Rule 14A.09(1) of the Listing Rules. This announcement is therefore made pursuant to 14A.60(1) of the Listing Rules.

While one or more of the applicable percentage ratios (other than the profit ratio) as defined under the Listing Rules in respect of the 2017-19 China Railway Mutual Supply Agreement, exceed 1% but are less than 5%, the transactions contemplated under the 2017-19 China Railway Mutual Supply Agreement are subject to reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the 2017-19 China Railway Mutual Supply Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Company, and the terms thereof (including the Annual Caps) are on normal commercial terms or if there are not 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.

Details of the 2017-19 China Railway Mutual Supply Agreement will be disclosed in the next published annual report of the Company in accordance with Rules 14A.71 and 14A.72 of the Listing Rules.

BACKGROUND

On 12 January 2017, the Company entered into the 2017-19 China Railway Mutual Supply Agreement with China Railway.

CONTINUING CONNECTED TRANSACTIONS WITH CHINA RAILWAY GROUP

Principal Terms of the 2017-19 China Railway Mutual Supply Agreement

The principal terms of the 2017-19 China Railway Mutual Supply Agreement are summarised as follows:

Date: 12 January 2017

Parties: (a) China Railway; and
(b) the Company

Scope of products and services to be provided: The Company conditionally agreed to supply and procure other members of the Group to supply to China Railway Group certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes.

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- Payment terms: Payments for the products and/or services supplied by and/or to China Railway Group will be settled by way of cash or such other manners as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual product and service contracts to be entered into between the respective group companies of China Railway Group and the Group.
- Conditions: The coming into force of the 2017-19 China Railway Mutual Supply Agreement is conditional upon, among others:
- (a) the insignificant subsidiary exception under rule 14A.09 of the Listing Rules in respect of Baoji CRRC Times being no longer applicable ^(Note); and
 - (b) the Board (including the independent non-executive Directors) having approved the 2017-19 China Railway Mutual Supply Agreement.
- Note:* Pursuant to the announcement of the Company dated 26 March 2018 regarding the audited consolidated financial results of the Group for the year ended 31 December 2017, Baoji CRRC Times is no longer an insignificant subsidiary of the Company as one or more of the applicable percentage ratios exceed 10% for the financial year ended 31 December 2017. Accordingly, the Company is no longer able to rely on the insignificant subsidiary exception under Rule 14A.09 of the Listing Rules in respect of Baoji CRRC Times, and the 2017-19 China Railway Mutual Supply Agreement becomes effective on 26 March 2018.
- Term: For a term commencing from the time upon the 2017-19 China Railway Mutual Supply Agreement becomes effective (i.e. 26 March 2018) to 31 December 2019 or the time when China Railway or its subsidiaries is no longer a substantial shareholder of Baoji CRRC Times (whichever is earlier).
- Pricing basis: The pricing for the products and/or services supplied by and/or to China Railway Group is determined on the following principles in order of priority:
- (a) the prices prescribed by the government of the PRC or any regulatory authority(ies) (if any) (“**government-prescribed prices**”);
 - (b) the range of prices pursuant to the pricing guidelines or pricing recommendations set by the government of the PRC or any regulatory authority(ies) (if any) (“**government-guided prices**”), where no government-prescribed prices are available or applicable;

- (c) the final confirmed prices through the bidding and tendering process conducted in accordance with the applicable laws, rules and regulations (if any) (“**bidding prices**”), where neither government-prescribed prices nor government-guided prices are available or applicable;
- (d) the market prices which are offered to or by Independent Third Parties in the ordinary and usual course of business, where none of the government-prescribed prices, government-guided prices or the bidding prices are available or applicable; and
- (e) the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit margin (which is determined by reference to the nature and historical price of products and/or services, current market price of the similar products and/or services and the Group’s forecasted demand and increase in the market price of such products and/or services in the remaining term), where none of the above prices are available or applicable.

With respect to the purchase of products and/or services by the Group, in determining whether the price and/or payment terms offered by China Railway Group are reasonable or no less favourable than those offered by the Independent Third Parties, the Group will obtain and compare price references from the market to the extent that those products and/or services are of comparable nature, quality, quantity and condition. In the event that the price and/or payment terms offered by China Railway Group are less favourable than those offered by the Independent Third Parties, the Group will have the right to terminate and cancel such purchases. The Directors (including the independent non-executive Directors) consider that such methods and procedures can ensure that the transactions contemplated under the 2017-19 China Railway Mutual Supply Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Annual Caps

The Annual Caps under the 2017-19 China Railway Mutual Supply Agreement for the three years ending 31 December 2017, 2018 and 2019 are as follows:

	Year ending 31 December		
	2017	2018	2019
	<i>(RMB millions)</i>		
Annual Cap of the amounts paid or to be paid to the Group by China Railway Group for the provision of the products and/or services	400	500	600
Annual Cap of the amounts paid or to be paid to China Railway Group by the Group for the provision of the products and/or services	700	700	700

The Annual Caps were determined with reference to the following: (1) the expected growth of railway industry in the PRC; (2) the expected growth of urban rail industry in the PRC; (3) the industry position and the business potential of China Railway Group; (4) the business development plan of the Group; (5) the existing supply contracts entered into, and the anticipated supply contracts to be entered into, and supply plans, between the Group and China Railway Group; and (6) the historical transaction amounts paid to or by China Railway Group.

The Company had relied on the insignificant subsidiary exception under Rule 14A.09 of the Listing Rules in respect of the 2017-19 China Railway Mutual Supply Agreement and the transactions contemplated thereunder until such exception is no longer applicable. To the best knowledge, information and belief of the Directors, the historical transaction amounts paid to or by China Railway Group for the year ended 31 December 2017 (if any, where such insignificant subsidiary exception was still applicable) did not exceed the respective Annual Caps. Should the aggregate annual amounts of the transactions under the 2017-19 China Railway Mutual Supply Agreement exceed the Annual Caps, the Company will re-comply with the relevant requirements under Rule 14A.54 of the Listing Rules.

INFORMATION OF THE GROUP

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

INFORMATION OF CHINA RAILWAY GROUP

China Railway Group provides a full range of construction related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and expands to other businesses such as property development and mining development.

REASONS FOR ENTERING INTO THE 2017-19 CHINA RAILWAY MUTUAL SUPPLY AGREEMENT

In relation to the purchase of products and/or services, the Group has been procuring certain parts and components and services for the manufacture of its products from China Railway Group for many years. As a result of such long-term business relationship, China Railway Group has been familiar with the Group's standards and specifications, and has been able to respond quickly and in a cost efficient manner to any new requirements that the Group may request. In relation to the supply of products and/or services, the Group has been supplying certain parts and components and services to China Railway Group for many years. As a result, the Group and China Railway Group have a solid business relationship. As Baoji CRRC Times was an insignificant subsidiary of the Company, the Company had relied on the insignificant subsidiary exception under Rule 14A.09 of the Listing Rules for the previous transactions with China Railway Group. The Company and China Railway entered into the 2017-19 China Railway Mutual Supply Agreement which takes effect on 26 March 2018 upon fulfilment of the conditions stated therein (including the insignificant subsidiary exception is no longer applicable as disclosed above). The procurement and supply relationship with China Railway Group established pursuant to the 2017-19 China Railway Mutual Supply Agreement will continue to the expansion of the Group's sales and revenue which will in turn contribute to stabilising the business of the Group. Further, the Group's purchases from and/or sales to China Railway Group are on terms which are not less favourable than those obtainable by the Group from Independent Third Parties.

The Directors (including the independent non-executive Directors) are of the view that the 2017-19 China Railway Mutual Supply Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Company, and the terms thereof (including the Annual Caps) are on normal commercial terms or if there are not 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company owns approximately 85.8% equity interest in Baoji CRRC Times, and China Railway Baoji Machinery (an indirect wholly-owned subsidiary of China Railway) owns approximately 14.2% equity interest in Baoji CRRC Times. As China Railway Baoji Machinery is a substantial shareholder of Baoji CRRC Times, which is a subsidiary of the Company, China Railway Baoji Machinery and its associates (including China Railway) are connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the continuing transactions contemplated under the 2017-19 China Railway Mutual Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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None of the Directors have any material interest in the 2017-19 China Railway Mutual Supply Agreement and the transactions contemplated thereunder so that no Director was required to abstain from voting on the Board resolutions of the Company approving the same.

Details of the 2017-19 China Railway Mutual Supply Agreement will be disclosed in the next published annual report of the Company in accordance with Rules 14A.71 and 14A.72 of the Listing Rules.

DEFINITIONS

“2017-19 China Railway Mutual Supply Agreement”	a conditional framework agreement on mutual supply of products and ancillary services entered into between the Company and China Railway dated 12 January 2017
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Railway”	China Railway Group Limited (中國中鐵股份有限公司), a joint stock company established in the PRC with limited liability, the A shares and H shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange, respectively
“China Railway Baoji Machinery”	China Railway Baoji Machinery Co., Ltd. (中鐵寶工有限責任公司), an indirect wholly-owned subsidiary of China Railway
“China Railway Group”	China Railway, its subsidiaries and their respective associates
“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
“Director(s)”	director(s) of the Company
“Group”	the Company, its subsidiaries, subordinate enterprises and units
“Independent Third Parties”	parties who are independent of, and not connected with the Company or any of its connected persons
“Baoji CRRC Times”	Baoji CRRC Times Engineering Machinery Co. Ltd. (寶雞中車時代工程機械有限公司), a company established in the PRC with limited liability on 25 March 2009 which is owned as to approximately 85.8% by the Company and approximately 14.2% by China Railway Baoji Machinery (an indirect wholly-owned subsidiary of China Railway) as at the date of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Annual Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the 2017-19 China Railway Mutual Supply Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Zhuzhou CRRC Times Electric Co., Ltd.
Ding Rongjun
Chairman

Zhuzhou, China, 26 March 2017

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 Li Donglin, 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 and Chen Xiaoming.