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

(Stock Code: 3898)

CONNECTED TRANSACTION

ESTABLISHMENT OF PROJECT COMPANY

Reference is made to the voluntary announcement of the Company dated 30 October 2019 in which the Board announced that the Company, together with CRRCG, Construction and Investment Company, Investment Fund Management Company, CRRC C&E and Suzhou CRRC C&E, had formed a consortium to jointly submit a bid for the PPP Project in relation to the transit engineering of the Wuxi-Jiangyin inter-city rail, and received the letter of award of the bid on 8 October 2019.

ESTABLISHMENT OF THE PROJECT COMPANY

On 19 December 2019, the Company, CRRCG, Construction and Investment Company, Investment Fund Management Company, CRRC C&E and Suzhou CRRC C&E together as a consortium, entered into the Investment Agreement with Government Implementing Authorities as well as the Shareholders' Agreement with Government Investment Representatives in respect of PPP Project, pursuant to which, the Consortium and Government Investment Representatives shall establish a project company by way of joint contribution in order to invest in the PPP Project. The Project Company, once established, will be held as to 4%, 0.1%, 2.4%, 67.02%, 5.48% and 1% by the Company, CRRCG, Construction and Investment Company, Investment Fund Management Company, CRRC C&E and Suzhou CRRC C&E, respectively. The Project Company will not become a subsidiary of the Company.

LISTING RULES IMPLICATIONS

The Parent Company is the controlling shareholder of the Company, and CRRC directly holds the entire equity interest in the Parent Company. As at the date of this announcement, CRRCG directly and indirectly holds approximately 50.73% equity interest in CRRC in aggregate, and CRRCG is the ultimate controlling shareholder of the Company. Construction and Investment Company is a subsidiary of CRRCG, Investment Fund Management Company is an associate of CRRCG and indirectly held as to 50% by CRRCG, and CRRC C&E and Suzhou CRRC C&E are subsidiaries of CRRC. As such, CRRCG, Construction and Investment Company, Investment Fund Management Company, CRRC C&E and Suzhou CRRC C&E are connected persons of the Company under Chapter 14A of the Listing Rules, and the establishment of the Project Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (other than the profits ratio) (as defined in the Listing Rules) for the transactions contemplated under the Investment Agreement and the Shareholders' Agreement exceeds 0.1% but is less than 5%, such transactions shall be subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. INTRODUCTION

Reference is made to the voluntary announcement of the Company dated 30 October 2019 in which the Board announced that the Company, together with CRRCG, Construction and Investment Company, Investment Fund Management Company, CRRC C&E and Suzhou CRRC C&E, had formed a consortium to jointly submit a bid for the PPP Project in relation to the transit engineering of the Wuxi-Jiangyin inter-city rail, and received the letter of award of the bid on 8 October 2019.

On 19 December 2019, the Company, CRRCG, Construction and Investment Company, Investment Fund Management Company, CRRC C&E and Suzhou CRRC C&E together as a consortium, entered into the Investment Agreement with Government Implementing Authorities as well as the Shareholders' Agreement with Government Investment Representatives in respect of PPP Project, pursuant to which, the Consortium and Government Investment Representatives shall establish a project company by way of joint contribution in order to invest in the PPP Project. The Project Company, once established, will be held as to 4%, 0.1%, 2.4%, 67.02%, 5.48% and 1% by the Company, CRRCG, Construction and Investment Company, Investment Fund Management Company, CRRC C&E and Suzhou CRRC C&E, respectively. The Project Company will not become a subsidiary of the Company.

2. INVESTMENT AGREEMENT

2.1 Date

19 December 2019

2.2 Parties

- (1) the Company;
- (2) CRRCG (as the leading party);
- (3) Construction and Investment Company;
- (4) Investment Fund Management Company;
- (5) CRRC C&E;
- (6) Suzhou CRRC C&E;

- (7) the Office to Wuxi Municipal Rail Transit Planning and Construction Committee; and
- (8) Jiangyin Municipal Bureau of Transport.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Office to Wuxi Municipal Rail Transit Planning and Construction Committee, Jiangyin Municipal Bureau of Transport and their respective ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

2.3 Construction details of PPP Project

The key construction details of the PPP Project are as follows:

- (1) The total length of the railway line is 30.4km comprising underground sections of approximately 10.5km, transition sections of 0.2km and elevated sections of approximately 19.7km. There are in total 9 stations, comprising 5 underground stations and 4 elevated stations.
- (2) The length of the railway line at Huashan train depot is 1.6km.
- (3) A newly-built Huashan train depot, to be located in the land parcel on the northeast side of the intersection of Xuxiake Avenue and Jiangyin Avenue.
- (4) 2 newly-built main substations in Huashan and Xijie.
- (5) Shared use of the existing Wuxi Metro network control centre, which is located on the west side of the People's Hospital Station of Metro Line 1, with Qingyang Road to the east and Jincheng Road to the south, and the scale of which has taken into consideration connection to 8 metro lines.

2.4 Term of PPP Project

The term of PPP Project is 29.5 years, including 4.5 years of construction period and 25 years of operation period.

2.5 Total investment and project capital of PPP Project

The total investment of the PPP Project is approximately RMB13.99 billion. The project capital accounts for 40% of the total investment of the PPP Project, which will be contributed by the Government Investment Representatives as to 20% and by the Consortium as to 80%.

2.6 Letter of guarantee on the performance of the construction obligations

The parties agree that Construction and Investment Company, being a member of the Consortium, shall submit to the Government Implementing Authorities an irrevocable letter of guarantee on the performance of construction obligations that is redeemable at any time and remains valid. The amount of guarantee on the performance of construction obligations shall be RMB1 billion.

3. SHAREHOLDERS' AGREEMENT

3.1 Date

19 December 2019

3.2 Parties

- (1) the Company;
- (2) CRRCG (as the leading party);
- (3) Construction and Investment Company;
- (4) Investment Fund Management Company;
- (5) CRRC C&E;
- (6) Suzhou CRRC C&E;
- (7) Wuxi Metro Group; and
- (8) Jiangyin Xinguolian.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Wuxi Metro Group, Jiangyin Xinguolian and their respective ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

3.3 Registered capital of the Project Company, project capital and contribution from the parties

Pursuant to the Shareholders' Agreement, the registered capital of the Project Company is RMB0.8 billion. All parties to the Shareholder's Agreement will make contribution in the form of currency. The project capital is approximately RMB5.595588 billion, which accounts for 40% of the total investment of the PPP Project. The difference between the registered capital and the project capital will be injected in the Project Company as capital reserve by the shareholders based on their respective shareholdings. The timing of contribution to the registered capital and capital reserve shall match the construction progress of the project.

Each party's proposed project capital contribution to the Project Company and the parties' respective shareholding in the Project Company are as follows:

Parties	Project capital <i>(in RMB ten thousand)</i>	Shareholding in the Project Company
The Company	22,382.35	4.00%
CRRCG	559.56	0.10%
Construction and Investment Company	13,429.41	2.40%
Investment Fund Management Company	375,016.31	67.02%
CRRC C&E	30,663.82	5.48%
Suzhou CRRC C&E	5,595.59	1.00%
Wuxi Metro Group	22,382.35	4.00%
Jiangyin Xinguolian	89,529.41	16.00%
Total project capital	559,558.80	100%

The parties shall pay the first tranche of project capital (i.e. a total of RMB600 million) in the form of currency based on their respective shareholdings within 90 days from the date of incorporation of the Project Company. The capital contribution to be made by the parties shall proceed according to the construction progress of the PPP Project, and subsequent payments shall be made according to the following schedule:

	Total	First year of the construction period	Second year of the construction period	Third year of the construction period	Fourth year of the construction period	Fifth year of the construction period
Proportion of project capital contribution	100%	27%	22%	26%	13%	12%
Proposed project capital contribution to the Project Company by the Company under the Shareholders' Agreement <i>(in RMB ten thousand)</i>	22,382.35	6,043.23	4,924.12	5,819.41	2,909.71	2,685.88

The respective proposed project capital contribution to the Project Company by each of the parties under the Shareholders' Agreement has been determined by the parties through negotiation on an arm's length basis after taking into account various factors such as the business nature, working capital requirement and future development plan of the Project Company.

3.4 Business scope of the Project Company

The business scope of the Project Company will cover: investment, financing, construction, operation and maintenance of the PPP Project, provision of urban rapid transit railway passenger transportation service and non-passenger-transportation services within the project scope (including advertisement design, production, publication and agency service, communication, commercial retailing, operation of connecting facilities (including leasing) (subject to the registration with industrial and commercial authorities).

The Project Company must not engage in any business activities that are not related to the PPP Project or, to conduct investment, money lending and loan guarantees for projects other than PPP Projects during the term of PPP Project without the written consent of Government Implementing Authorities.

3.5 Composition of the board of directors and operation management organisation of the Project Company

The board of directors of the Project Company will comprise 7 directors (including 1 employee director), of which 2 will be recommended by the Government Investment Representatives and 4 will be recommended by the Consortium. The employee director will be elected by the employees of the Project Company at the employee representative meetings, employee meetings or through other democratic elections, and the non-employee directors will be appointed by shareholders at general meetings and are eligible for re-election. The board of directors of the Project Company shall have 1 chairman who shall be recommended by the Consortium and elected by the board of directors.

The operation management organisation of the Project Company shall comprise 1 general manager (recommended by the Consortium and appointed by the board of directors), 4 deputy general managers (1 will be recommended by the Government Investment Representatives and appointed by the board of directors, and 3 will be recommended by the Consortium and appointed by the board of directors) and 1 financial controller (recommended by the Consortium and appointed by the board of directors). The Government Investment Representatives has the right to nominate 1 deputy financial controller who will be hired with the approval of the board of directors.

3.6 Share transfer restriction

The lock-up period for transfer of share in the Project Company is from the year of 2019 to 31 December 2028. During the lock-up period, as the leading party of the Consortium, CRRCG shall not transfer or withdraw its shares, and other members of the Consortium (i.e. the Company, Construction and Investment Company, Investment Fund Management Company, CRRC C&E and Suzhou CRRC C&E) may transfer their shares with the written approval of the Government Implementing Authorities. Upon the expiry of the lock-up period, the Project Company may be permitted to change or transfer its shares without prejudice to the operation of the PPP Project and with the written approval from the Government Implementing Authorities.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT AND THE SHAREHOLDERS' AGREEMENT

The PPP Project is a project jointly carried out by the Consortium (comprising CRRCG, as the leading party, and several enterprises under CRRC) and Government representatives. In addition to capital gains, the Company, as a member of the Consortium, may receive revenue from the supply of electrical and mechanical equipment. Meanwhile, the PPP Project applies the Company's new model of urban railway business, which will facilitate the Company in gaining experience through implementation of the PPP Project and lay a foundation for the Company's participation in urban railway PPP projects in the future.

5. GENERAL INFORMATION ON THE PARTIES

The Company

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.

CRRCG

CRRCG is a large-scale wholly state-owned enterprise approved for establishment by the State Council and the controlling shareholder of the Company. The principal businesses of CRRCG (through CRRC) include research and development, manufacturing, sales, repairs and leasing of rolling stock and key components, and the extended businesses relying on the proprietary technology of rolling stock.

Construction and Investment Company

Construction and Investment Company is a subsidiary of CRRCG. Its principal business covers project investment, investment management, asset management and investment consultation.

Investment Fund Management Company

Investment Fund Management Company is an associate of CRRCG and is indirectly held as to 50% by CRRCG. Its principal businesses include industry research, PPP consultation, investment and financing planning, risk control and management, fund establishment, post-investment management, capital operation, etc.

CRRC C&E

CRRC C&E is a wholly-owned subsidiary of CRRC. Its principal business scope covers general construction contracting; urban railway transportation operation management; professional contracting; technology development; sale of mechanical equipment and construction material; leasing of mechanical equipment; import and export of goods; engineering exploration and design; construction project management, etc.

Suzhou CRRC C&E

Suzhou CRRC C&E is a wholly-owned subsidiary of CRRC. Its principal business scope covers construction of road, bridge, tunnel, infrastructure and municipal pipeline; railway transportation engineering; general industrial and civil construction engineering and installation of relevant equipment; earthwork; river remediation; water facility construction; foundation engineering; environmental and greenery project; mechanical engineering; geotechnical testing; leasing of self-owned buildings and mechanical equipment.

The Office to Wuxi Municipal Rail Transit Planning and Construction Committee

The Office to Wuxi Municipal Rail Transit Planning and Construction Committee is established under the approval of Wuxi Municipal Government. It is mainly engaged in comprehensive development of urban metro and relevant resources; investment, financing, construction, operation and management of ancillary works; and construction, operation and management of other urban infrastructure under the instruction of the government.

Jiangyin Municipal Bureau of Transport

Jiangyin Municipal Bureau of Transport is a functional department under the People's Government of Jiangyin, the PRC and is in charge of the transportation affairs in Jiangyin.

Wuxi Metro Group

Wuxi Metro Group is a state-owned holdings company with limited liability. Its principal business scope covers investment, construction and operation of urban railway transportation; construction management service; domestic trading; external investment with self-owned assets; leasing of self-owned buildings; property management; consultation and training services; investment and construction of the Wuxi section of the Beijing-Shanghai high-speed railway and Shanghai-Nanjing intercity railway; advertisement design, production, agency and publication in the PRC.

Jiangyin Xinguolian

Jiangyin Xinguolian is a wholly state-owned company with limited liability. Its business scope mainly covers external investment with self-owned capital; investment management; asset management; equity investment, property management; building leasing.

6. LISTING RULES IMPLICATIONS

The Parent Company is the controlling shareholder of the Company, and CRRC directly holds the entire equity interest in the Parent Company. As at the date of this announcement, CRRCG directly and indirectly holds approximately 50.73% equity interest in CRRC in aggregate, and CRRCG is the ultimate controlling shareholder of the Company. Construction and Investment Company is a subsidiary of CRRCG, Investment Fund Management Company is an associate of CRRCG and indirectly held as to 50% by CRRCG, and CRRC C&E and Suzhou CRRC C&E are subsidiaries of CRRC. As such, CRRCG, Construction and Investment Company, Investment Fund Management Company, CRRC C&E and Suzhou CRRC C&E are connected persons of the Company under Chapter 14A of the Listing Rules, and the establishment of the Project Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (other than the profits ratio) (as defined in the Listing Rules) for the transactions contemplated under the Investment Agreement and the Shareholders' Agreement exceeds 0.1% but is less than 5%, such transactions shall be subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Due to conflict of interest, Mr. Li Donglin, Mr. Yang Shouyi and Mr. Zhang Xinning have abstained from voting on the Board resolutions for approving the Investment Agreement and the Shareholders' Agreement. Save as mentioned above, none of the Directors has a material interest in the transactions contemplated under the Investment Agreement and the Shareholders' Agreement, and hence no other Director has abstained from voting on such Board resolutions.

All 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 Investment Agreement and the Shareholders' Agreement are entered into on normal commercial terms after negotiation on an arm's length basis, and the relevant terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

7. GENERAL INFORMATION

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

8. DEFINITIONS

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

“Board”	the board of Directors of the Company
“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 whose H shares are listed on the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consortium”	a consortium formed by CRRCG, Construction and Investment Company, Investment Fund Management Company, CRRC C&E, Suzhou CRRC C&E and the Company
“Construction and Investment Company”	CRRC Rail Transit Construction and Investment Co., Ltd.* (中 車 軌 道 交 通 建 設 投 資 有 限 公 司), a company incorporated in the PRC with limited liability and a subsidiary of CRRCG
“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 whose A shares and H shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively. CRRC is directly and indirectly held as to approximately 50.73% in aggregate by CRRCG and holds the entire equity interest in the Parent Company
“CRRC C&E”	CRRC Construction Engineering Co., Ltd. (中 車 建 設 工 程 有 限 公 司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CRRC
“CRRCG”	CRRC Group Co., Ltd. (中 國 中 車 集 團 有 限 公 司), a state-owned enterprise of the PRC and the controlling Shareholder of CRRC
“Director(s)”	the directors of the Company (including the independent non-executive Directors)

“Government Implementing Authorities”	the Office to Wuxi Municipal Rail Transit Planning and Construction Committee* (無錫市軌道交通規劃建設領導小組(指揮部)辦公室) and Jiangyin Municipal Bureau of Transport (江陰市交通運輸局)
“Government Investment Representatives”	Wuxi Metro Group and Jiangyin Xinguolian
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party(ies)”	parties who are independent of, and not connected with the Company and its connected persons
“Investment Agreement”	the Investment Agreement on Wuxi-Jiangyin Inter-city Rail Transit PPP Project (《無錫至江陰城際軌道交通工程PPP項目投資協議》) entered into between Government Implementing Authorities and Consortium on 19 December 2019
“Investment Fund Management Company”	CRRC (Beijing) Urban Development Equity Investment Fund Management Co., Ltd.* (中車(北京)城市發展股權投資基金管理有限公司), a company incorporated in the PRC with limited liability and an associate of CRRCG and indirectly held as to 50% by CRRCG
“Jiangyin Xinguolian”	Jiangyin Xinguolian Investment and Development Co., Ltd.* (江陰市新國聯投資發展有限公司), a company incorporated in the PRC with limited liability
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Parent Company”	CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司), a limited liability company established under the laws of the PRC, the controlling Shareholder of the Company and a wholly-owned subsidiary of CRRC
“PPP”	Public-Private Partnership

“PPP Project”	the PPP project in relation to the transit engineering of Wuxi-Jiangyin inter-city rail
“PRC”	the People’s Republic of China
“Project Company”	Xicheng CRRC (Wuxi) Urban Rail Transit Engineering Co., Ltd.* (錫澄中車(無錫)城市軌道交通工程有限公司), a company to be incorporated in the PRC with limited liability pursuant to the Shareholders’ Agreement (and which is a tentative name, subject to the approval of the competent industry and commerce authorities in the PRC)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders’ Agreement”	the Shareholders’ Agreement on Wuxi-Jiangyin Inter-city Rail Transit PPP Project (《無錫至江陰城際軌道交通工程PPP項目股東協議》) entered into between Government Investment Representatives and Consortium on 19 December 2019
“Suzhou CRRC C&E”	Suzhou CRRC Construction Engineering Co., Ltd.* (蘇州中車建設工程有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CRRC
“Wuxi Metro Group”	Wuxi Metro Group Co., Ltd.* (無錫地鐵集團有限公司), a company incorporated in the PRC with limited liability
“%”	per cent

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

Zhuzhou, China, 19 December 2019

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.

* For identification purpose only