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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 CRRC GROUP

In view of the prospective expiry of the 2017-2019 CRRC Group Mutual Supply Agreement on 31 December 2019, on 26 March 2019, the Company entered into the 2020-2022 CRRC Group Mutual Supply Agreement with CRRC Group for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

The 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps. In this connection, the Company has appointed Pelican Financial Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

A circular containing, among other things, (i) details of the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps; and (iii) the recommendation of the Independent Board Committee regarding the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps to the Independent Shareholders will be despatched to the shareholders of the Company no later than 17 April 2019.

BACKGROUND

In view of the prospective expiry of the 2017-2019 CRRC Group Mutual Supply Agreement on 31 December 2019, on 26 March 2019, the Company entered into the 2020-2022 CRRC Group Mutual Supply Agreement with CRRC Group for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

CONTINUING CONNECTED TRANSACTIONS

Principal Terms of the 2020-2022 CRRC Group Mutual Supply Agreement

The principal terms of the 2020-2022 CRRC Group Mutual Supply Agreement are summarised as follows:

Date:	26 March 2019
Parties:	(a) CRRC Group; and (b) the Company
Scope of products and services to be provided:	<p>The Company agreed to supply and procure its subsidiaries to supply to the CRRC Group of Companies certain products (including electrical systems and electrical components), 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.</p> <p>CRRC Group agreed to supply and procure its subsidiaries and their respective associates (including the Parent Group but excluding the Group) to supply to the 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.</p>
Payment terms:	Payments for the products and/or services supplied by and/or to the CRRC Group of Companies 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 the Group and the CRRC Group of Companies.
Term:	A term of three (3) years commencing on 1 January 2020 and ending on 31 December 2022.
Pricing basis:	<p>The pricing for the products and/or services supplied by and/or to the CRRC Group of Companies will be determined on the following principles in order of priority:</p> <p>(a) the prices prescribed by the government of the PRC or any regulatory authority(ies) (if any) (“government-prescribed prices”);</p>

- (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 of products and/or services, current market price of the similar products and/or services (if any) 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 the CRRC Group of Companies are reasonable or no less favourable than those offered by the Independent Third Parties, the Group has established effective methods and procedures by obtaining and comparing 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 the CRRC Group of Companies 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 2020-2022 CRRC Group Mutual Supply Agreement will be conducted on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Historical Transaction Records with the CRRC Group of Companies

Set out below is a summary of the transaction records of the transactions under the 2017-2019 CRRC Group Mutual Supply Agreement for the two years ended 31 December 2017 and 2018:

	Year ended 31 December	
	2017	2018
	<i>(RMB millions)</i>	
Amount paid to the CRRC Group of Companies by the Group for the provision of the products and/or services	1,802.6	2,093.2
Amount paid to the Group by the CRRC Group of Companies for the provision of the products and/or services	6,411.8	6,703.8

The aggregate annual amounts of the transactions under the 2017-2019 CRRC Group Mutual Supply Agreement for the two years ended 31 December 2017 and 2018 did not exceed the respective maximum aggregate annual values as approved by the then Independent Shareholders on 23 June 2016.

As at the date of this announcement, the 2019 Approved CRRC Group Caps have not been exceeded. The Board anticipates that the aggregate annual amounts of the transactions under 2017-2019 CRRC Group Mutual Supply Agreement for the year ending 31 December 2019 will not exceed the 2019 Approved CRRC Group Caps.

New CRRC Group Caps

The Company expects that the New CRRC Group Caps under the 2020-2022 CRRC Group Mutual Supply Agreement for the three years ending 31 December 2020, 2021 and 2022 will be as follows:

	Year ending 31 December		
	2020	2021	2022
	<i>(RMB millions)</i>		
1. Annual cap of the amounts to be paid to the CRRC Group of Companies by the Group for the provision of the products and/or services	4,200	4,600	5,000
2. Annual cap of the amounts to be paid to the Group by the CRRC Group of Companies for the provision of the products and/or services	13,650	14,950	16,250

The New CRRC Group Caps are 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 potential of overseas market (through grasping the opportunities arising from the “One Belt and One Road” strategic opportunity put forward by the PRC government, keeping abreast of the “going out” steps of the PRC rail transportation equipment industry and exploring opportunity arising from overseas market with the subordinate main operating plants of CRRC Group); (4) the industry position and the business potential of the CRRC Group of Companies which enhance the technical capability and market share of the Company, establish the branding of the Company’s products in the international market and provide the Company with abundant resources on industrial experience and technologies; (5) the business development plan of the Group; (6) the existing supply contracts entered into, and the anticipated supply contracts to be entered into, and supply plans, between the Group and the CRRC Group of Companies, together with the anticipated market demand and tender plans, relating to (a) various models of electric locomotives; (b) electric locomotives, EMUs and subways for overseas export; (c) city subways and inter-city rails; and (d) EMUs; and (7) the historical transaction amounts under the 2017-2019 CRRC Group Mutual Supply Agreement as shown in the section headed “Historical Transaction Records with the CRRC Group of Companies” above.

INFORMATION OF 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 OF CRRC GROUP

The principal scope of business of CRRC Group is the authorized state-owned asset management and state-owned equity management, capital operation, investment and investment management, asset management and trust management; research and development, sale, leasing and technological services of transportation and urban infrastructure, new energy, energy conservation and environmental protection equipment; design, manufacture and repair of locomotive trains, urban railway transport trains, railway hoisting machinery, various mechanical and electrical equipment and parts, electronic equipment, environmental protection equipment and products; import and export of goods, technology and agency.

REASONS FOR ENTERING INTO THE 2020-2022 CRRC GROUP 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 the CRRC Group of Companies for many years. As a result of such long-term business relationship, the CRRC Group of Companies 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 the CRRC Group of Companies for many years. As a result, the Group and the CRRC Group of Companies have a solid business relationship. Further, the Group’s purchases from and/or sales to the CRRC Group of Companies are on terms which are not less favourable than those obtainable by the Group from Independent Third Parties. The transactions contemplated under the 2020-2022 CRRC Group Mutual Supply Agreement are necessary for and are beneficial to the Company and therefore is of commercial benefit to the Company and the Group as a whole. Entering into the 2020-2022 CRRC Group Mutual Supply Agreement will facilitate the operation and growth of the Group’s business.

It is the understanding of the Group that the CRRC Group of Companies has rendered more efforts in developing overseas market and has received large number of orders from overseas. Accordingly, the Group anticipates that the expected transactions in relation to the mutual supply of products and services between the Group and the CRRC Group of Companies will be further increased.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Parent Company is the controlling shareholder of the Company. CRRC Group directly and indirectly holds approximately 51.43% equity interest in CRRC in aggregate. CRRC directly holds the entire equity interest in the Parent Company. CRRC Group is the ultimate controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) for the New CRRC Group Caps exceeds 5%, the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps constitute a non-exempt continuing connected transaction of the Company which are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LISTING RULES REQUIREMENTS

A meeting of the Board was held on 26 March 2019 at which the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps were reviewed and approved. At the said meeting of the Board, Mr. Li Donglin, Mr. Yang Shouyi, Mr. Liu Ke'an and Mr. Zhang Xinning abstained from the consideration of and voting on the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps due to conflict of interests.

The Directors, excluding Mr. Li Donglin, Mr. Yang Shouyi, Mr. Liu Ke'an and Mr. Zhang Xinning and the independent non-executive Directors (who will form their views after having received the advice of the Independent Financial Adviser), consider that the 2020-2022 CRRC Group Mutual Supply Agreement and the transactions contemplated thereunder have been or will be entered into in the ordinary and usual course of business of the Group, and the terms thereof and the New CRRC Group 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. The 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps are conditional upon, among others, the Independent Shareholders' approval in respect thereof.

An Independent Board Committee (which consists only of independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the 2020-2022 CRRC Group Mutual Supply Agreement and the transactions contemplated thereunder have been or will be entered into in the ordinary and usual course of business of the Group and the terms thereof and the New CRRC Group 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, and to advise the Independent Shareholders on how to vote, taking into account the recommendations on the same by the Independent Financial Adviser.

The Company has appointed Pelican Financial Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps.

The advice from the independent non-executive Directors (i.e. members of the Independent Board Committee) will be set out in the circular, after receiving advice from the Independent Financial Adviser.

The Company will disclose information in relation to the 2020-2022 CRRC Group Mutual Supply Agreement in its subsequent published annual report and accounts in accordance with Rule 14A.71 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) details of the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps; and (iii) the recommendation of the Independent Board Committee regarding the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps to the Independent Shareholders will be despatched to the shareholders of the Company no later than 17 April 2019.

DEFINITIONS

“2017-2019 CRRC Group Mutual Supply Agreement”	a framework agreement on mutual supply of products and ancillary services entered into between CRRC Group and the Company dated 28 March 2016
“2019 Approved CRRC Group Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the 2017-2019 CRRC Group Mutual Supply Agreement for the year ending 31 December 2019 approved by the then Independent Shareholders on 23 June 2016
“2020-2022 CRRC Group Mutual Supply Agreement”	a framework agreement on mutual supply of products and ancillary services entered into between CRRC Group and the Company dated 26 March 2019
“AGM”	an annual general meeting to be convened by the Company on 20 June 2019, or any adjournment thereof to consider and approve, among others, the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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; CRRC is directly and indirectly held as to approximately 51.43% in aggregate by CRRC Group and holds the entire equity interest in the Parent Company
“CRRC Group”	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
“CRRC Group of Companies”	CRRC Group, its subsidiaries, and their respective associates (including the Parent Group but excluding the Group)

“Director(s)”	director(s) of the Company
“EMUs”	electric multiple units
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent committee of the Board (which shall consist only of independent non-executive Directors) formed to advise the Independent Shareholders in relation to the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps
“Independent Financial Adviser”	Pelican Financial Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	shareholders of the Company other than those who are required by the Listing Rules to abstain from voting on the resolution to approve the 2020-2022 CRRC Group Mutual Supply Agreement and the New CRRC Group Caps
“Independent Third Parties”	parties who are independent of, and not connected with the Company or any of its connected persons
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New CRRC Group Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the 2020-2022 CRRC Group Mutual Supply Agreement for a term of three years commencing from 1 January 2020 to 31 December 2022 to be approved by the then Independent Shareholders at the AGM
“Parent Company”	中車株洲電力機車研究所有限公司(CRRC Zhuzhou Institute Co., Ltd.), a limited liability company established under the laws of the PRC; the controlling shareholder of the Company, and a wholly-owned subsidiary of CRRC
“Parent Group”	the Parent Company and its subsidiaries (excluding the Group)
“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
“%”	per cent

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

Zhuzhou, China, 26 March 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.