

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Stock Code: 3898)

SUPPLEMENTAL ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS UNDER 2020-22 QINGDAO MUTUAL SUPPLY AGREEMENT

Reference is made to the continuing connected transactions announcement of Zhuzhou CRRC Times Electric Co., Ltd. (the “**Company**”) dated 24 April 2020 (the “**Announcement**”). Unless otherwise defined in this announcement, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

After the expiry of the 2017-19 Qingdao Mutual Supply Agreement, there were continuing connected transactions conducted between the Group and the Qingdao Group during the period from 1 January 2020 up to 24 April 2020 (being the date the parties entered into the 2020-22 Qingdao Mutual Supply Agreement) (the “**Transitional Period**”).

However, as none of the applicable percentage ratios (as defined in the Listing Rules) in respect of each of the continuing connected transaction conducted between the Group and the Qingdao Group during the Transitional Period, whether on a standalone basis or an aggregate basis, exceeds 0.1% and each of such continuing connected transactions was conducted on normal commercial terms, all such continuing connected transactions were fully exempt from the shareholders’ approval, annual review and all disclosure requirements under Rule 14A.76(1) of the Listing Rules.

The Company would like to provide further information in relation to the continuing connected transactions conducted between the Group and the Qingdao Group during the Transitional Period and those contemplated under the 2020-22 Qingdao Mutual Supply Agreement.

HISTORICAL TRANSACTION RECORDS DURING THE TRANSITIONAL PERIOD

Set out below is a summary of the transaction records of the continuing connected transactions conducted between the Group and the Qingdao Group during the Transitional Period:

	Transitional Period (RMB million)
Amounts paid to the Qingdao Group by the Group for the products and/or services provided by the Qingdao Group	Nil
Amounts paid to the Group by the Qingdao Group for the products and/or services provided by the Group	2.62

PRICING POLICY UNDER THE 2020-22 QINGDAO MUTUAL SUPPLY AGREEMENT

As disclosed in the Announcement, pricing under the 2020-22 Qingdao Mutual Supply Agreement was determined in accordance with the following pricing principles and 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 prices not exceeding any 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 or 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 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, historical price, 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.

Products and/or services supplied by the Qingdao Group

With reference to the Group’s historical transactions with the Qingdao Group, most of the products and/or services supplied by the Qingdao Group are priced based on market price (i.e. pricing principle (d)). The reasons are that (i) government-prescribed prices and government-guided prices are either not available or not applicable for such products and/or services, and that (ii) given that the transaction amount for products and/or services provided by the Qingdao Group has historically been relatively small, the transaction amount of such products and/or services per order is mostly not large enough to trigger the internal control the Group has in place for the price of such order to be confirmed through a bidding and tender process (i.e. pricing principle (c)).

With respect to the products and/or services which are supplied by the Qingdao Group and priced based on market price (i.e. pricing principle (d)), to ensure that the price and/or payment terms offered by the Qingdao Group are reasonable or no less favourable than those offered by the Independent Third Parties, if direct comparable market price is available, the Group will refer to the recent transaction prices offered by Independent Third Parties for such products and/or services; and if direct comparable market price is not available, the parties will try to make references to the market prices of similar products based on the prices offered by Independent Third Parties (if so available).

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. The Group has maintained and operated an online procurement platform (<http://scm.csrzic.com/>), where (i) it posts its purchase orders or invitations to tender for its registered suppliers (including but not limited to the Qingdao Group) to provide quotations or submit bids, and (ii) the historical transaction prices for the products and/or services which are the subject of such purchase orders or invitations to tenders are available on the platform for the Group's reference. A publicly disclosed guideline for registration is available on the website which is open for potential suppliers who are able to meet the qualifications to register as the Group's qualified suppliers.

Regardless of whether the products and/or services supplied by the Qingdao Group are priced using market prices (i.e. pricing principle (d)) or bidding prices (i.e. pricing principle (c)), subject to the availability of the products and/or services of comparable nature, quality, quantity and condition and the quotations received therefor, the Group will use its best endeavours to compare at least two quotations from Independent Third Parties for each order or invitation for price references to assess the reasonableness and favourableness of the price and/or payment terms offered by the Qingdao Group.

Notwithstanding that the procurement platform is in place to ensure that the price and/or payment terms offered by the Qingdao Group for larger-sum orders are reasonable or no less favourable than those offered by the Independent Third Parties, in order to further safeguard the Company's interest, the 2020-22 Qingdao Group Mutual Supply Agreement provides that in the event that the price and/or payment terms offered by the Qingdao Group are less favourable than those offered by the Independent Third Parties, the Group will have the right to terminate and cancel such purchases.

Products and/or services supplied by the Group

With reference to the Group's historical transactions with the Qingdao Group, most of the products and/or services supplied by the Group to the Qingdao Group are priced based on market price (i.e. pricing principle (d)). If direct comparable market price is not available for these products and/or services supplied by the Group, the parties will try to make references to the market prices of similar products based on the prices offered by or to Independent Third Parties (if so available). The Company will ensure that the price offered to the Qingdao Group for such products and/or services will not be lower than those offered to Independent Third Parties by referencing the recent transaction price offered to Independent Third Parties for similar products and/or services.

Only a small portion of the products and/or services supplied by the Group to the Qingdao Group is priced on a cost-plus basis (i.e. pricing principle (e)). For products and/or services which are priced on a cost-plus basis, the Company will ensure that the profit margin received for the products and/or services supplied to the Qingdao Group is no less favourable than and in line with the profit margin received for similar products and/or services supplied to Independent Third Parties.

ANNUAL CAPS

Whilst the transaction amount for products and/or services provided by the Qingdao Group has historically been relatively small, the annual cap for the products and/or services to be provided by the Qingdao Group under the 2020-22 Qingdao Group Mutual Supply Agreement as compared to that under the 2017-19 Qingdao Group Mutual Supply Agreement has increased mainly due to the Company's high-speed magnetic-levitation (maglev) train research project and the anticipated demand therefrom for products and/or services to be provided by the Qingdao Group.

DIFFERENCES BETWEEN THE PRODUCTS AND/OR SERVICES SUPPLIED AND REASONS FOR MUTUAL SUPPLY OF SIMILAR PRODUCTS AND/OR SERVICES

Owing to the differences between the principal business activities of the Group and the Qingdao Group as disclosed in the paragraphs headed "Information on the Group" and "Information on the Qingdao Group" in the Announcement, the products and services provided by the Group and the Qingdao Group are different. The products, parts and components, technical services, after-sale services, management services and other related services, and related facilities for research and development, production and testing purposes provided by the Group are applied to the high and low voltage electrical equipment, vehicle end bridge connector, driver's control console, bogie instability detection device and electromagnet products manufactured by the Qingdao's Group; whereas those provided by the Qingdao Group are applied to the locomotive train power converters, control systems, urban railway train electrical system, other train-borne electrical systems and the electric components for the railway industry, urban railway industry and non-railway purposes. The services supplied by the Group and the Qingdao Group are mostly specific to and tailor-made for the relevant products supplied and are different accordingly.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Qingdao Group agreed to purchase products and/or services supplied by the Group for two reasons. Firstly, the products and/or services supplied by the Group are core products and/or services required in Qingdao Group's manufacturing process, such as the logic control units (LCU) and LCU chassis produced by the Group. Secondly, the products and/or services supplied are core materials which are either more readily available or cost less to the Qingdao Group if they are being purchased through the Group's purchasing channels. Similarly, the Group agreed to purchase products and/or services supplied by the Qingdao Group since the price and payment terms of such products and/or services (when purchased through the Qingdao Group's purchasing channels) are better than those offered by Independent Third Parties.

As disclosed in the paragraph headed "Reasons for Entering Into the 2020-22 Qingdao Mutual Supply Agreement" in the Announcement, the Company considers it is beneficial to enter into 2020-22 Qingdao Mutual Supply Agreement.

By order of the Board

Li Donglin

Chairman

Zhuzhou, China, 8 May 2020

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.