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**株洲中车时代电气股份有限公司**

**ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.**

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

**(Stock Code: 3898)**

**CONNECTED TRANSACTION**  
**ACQUISITION OF ZHUZHOU NATIONAL ENGINEERING**  
**RESEARCH CENTRE OF CONVERTERS CO., LTD.**

On 13 December 2016, the Company as purchaser entered into the Equity Transfer Agreement with the Parent Company as vendor, pursuant to which the Company conditionally agreed to acquire and the Parent Company conditionally agreed to sell 100% equity interest in the Target Company at a consideration of approximately RMB283,223,000.

The Parent Company is a controlling shareholder of the Company and is therefore a connected person of the Company as defined under the Listing Rules. As such, the entering into the Equity Transfer Agreement with the Parent Company constitutes a connected transaction of the Company.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Equity Transfer Agreement exceed 0.1% but are less than 5%, the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

**INTRODUCTION**

On 13 December 2016, the Company as purchaser entered into the Equity Transfer Agreement with the Parent Company as vendor, pursuant to which the Company conditionally agreed to acquire and the Parent Company conditionally agreed to sell 100% equity interest in the Target Company at a consideration of approximately RMB283,223,000.

The major terms of the Equity Transfer Agreement are set out below:

## **THE EQUITY TRANSFER AGREEMENT**

### **Date**

13 December 2016 (after trading hours)

### **Parties**

Purchaser: the Company

Vendor: the Parent Company

### **Subject of the Transaction**

Pursuant to the terms and conditions of the Equity Transfer Agreement, the Company has conditionally agreed to purchase from the Parent Company, and the Parent Company has conditionally agreed to sell to the Company 100% equity interest in the Target Company.

### **Consideration**

The consideration for acquiring the Target Company amounts to approximately RMB283,223,000, which shall be payable to the Parent Company by the Company by way of bank transfer within 10 business days after the fulfillment or waiver (as the case may be) of all the conditions stipulated under the Equity Transfer Agreement.

The consideration of the Equity Transfer Agreement has been determined after arm's length negotiations between the Company and the Parent Company with reference to the appraised value of the shareholder's interests of the Target Company of approximately RMB283,223,000 as at 30 June 2016. Such appraised value was evaluated by 中發國際資產評估有限公司 (DeveChina International Appraisals), a qualified professional asset valuation institution in the PRC which was appointed by the Company and, to the best of the Director's knowledge, information and belief having made all reasonable enquiry, is an Independent Third Party. Payment of the consideration will be funded from internal resources of the Group. The Directors, excluding Mr. Ding Rongjun and Mr. Deng Huijin but including all the independent non-executive Directors, are of the view that the consideration is fair and reasonable and was determined after arm's length negotiation among the parties.

## **Conditions of the Equity Transfer Agreement**

Completion of the transfer of 100% equity interest in the Target Company under the Equity Transfer Agreement is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

- (a) the board of directors of the Parent Company and the shareholder of the Target Company having passed resolutions to approve the Equity Transfer Agreement;
- (b) the Parent Company and its controlling shareholder(s) (if the shares of which are listed on the Stock Exchange and/or the Shanghai Stock Exchange) having complied with the reporting, announcement, shareholders' approval (if necessary) and all other necessary requirements under the Listing Rules, the listing requirements of the Shanghai Stock Exchange and other applicable laws and regulations in relation to the Equity Transfer Agreement;
- (c) the Board having approved the Equity Transfer Agreement;
- (d) the Company having complied with the reporting, announcement, independent shareholders' approval (if necessary) and all other necessary requirements under the Listing Rules and other applicable laws and regulations in relation to the Equity Transfer Agreement;
- (e) the Parent Company having obtained all necessary authorisation, consents, approvals, licenses and permits from all the relevant government or supervisory authorities, agents or other third party (including banks, creditors and/or the Parent Company and its controlling shareholder(s) (if necessary)) in relation to the Equity Transfer Agreement, and such authorisations, consents, approvals, licenses and permits remaining in full force and effect;
- (f) no restraining order, preliminary or permanent injunction or other order preventing the consummation of the transaction contemplated under to the Equity Transfer Agreement having been issued by the government authority;
- (g) no representation, warranty and undertaking made by the Parent Company under the Equity Transfer Agreement being untrue or inaccurate in any respect from the date of the Equity Transfer Agreement up to the Completion Date; and
- (h) there having no material adverse change or prospective material adverse change in relation to the Target Company.

Conditions (b) and (d) above cannot be waived by any party to the Equity Transfer Agreement.

## Completion

Completion Date will take place within 10 business days after the fulfilment or waiver (if applicable) of the above conditions, on which the Company shall pay the Parent Company the consideration for the Acquisition. The Completion Date is expected to be no later than 31 December 2016.

Upon completion, the Target Company will become a wholly-owned subsidiary of the Company and its results, assets and liabilities will be consolidated with the financial statements of the Group.

## Information on the Target Company

The Target Company is a company established in the PRC with limited liability in January 2008, and is wholly owned by the Parent Company. The Target Company is principally engaged in the operation of high voltage inversion device, power quality control device, high-power industrial power device, mid-high voltage soft starting series device, air-conditioner inverter, mine inverter, photovoltaic power generation system integration, photovoltaic inverter, photovoltaic engineering, procurement and construction (EPC), wind power inverter. The products of the Target Company can be widely applied in various industries including railway transportation, electricity, chemical, mining, iron and steel, oilfield and photovoltaic industries. The Directors believe that the Target Company has strong research and development capability in that it is currently the owner of over 140 patents and 12 copyrights in the PRC.

Set out below is the audited financial information of the Target Company for the two financial years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 extracted from its financial statements prepared in accordance with the PRC generally accounting principles:

	<b>For the year ended 31 December 2014 <i>RMB ('000) audited</i></b>	<b>For the year ended 31 December 2015 <i>RMB ('000) audited</i></b>	<b>For the six months ended 30 June 2016 <i>RMB ('000) audited</i></b>
Profit before tax and extraordinary items	627	1,049	588
Profit after tax and extraordinary items	531	1,023	487

	<b>As at 31 December 2014</b>	<b>As at 31 December 2015</b>	<b>As at 30 June 2016</b>
	<i>RMB ('000)</i>	<i>RMB ('000)</i>	<i>RMB ('000)</i>
	<i>audited</i>	<i>audited</i>	<i>audited</i>
Total assets	667,710	745,695	742,169
Total liabilities	365,399	442,360	465,648
Net assets	302,311	303,334	276,520

The audited net asset value of the Target Company as at 30 June 2016 was approximately RMB276,520,000.

Since the Target Company was established by the Parent Company, the original acquisition cost of the entire equity interest in the Target Company was RMB273,000,000, being the amount of registered capital of the Target Company contributed by the Parent Company.

## **INFORMATION ON THE GROUP AND THE PARENT 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 electric components for the railway industry, urban railway industry and non-railway purpose.

The Parent Company is wholly owned by CRRC. The Parent Group is principally engaged in the research and development, manufacturing and sale of rail transportation products and large-scale wind power generation facilities.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Acquisition allows the Target Company to be consolidated into the Group and run by the Group. The Group will improve the operations and efficiency of the Target Company, and at the same time, leverage the established advantage in resources of the Group to expand the scale of operations of the Target Company. With the Target Company's established technology innovation capability in the PRC industrial converter industry, the Directors are optimistic about the prospect of the Target Company and believe that the Acquisition will provide synergies to the Group in the development of new products and thus benefit both business and operation developments of the Group.

## **LISTING RULES IMPLICATIONS**

The Parent Company is a controlling shareholder of the Company and is therefore a connected person of the Company as defined under the Listing Rules. As such, the entering into the Equity Transfer Agreement with the Parent Company constitutes a connected transaction of the Company.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Equity Transfer Agreement exceed 0.1% but are less than 5%, the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

A meeting of the Board was held on 9 December 2016 at which the Equity Transfer Agreement was reviewed and approved. At the said meeting of the Board, Mr. Ding Rongjun (the chairman of the Board, an executive Director and the chairman of the board of the Parent Company) and Mr. Deng Huijin (the vice chairman of the Board, an executive Director and the monitor of the Parent Company) abstained from the consideration of and voting on the Equity Transfer Agreement due to conflict of interests.

The Directors, excluding Mr. Ding Rongjun and Mr. Deng Huijin but including all the independent non-executive Directors, are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of 100% equity interest in the Target Company by the Company from the Parent Company pursuant to the Equity Transfer Agreement
“associate(s)”	has the meaning given 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) (formerly known as Zhuzhou CSR Times Electric Co., Ltd. (株洲南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
“Completion Date”	the completion date for the transfer of 100% equity interest in the Target Company under the Equity Transfer Agreement
“connected person(s)”	has the meaning given to it under the Listing Rules
“controlling shareholder”	has the meaning given 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 55.91% in aggregate by CRRC Group and holds the entire equity interest in the Parent Company
“CRRC Group”	中國中車集團公司 (CRRC Group), a PRC State-owned enterprise and the controlling shareholder of CRRC
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 13 December 2016 entered into between the Company (as purchaser) and the Parent Company (as vendor) in relation to the Acquisition
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in HK\$
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	party who is 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
“Parent Company”	中車株洲電力機車研究所有限公司 (CRRC Zhuzhou 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 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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	株洲變流技術國家工程研究中心有限公司 (Zhuzhou National Engineering Research Centre of Converters Co., Ltd.), a company established in the PRC with limited liability

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

Zhuzhou, China, 13 December 2016

*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 Deng Huijin, our other executive Directors are Liu Ke’an and Yan Wu, our non-executive Director is Ma Yunkun, and our independent non-executive Directors are Chan Kam Wing, Clement, Pao Ping Wing, and Liu Chunru.*