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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)**

## **PROPOSED CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF IGBT PRODUCTION LINE**

### **ASSET TRANSFER AGREEMENT**

Reference are made to the announcements of the Company dated 14 March 2014 and 25 September 2014 in relation to the MOU and the IGBT Lease Agreement entered into between the Group and the Parent Company for the purchase and leasing of the IGBT Production Line respectively.

The Board is pleased to announce that on 18 May 2016, the Company and the Semiconductor Business Unit (as Purchasers) entered into the Asset Transfer Agreement with the Parent Company (as Vendor) in relation to the acquisition of the IGBT Production Line subject to the terms and conditions of the Asset Transfer Agreement at a consideration of approximately RMB1,119,039,000 (equivalent to approximately HK\$1,331,656,000) (subject to the Tax Adjustment).

### **IMPLICATIONS UNDER LISTING RULES**

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 the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) reaches 5% but is less than 25%, the Asset Transfer Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

Meanwhile, as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) reaches 5% but is less than 25%, the Asset Transfer Agreement and the transactions contemplated thereunder also constitute a discloseable transaction of the Company and therefore subject to the announcement requirement pursuant to Chapter 14 of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the proposed transactions contemplated under the Asset Transfer Agreement. In this connection, the Company has appointed Beijing Securities Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the Asset Transfer Agreement.

A circular containing, among other things, (i) details of the Asset Transfer Agreement; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Asset Transfer Agreement; and (iii) the recommendation of the Independent Board Committee regarding the Asset Transfer Agreement to the Independent Shareholders will be despatched to the shareholders of the Company no later than 8 June 2016.

## **BACKGROUND**

Reference are made to the announcements of the Company dated 14 March 2014 and 25 September 2014 in relation to the MOU and the IGBT Lease Agreement entered into between the Group and the Parent Company for the purchase and leasing of the IGBT Production Line respectively.

The Board is pleased to announce that on 18 May 2016, the Company and the Semiconductor Business Unit (as Purchasers) entered into the Asset Transfer Agreement with the Parent Company (as Vendor) in relation to the acquisition of the IGBT Production Line subject to the terms of the Asset Transfer Agreement at a consideration of approximately RMB1,119,039,000 (equivalent to approximately HK\$1,331,656,000) (subject to the Tax Adjustment).

## **ASSET TRANSFER AGREEMENT**

### **Date**

18 May 2016 (after trading hours)

### **Parties**

Purchasers: the Company and the Semiconductor Business Unit

Vendor: the Parent Company

## **Subject of the Transaction**

Pursuant to the terms and conditions of the Asset Transfer Agreement, the Purchasers have conditionally agreed to purchase from the Vendor, and the Vendor has conditionally agreed to sell to the Purchasers the IGBT Production Line.

## **Assets to be acquired**

Based on a special audit report prepared by an independent auditor, the original book value and the net book value of the IGBT Production Line are approximately RMB1,103,587,000 (equivalent to approximately HK\$1,313,269,000) and approximately RMB974,427,000 (equivalent to approximately HK\$1,159,568,000), respectively.

### *1. The Immovable Property*

The Immovable Property comprises one parcel of land (including all the premises, buildings and other attachments on the land), which are located at 中國湖南省株洲市石峰區井龍辦事處井龍村 (Jinglong Village, Jinglong Subdistrict Office, Shifeng District, Zhuzhou, Hunan Province, the PRC) with a total site area of approximately 69,727.73 square meters. The net book value of the Immovable Property as at 31 December 2015 was approximately RMB369,486,000 (equivalent to approximately HK\$439,688,000)

### *2. The Equipment*

The Equipment is certain facilities, machineries and equipment used for the production of IGBT in the IGBT Production Line. The net book value of the Immovable Property as at 31 December 2015 was approximately RMB604,941,000 (equivalent to approximately HK\$719,880,000)

## **Consideration**

The consideration for acquiring the IGBT Production Line amounts to approximately RMB1,119,039,000 (equivalent to approximately HK\$1,331,656,000), among which RMB379,620,000 (equivalent to approximately HK\$451,748,000) shall be payable to the Vendor for the Immovable Property and RMB739,419,000 (equivalent to approximately HK\$879,908,000) shall be payable to the Vendor for the Equipment, respectively.

The consideration of the Asset Transfer Agreement has been determined after arm's length negotiations among the Company, the Semiconductor Business Unit and the Parent Company with reference to (i) the appraised value of the IGBT Production Line of approximately RMB1,044,090,000 (equivalent to approximately

HK\$1,242,467,000) as at the reference date, being 31 December 2015, (ii) the estimated provision for depreciation of the IGBT Production Line after the said reference date and (iii) the estimated tax liabilities relating to the transfer of the Immovable Property and the Equipment pursuant to the Asset Transfer Agreement. The appraised value of the IGBT Production Line was evaluated by 中和資產評估有限公司 (Zhonghe Appraisal Co., Ltd.) by way of replacement cost method, a PRC qualified valuer which was appointed by the Purchasers and, to the best of the Director's knowledge, information and belief having made all reasonable enquiry, is an Independent Third Party. As at 31 December 2015, the appraised values of the Immovable Property and the Equipment are approximately RMB370,536,000 (equivalent to approximately HK\$440,938,000) and approximately RMB673,554,000 (equivalent to approximately HK\$801,529,000), respectively.

The final consideration may be adjusted with reference to the actual tax amount arisen as a result of the transfer of the Immovable Property and the Equipment ("Tax Adjustment"). Pursuant to the Asset Transfer Agreement, the final consideration after the Tax Adjustment will not exceed RMB1,140,732,000 (equivalent to approximately HK\$1,357,471,000). Payment of the consideration will be funded from internal resources of the Group.

### **Payment terms**

The consideration is payable to the Vendor by the Purchasers by way of bank transfer in the following manner:

- (a) an amount of approximately RMB1,007,135,000 (equivalent to approximately HK\$1,198,491,000) ("Initial Payment") representing 90% of the consideration amount, subject to Tax Adjustment, shall be paid to the Vendor within 15 days after the fulfillment or waiver of all the conditions mentioned below; and
- (b) the remaining balance of approximately RMB111,904,000 (equivalent to approximately HK\$133,166,000) representing 10% of the consideration amount, subject to the Tax Adjustment, shall be paid to the Vendor within 15 days after the Completion Date.

### **Conditions of the Asset Transfer Agreement**

Completion is conditional upon fulfilment or waiver (as the case may be) of, among others, the following conditions:

- (a) the Vendor having completed the internal approval procedure in relation to the Asset Transfer Agreement;

- (b) the Vendor 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 Asset Transfer Agreement;
- (c) the Board having approved the Asset 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 Asset Transfer Agreement;
- (e) the Vendor 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 Vendor and its controlling shareholder(s) (if necessary)) in relation to the Asset Transfer Agreement, and such authorisations, consents, approvals, licenses and permits remaining in full force and effect;
- (f) the Purchasers having obtained and been satisfied with (both in form and content) the asset valuation report in relation to the IGBT Production Line issued by an independent valuer and approved by and filed to the relevant government authority;
- (g) no restraining order, preliminary or permanent injunction or other order preventing the consummation of the transaction contemplated under to the Asset Transfer Agreement shall having been issued by the government authority;
- (h) the representations, warranties and undertakings made by the Vendor under the Asset Transfer Agreement being true, accurate in all material respects and not misleading in all respects from the date of the Asset Transfer Agreement; and
- (i) there having no material adverse change or prospective material adverse change in relation to the IGBT Production Line.

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

If the conditions set out above are not satisfied or waived on or before Long Stop Date, then the Purchasers may terminate the Asset Transfer Agreement by notice in writing to the Vendor.

Subject to the satisfaction of conditions (b) and (d) above, both the Parent Company and the Semiconductor Business Unit intend to terminate the IGBT Lease Agreement on 30 June 2016.

### **Completion**

Pursuant to the Asset Transfer Agreement, after satisfaction or waiver of all the conditions of the Asset Transfer Agreement, the Purchasers and the Vendor shall proceed to complete the transfer of the IGBT Production Line under the Asset Transfer Agreement as follows:

- (a) the Vendor shall deliver the Equipment under the Asset Transfer Agreement to the Semiconductor Business Unit within 10 days after the receipt of the Initial Payment from the Purchasers; and
- (c) the Vendor shall submit application to the relevant immovable asset management unit of the government for the change of title or ownership of the Immovable Property from the Vendor to the Company under the Asset Transfer Agreement within 20 days after the receipt of the Initial Payment from the Purchasers.

In case the Asset Transfer Agreement cannot be completed before the Long Stop Date, the Vendor shall fully repay the Initial Payment to the Purchasers within 15 days after the Long Stop Date.

### **INFORMATION ON THE GROUP AND THE PARENT GROUP**

The Group is principally engaged in the sale and manufacture of train-borne electrical systems and electrical components.

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 ASSET TRANSFER AGREEMENT**

IGBT is a fundamental and critical part for power conversion and is widely used in major fields such as power transmission, rail transport, industrial automation and is known as “nucleus” of green economy in the world. In field of rail transport, IGBT is known as CPU of traction converters, directly influencing motor train power class and operation flexibility, which is an important part for achieving modern high-speed and heavy-load of motor vehicles.

The Parent Company commenced the construction of the IGBT Production Line in 2012, which mainly produces high-power IGBT.

In order to further develop the IGBT-related business of the Group, the Semiconductor Business Unit entered into the IGBT Lease Agreement with the Parent Company in September 2014 for leasing the IGBT Production Line. With a view to integrating the IGBT Production Line into the business of the Group, and enhancing IGBT-related manufacturing capabilities and production capacity of the Group, the Company and the Semiconductor Business Unit proposes to purchase the IGBT Production Line from the Parent Company, so as to meet the operation demands 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 the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) reaches 5% but is less than 25%, the Asset Transfer Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders’ approval requirement pursuant to Chapter 14A of the Listing Rules.

Meanwhile, as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) reaches 5% but is less than 25%, the Asset Transfer Agreement and the transactions contemplated thereunder also constitute a discloseable transaction of the Company and therefore subject to the announcement requirements pursuant to Chapter 14 of the Listing Rules.

A meeting of the Board was held on 11 May 2016 at which the Asset 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 vice chairman of the board of the Parent Company) abstained from the consideration of and voting on the Asset Transfer Agreement due to conflict of interests.

The Directors, excluding Mr. Ding Rongjun, and Mr. Deng Huijin and the independent non-executive Directors (being members of the Independent Board Committee, who will give their opinion after taking into account the advice of the Independent Financial Adviser), are of the view that the terms of the Asset 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 the Shareholders as a whole.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the proposed transactions contemplated under the Asset Transfer Agreement. In this connection, the Company has appointed Beijing Securities Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the Asset Transfer Agreement.

A circular containing, among other things, (i) details of the Asset Transfer Agreement; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Asset Transfer Agreement; and (iii) the recommendation of the Independent Board Committee regarding the Asset Transfer Agreement to the Independent Shareholders will be despatched to the shareholders of the Company no later than 8 June 2016.

## **DEFINITIONS**

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

“Asset Transfer Agreement”	the asset transfer agreement dated 18 May 2016 entered into among the Company, the Semiconductor Business Unit and the Parent Company in relation to the acquisition of the IGBT Production Line pursuant to the terms and conditions therein
“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) (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 date on which the registration procedures in relation to the change of title or ownership of all the Immovable Property and the Equipment under the Asset Transfer Agreement have been completed
“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 as at the date of this announcement
“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
“Equipment”	certain facilities, machineries and equipment used for the production of IGBT in the IGBT Production Line
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IGBT”	insulated gate bipolar transistor

“IGBT Lease Agreement”	the lease agreement dated 25 September 2014 entered into between the Parent Company and the Semiconductor Business Unit pursuant to which the Parent Company has agreed to lease the IGBT Production Line to the Semiconductor Business Unit for a term commencing from 1 September 2014 to: (i) the expiration of three years; (ii) the date of completion of transfer of the IGBT Production Line; or (iii) such other date as may be agreed by the parties, whichever is the earliest
“IGBT Production Line”	the high-power high-voltage IGBT production line comprising the Immovable Property and the Equipment which are located in 中國湖南省株洲市石峰區井龍辦事處井龍村 (Jinglong Village, Jinglong Subdistrict Office, Shifeng District, Zhuzhou, Hunan Province, the PRC)
“Immovable Property”	one parcel of land with a total site area of approximately 69,727.73 square meters, including all the buildings, premises and attachment on the land
“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 Asset Transfer Agreement
“Independent Financial Adviser”	Beijing Securities 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 Asset Transfer Agreement
“Independent Third Party(ies)”	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
“Long Stop Date”	31 December 2016

“MOU”	a memorandum of understanding dated 14 March 2014 entered into between the Company and the Parent Company in relation to the right of trial run and the right of first refusal for the leasing or purchase of the IGBT Production Line for conducting high-power high-voltage IGBT-related businesses
“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
“Purchasers”	the Company and the Semiconductor Business Unit
“RMB”	Renminbi, the lawful currency of the PRC
“Semiconductor Business Unit”	the Semiconductor Business Unit (半導體事業部) of the Company, which is a subordinate legal entity of the Company and is subject to independent audit (獨立核算的二級法人單位)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	the Parent Company

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

Zhuzhou, China, 18 May 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.*

*For the purpose of this announcement, unless otherwise stated, the conversion of RMB into HK\$ has been made at an exchange rate of RMB1:HK\$1.19. Such conversion should not be construed as a representation that any amount has been, could have been or may be exchanged at this or any other rate.*