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If you have sold or transferred all your shares in ZHUZHOU CSR TIMES ELECTRIC CO., LTD., you should at once hand this circular together with the accompanying form of proxy and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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中国南车

株洲南车时代电气股份有限公司

ZHUZHOU CSR TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

**CONNECTED TRANSACTION
PROVISION OF PROPOSED ENTRUSTED LOAN
AND
PROPOSED INVESTMENT CAP
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



**廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED**

A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular. A letter from the Independent Financial Adviser, GF Capital (Hong Kong) Limited, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 21 of this circular.

A notice convening the EGM to be held on Tuesday, 25 March 2014 is set out on pages 27 to 29 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time scheduled for holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

If you intend to attend the EGM in person or by proxy, you should also complete and return the accompanying reply slip in accordance with instructions printed thereon on or before Wednesday, 5 March 2014.

28 January 2014

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“Bank”	a commercial bank in the PRC to be designated by the Company to act as the lending agent of the Proposed Entrusted Loan
“Board”	the board of Directors
“Company”	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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSR”	中國南車股份有限公司 (CSR Corporation Limited), a joint stock company established in the PRC with limited liability, the A shares and H shares of which are listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively; CSR is directly and indirectly held as to approximately 57.16% in aggregate by CSRG and holds the entire equity interest in the Parent Company
“CSR Investment & Leasing”	南車投資租賃有限公司 (CSR Investment & Leasing Co., Ltd.), a wholly-owned subsidiary of CSR
“CSR Zhuzhou”	南車株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Co., Ltd.), a wholly-owned subsidiary of CSR
“CSRG”	中國南車集團公司 (CSR Group), a PRC State-owned enterprise and the ultimate controlling shareholder of the Company. CSRG is interested, directly and indirectly, in approximately 57.16% of the shares of CSR as at the Latest Practicable Date
“Directors”	the directors of the Company
“Domestic Share(s)”	domestic share(s) of RMB1.00 each in the share capital of the Company
“EGM”	an extraordinary general meeting of the Company to be convened on Tuesday, 25 March 2014 (including any adjournment thereof) for the purpose of considering and, if thought fit, approving, among others, the Proposed Entrustment Arrangement, details of which are set out in the notice of EGM on pages 27 to 29 of this circular

DEFINITIONS

“GF Capital” or “Independent Financial Adviser”	GF Capital (Hong Kong) Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Entrustment Arrangement
“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 Main Board of the Stock Exchange and traded in HK\$
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC”	Industrial and Commercial Bank of China Ltd., Zhuzhou Tianxin Branch (中國工商銀行股份有限公司株洲田心支行), the lending agent of the Original Entrusted Loan
“Independent Board Committee”	the independent committee of the Board (which consists only of independent non-executive Directors) formed to advise the Independent Shareholders in relation to the Proposed Entrustment Arrangement
“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 Proposed Entrustment Arrangement
“Independent Third Parties”	parties who are independent of, and not connected with, the Company or any of its connected persons
“Latest Practicable Date”	24 January 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Original Entrusted Loan”	the loan of a principal amount of RMB500,000,000 (equivalent to approximately HK\$641,766,140) entrusted by the Company and provided to the Parent Company through the Original Entrustment Agreements, in which ICBC acted the lending agent
“Original Entrustment Agent Agreement”	the entrustment agent agreement (委托代理協議) dated 30 December 2013 entered into between the Company and ICBC in relation to the Original Entrusted Loan

DEFINITIONS

“Original Entrustment Agreements”	collectively, the Original Entrustment Agent Agreement and the Original Entrustment Loan Agreement
“Original Entrustment Loan Agreement”	the entrustment loan agreement (委托貸款借款合同) dated 30 December 2013 entered into among the Company, ICBC and the Parent Company in relation to the Original Entrusted Loan
“Parent Company”	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
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC”	the People’s Republic of China
“Proposed Entrusted Loan”	the loan of a principal amount of up to RMB1,000,000,000 (equivalent to approximately HK\$1,283,532,281) entrusted by the Company and to be provided to the Parent Company through the Proposed Entrustment Arrangement, in which the Bank acts the lending agent
“Proposed Entrustment Arrangement”	the transactions contemplated under the entrustment loan agreement and other related agreement(s) to be entered by the Company in relation to the Proposed Entrusted Loan entrusted by the Company and to be provided to the Parent Company, in which the Bank acts the lending agent
“Qishuyan Works”	中國南車集團戚墅堰機車車輛廠 (CSR Qishuyan Locomotive & Rolling Stock Works), a wholly-owned subsidiary of CSRG
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

This circular contains translation of HK\$ to RMB at the rate of HK\$1 = RMB0.7791 for the purpose of illustration only. The translation shall not be taken as representation that any amounts in HK\$ or RMB could be converted at such rate or at any other rate.

LETTER FROM THE BOARD



株洲南车时代电气股份有限公司

ZHUZHOU CSR TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

Executive Directors:

Mr. Ding Rongjun (*Chairman*)

Mr. Li Donglin

Non-executive Directors:

Mr. Deng Huijin (*Vice Chairman*)

Mr. Yan Wu

Mr. Ma Yunkun

Independent non-executive Directors:

Mr. Gao Yucai

Mr. Chan Kam Wing, Clement

Mr. Pao Ping Wing

Ms. Liu Chunru

Registered office:

Times Road

Shifeng District

Zhuzhou

Hunan Province

PRC 412001

Principal Place of Business in Hong Kong:

Unit 1106, 11th Floor

Jubilee Centre

18 Fenwick Street

Wanchai

Hong Kong

28 January 2014

To Shareholders

Dear Sir or Madam

**CONNECTED TRANSACTION
PROVISION OF PROPOSED ENTRUSTED LOAN
AND
PROPOSED INVESTMENT CAP
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. BACKGROUND

Reference is made to the announcement of the Company dated 30 December 2013 in relation to the Original Entrusted Loan. On 30 December 2013, the Company, ICBC and the Parent Company entered into the Original Entrustment Agreements in relation to the provision of the Original Entrusted Loan by the Company to the Parent Company with ICBC acting as the lending agent. The drawdown of the Original Entrusted Loan by the Parent Company was completed on 31 December 2013.

Reference is also made to the announcement of the Company dated 14 January 2014 in relation to the Proposed Entrusted Loan. On 14 January 2014, the Board approved that subject to, among others, the Independent Shareholders' approval, the Company shall enter into the Proposed

LETTER FROM THE BOARD

Entrustment Arrangement with the Bank and the Parent Company in relation to the provision of the Proposed Entrusted Loan by the Company to the Parent Company with the Bank acting as the lending agent. It is contemplated under the Proposed Entrustment Arrangement that the Bank shall be designated by the Company to act as a lending agent to release the Proposed Entrusted Loan, which shall be funded by the Company, to the Parent Company. It is proposed that the Proposed Entrusted Loan shall be provided to Parent Company for the sole purpose of working capital.

Assuming that completion of the drawdown of the Proposed Entrusted Loan by the Parent Company takes place, the aggregate sum of the maximum principal amount of the Proposed Entrusted Loan and the Original Entrusted Loan provided by the Company to the Parent Company shall be RMB 1,500,000,000 (equivalent to approximately HK\$1,925,298,421).

The purpose of this circular is to provide you with, among other things, (i) details of the Proposed Entrustment Arrangement; (ii) advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Proposed Entrustment Arrangement; and (iii) a notice of the EGM to consider and, if thought fit, approve the Proposed Entrustment Arrangement.

2. THE PROPOSED ENTRUSTMENT ARRANGEMENT

(a) Proposed Principal Terms of the Proposed Entrustment Arrangement

It is proposed that the principal terms of the Proposed Entrustment Arrangement shall be similar to those terms of the Original Entrustment Agreements (which have been set out in the announcement of the Company dated 30 December 2013) and are summarised as follows:

Date

A date to be determined by the parties

Parties

- (1) the Company, as the principal;
- (2) the Bank, as the lending agent; and
- (3) the Parent Company, as the borrower.

Loan amount

It is proposed that the Company shall provide the Proposed Entrusted Loan with the principal amount of up to RMB 1,000,000,000 (equivalent to approximately HK\$1,283,532,281) to the Parent Company, which shall be drawn down in a manner as set out in the definitive entrustment agreement(s) to be entered into by the parties.

LETTER FROM THE BOARD

Term

It is proposed that the Proposed Entrusted Loan shall be a term of not more than twelve (12) months commencing from the date of drawdown to be determined by the parties (the “Drawdown Date”). The Parent Company shall repay in full the outstanding principal amount of the Proposed Entrusted Loan and any interest accrued thereon at maturity.

Interest rate

It is proposed that the interest payable by the Parent Company for the Proposed Entrusted Loan shall be calculated at a 10% discount to the benchmark lending rate of the corresponding loan type and period promulgated by the PBOC. If there are any changes in such benchmark lending rate, the interest rate of the Proposed Entrusted Loan will be adjusted accordingly. Interest will be charged and calculated from the Drawdown Date, and will be payable quarterly by the Parent Company.

Purpose of the Proposed Entrusted Loan

It is proposed that the Proposed Entrusted Loan shall be provided to the Parent Company for the sole purpose of working capital.

Handling fee

It is proposed that each of the Company and the Parent Company shall open and maintain a bank account with the Bank for the purpose of the drawdown and repayment of the Proposed Entrusted Loan and the payment of interest accrued thereon.

It is proposed that the handling fee to be charged by the Bank shall not be more than 0.05% of the final principal amount of the Proposed Entrusted Loan and shall be payable by the Company upon the drawdown by the Parent Company.

Event of defaults

It is contemplated that the Bank shall be entitled to, at the written instruction of the Company, among other things, stop the drawdown of or demand early repayment of the outstanding principal amount of the Proposed Entrusted Loan and all interests accrued thereon upon the occurrence of any of the following events:

- (a) the Parent Company is in breach of any of its obligations under the Proposed Entrustment Arrangement;
- (b) the Parent Company does not use the Proposed Entrusted Loan for the specific purpose;
- (c) the Proposed Entrusted Loan is overdue and unpaid upon demand for repayment by the Bank;

LETTER FROM THE BOARD

- (d) the non-provision of financial statements and other documents or the provision of false financial statements and other documents to the Company or the Bank; and/or
- (e) the Parent Company is involved in material legal proceedings or arbitration proceedings.

Early repayment

It is contemplated that the Parent Company may, by giving a prior written notice of three (3) days to the Company and with the written consent of the Company, repay the outstanding principal amount of the Proposed Entrusted Loan and any interest accrued thereon before maturity.

It is contemplated that the Company shall be entitled to demand for repayment of the outstanding principal amount of the Proposed Entrusted Loan and all interests accrued thereon any time before maturity by giving one month prior written notice to the Parent Company and the Parent Company shall repay the same within the specified time limit as set out in the said written notice.

As at the Latest Practicable Date, the parties have not executed any definitive entrustment agreement in relation to the Proposed Entrusted Loan.

(b) Information of the Parties

As at the Latest Practicable Date, the Company has not yet confirmed the appointment of the Bank as the lending agent of the Proposed Entrusted Loan. It is however contemplated that the Bank should be a commercial bank established in the PRC which is licensed under the PRC laws to principally engage in banking, financial and other financial related services. The Directors undertake and procure that to their best knowledge, information and belief having made all reasonable enquiries, the Bank and its ultimate beneficial owner(s) shall be third parties independent of the Company and shall not be connected persons of the Company.

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

The Parent Company is principally engaged in the research and development, manufacture and sale of rail transportation products and large-scale wind power generation facilities.

(c) Reasons for and Benefits of Entering Into the Proposed Entrustment Arrangement

Given that the interest rate of the Proposed Entrusted Loan is set at a 10% discount to the benchmark lending rate of the corresponding loan type and period promulgated by the PBOC (which is presumed to be the market rate for comparison) and as at the Latest Practicable Date, the prevailing benchmark interest rate of the PBOC for the same level of loans in RMB for the period of one year or shorter is 6% per annum, the current interest rate of the Proposed Entrusted Loan would therefore be approximately 5.4% per annum.

According to the research conducted by the Company as at 20 January 2014, the average expected yield to be generated from similar low-risk investment products for a term of not more than one year offered by commercial banks in the PRC ranged from 5% per annum to 5.5% per annum.

LETTER FROM THE BOARD

Taking into account (i) the proposed interest rate of the Proposed Entrusted Loan is higher than the interest rate the Group could obtain by placing the same amount of fund in deposit with commercial banks in the PRC and is comparable to that of similar low-risk investment products offered by commercial banks in the PRC, (ii) flexibility that the Company shall be entitled to demand for repayment of the outstanding principal amount of the Proposed Entrusted Loan and all interests accrued thereon at any time by giving only one month prior written notice to the Parent Company, while similar loans or investment products are normally required to be held till maturity, and (iii) the low default risk as the Parent Company has strong financial strength — it has overall bank credit facilities of up to approximately RMB3.6 billion and sound financial backup from CSR, the Directors, excluding Mr. Ding Rongjun, Mr. Deng Huijin but including the independent non-executive Directors after having received the advice of the Independent Financial Adviser, consider that the interest rate of the Proposed Entrusted Loan is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned, and further believe that the Proposed Entrustment Arrangement will provide a better utilization of such surplus cash with acceptable levels of risk, and the interest charged thereto will, after deducting the relevant fees to be charged by the Bank, provide satisfactory economic returns for the Group.

(d) 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. The provision of the Proposed Entrusted Loan by the Company to the Parent Company under the Proposed Entrustment Arrangement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Original Entrusted Loan were greater than 0.1% but less than 5%, the Original Entrustment Agreements were subject to the reporting and announcement requirements but were exempt from the independent shareholders' approval requirement under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the maximum principal amount of the Proposed Entrusted Loan, when considered separately or aggregated with the Original Entrusted Loan, exceed 5%, the Proposed Entrustment Arrangement is subject to the reporting, announcement and the independent shareholders' approval requirements under the Listing Rules.

Mr. Ding Rongjun (the chairman of the Board, an executive Director and a general manager of the Parent Company) and Mr. Deng Huijin (a non-executive Director and a deputy general manager of the Parent Company) have abstained from voting on the board resolution approving the Proposed Entrustment Arrangement due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the Proposed Entrustment Arrangement and hence no other Directors have abstained from voting on such board resolution.

Taking into account the normal operating funds requirement and the liquidity needs of the Group, the Group shall only conduct the entrusted loan business in compliance with internal control rules and regulations. The staff of the finance assets department of the Company will be responsible for comparing the proposed terms of the Proposed Entrusted Loan with those of other similar low-risk investment products offered by commercial banks in the PRC, negotiating and finalising the proposed

LETTER FROM THE BOARD

principal terms of the Proposed Entrusted Loan with the Bank and the Parent Company. To facilitate the review and approval process, the finance assets department of the Company shall submit the relevant form together with the details of the proposed principal terms of the Proposed Entrusted Loan for the Board's and senior management's approval in accordance with the Company's internal control rules and regulations. Once the Proposed Entrusted Loan has been provided to the Parent Company, the finance assets department of the Company will set up a ledger for the Proposed Entrusted Loan for fund tracking and risk-monitoring and will report the same to the Board and senior management on a regular basis.

With the implementation of the above procedures, the Directors, excluding Mr. Ding Rongjun, Mr. Deng Huijin but including the independent non-executive Directors, consider that the proposed principal terms of the Proposed Entrustment Arrangement have been and will be negotiated on an arm's length basis and on normal commercial terms or if there are no 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 will not be prejudicial to the interest of the Company and its minority shareholders. The Proposed Entrustment Arrangement is conditional upon, among others, the Independent Shareholders' approval in respect thereof.

(e) Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Proposed Entrustment Arrangement, taking into account the recommendations on the same given by the Independent Financial Adviser.

GF Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Proposed Entrustment Arrangement.

(f) Voting Arrangement

As at the Latest Practicable Date, the Parent Company, CSR Zhuzhou, CSR Investment & Leasing and Qishuyan Works are interested in approximately 50.16%, 0.85%, 0.80% and 0.80% respectively of the entire issued share capital of the Company.

Each of the Parent Company, CSR Zhuzhou, CSR Investment & Leasing and Qishuyan Works is an associate of CSRG and shall therefore abstain from voting at the EGM on resolutions to consider and approve the Proposed Entrustment Arrangement.

As at the Latest Practicable Date, as far as the Company is aware, having made all reasonable enquiries:

- (i) each of the Parent Company, CSR Zhuzhou, CSR Investment & Leasing and Qishuyan Works controlled or were entitled to exercise control over the voting rights in respect of its respective Shares;

LETTER FROM THE BOARD

- (ii) (A) there were no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any of the Parent Company, CSR Zhuzhou, CSR Investment & Leasing and Qishuyan Works;
- (B) there were no obligation on or entitlement of any of the Parent Company, CSR Zhuzhou, CSR Investment & Leasing and Qishuyan Works as at the Latest Practicable Date, whereby any of the Parent Company, CSR Zhuzhou, CSR Investment & Leasing and Qishuyan Works had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of its respective Shares to other third parties, either generally or on a case-by-case basis; and
- (iii) there were no discrepancies between the beneficial shareholding interest of any of the Parent Company, CSR Zhuzhou, CSR Investment & Leasing and Qishuyan Works in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the EGM.

3. PROPOSED INVESTMENT CAP

Taking into account the normal operating funds requirement and the liquidity needs of the Group and with a view to seeking a higher return on the Group's surplus funds, the Board proposes to apply up to and in aggregate, at any time, RMB3,000,000,000 (equivalent to approximately HK\$3,850,596,843) (the "**Proposed Investment Cap**") of the surplus funds of the Group to treasury activities including but not limited to buying low-risk financial products offered by banks, advancing entrusted loans and investing in secured or guaranteed trust and treasury products (the "**Investment Activities**"), in accordance with the Group's established treasury policy and procedures.

It is intended that the Investment Activities of the Group will be within the Proposed Investment Cap, short term in nature for treasury management purposes only, and will not be speculative. The Board shall strictly monitor the Investment Activities to ensure compliance with applicable laws and regulations and the Listing Rules, including but not limited to the requirements of Chapter 14 of the Listing Rules should any of the Investment Activities involve any acquisition or disposal of assets (unless it falls within the exemption under Rule 14.04(1)(g) of the Listing Rules), and generally making timely disclosure of information as required.

4. EGM

The Directors propose to seek the Independent Shareholders' approval of the Proposed Entrustment Arrangement and the Shareholders' approval of the Proposed Investment Cap at the EGM. The EGM will be held at Gengshiji, Xianyuling, Hetang District, Zhuzhou, Hunan Province, the PRC, on Tuesday, 25 March 2014 at 2:00 p.m.. Notice of the EGM is set out on pages 27 to 29 of this circular.

LETTER FROM THE BOARD

For the purposes of the EGM, the register of members of the Company will be closed from Saturday, 22 February 2014 to Tuesday, 25 March 2014, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged, for holders of H Shares, with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or, for holders of Domestic Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, PRC no later than 4:30 p.m. on Friday, 21 February 2014.

A form of proxy for appointing proxy is despatched with this circular and published on the website of the Stock Exchange (www.hkex.com.hk). Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time scheduled for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

If you intend to attend the EGM in person or by proxy, you should also complete and return the accompanying reply slip in accordance with the instructions printed thereon on or before Wednesday, 5 March 2014.

The votes at the EGM will be taken by poll.

5. RECOMMENDATIONS

(a) In relation to the Proposed Entrustment Arrangement

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular, the letter from the Independent Financial Adviser set out on pages 14 to 21 of this circular which contains the recommendation of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Entrustment Arrangement, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser and the principal factors and reasons considered by the Independent Financial Adviser, considers that the proposed principal terms of the Proposed Entrustment Arrangement have been and will be negotiated on an arm's length basis and on normal commercial terms or if there are no 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 the Shareholders as a whole are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Entrustment Arrangement.

LETTER FROM THE BOARD

(b) **In relation to the Proposed Investment Cap**

The Board considers that the Investment Activities for the Proposed Investment Cap conducted from time to time are of a revenue nature, in the ordinary and usual course of business of the Group and will be carried out in accordance with the Group's treasury policy and procedures, and are in the best interests of the Company and the Shareholders as a whole. The Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Investment Cap.

6. FURTHER INFORMATION

Further information of the Company is set out in the Appendix to this circular for your information.

Yours faithfully,
By order of the Board
Ding Rongjun
Chairman

Zhuzhou, China

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



株洲南车时代电气股份有限公司

ZHUZHOU CSR TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

28 January 2014

To the Independent Shareholders

Dear Sir or Madam

CONNECTED TRANSACTION PROVISION OF PROPOSED ENTRUSTED LOAN

We refer to the circular issued by the Company to the Shareholders of even date (the "Circular") of which this letter forms part. Terms defined in the Circular have the same meaning in this letter unless the context otherwise requires.

Under the Listing Rules, the Proposed Entrustment Arrangement is subject to the approval of the Independent Shareholders at the EGM.

We have been appointed by the Board to consider the proposed principal terms of the Proposed Entrustment Arrangement and to advise the Independent Shareholders as to whether, in our opinion, such proposed principal terms of the Proposed Entrustment Arrangement are fair and reasonable insofar as the interests of the Company and the Independent Shareholders as a whole are concerned. GF Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular. Having taking into account the principal factors and reasons considered by and the advice of the Independent Financial Adviser as set out in the letter from the Independent Financial Adviser, we consider that the proposed principal terms of the Proposed Entrustment Arrangement have been and will be negotiated on an arm's length basis and on normal commercial terms or if there are no 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 the Shareholders as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Proposed Entrustment Arrangement at the upcoming EGM.

Yours faithfully,

For and on behalf of the
Independent Board Committee

Mr. Gao Yucai

Mr. Chan Kam Wing, Clement

Mr. Pao Ping Wing

Ms. Liu Chunru

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Entrustment Arrangement for the purpose of incorporation in this circular.



29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central, Hong Kong

28 January 2014

*To the Independent Board Committee
and the Independent Shareholders of
Zhuzhou CSR Times Electric Co., Ltd.*

Dear Sirs,

CONNECTED TRANSACTION PROVISION OF PROPOSED ENTRUSTED LOAN

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Proposed Entrustment Arrangement. Further details of the Proposed Entrustment Arrangement are set out in the letter from the Board (the “**Letter from the Board**”) in the circular of the Company to the Shareholders dated 28 January 2014 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 30 December 2013, the Company, ICBC and the Parent Company entered into the Original Entrustment Agreements in relation to the provision of the Original Entrusted Loan by the Company to the Parent Company with ICBC acting as the lending agent.

On 14 January 2014, the Board approved that subject to, among others, the Independent Shareholders’ approval, the Company shall enter into the Proposed Entrustment Arrangement with the Bank and the Parent Company in relation to the provision of the Proposed Entrusted Loan by the Company to the Parent Company with the Bank acting as the lending agent. It is contemplated under the Proposed Entrustment Arrangement that the Bank shall be designated by the Company to act as a lending agent to release the Proposed Entrusted Loan, which shall be funded by the Company, to the Parent Company.

Assuming that completion of the drawdown of the Proposed Entrusted Loan by the Parent Company takes place, the aggregate sum of the maximum principal amount of the Proposed Entrusted Loan and the Original Entrusted Loan provided by the Company to the Parent Company shall be RMB1.5 billion (equivalent to approximately HK\$1.925 billion).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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). The provision of the Proposed Entrusted Loan by the Company to the Parent Company under the Proposed Entrustment Arrangement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the maximum principal amount of the Proposed Entrusted Loan, when considered separately or aggregated with the Original Entrusted Loan, exceed 5%, the Proposed Entrusted Loan Arrangement is subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

Our scope of work under this engagement is to assess whether the principal terms of the Proposed Entrustment Arrangement (as stated in the Letter from the Board) are fair and reasonable so far as the interests of the Independent Shareholders are concerned, and, from that perspective, whether the Proposed Entrustment Arrangement is in the interests of the Company and the Shareholders as a whole. It is not within our scope of work to opine on any other aspects of the Proposed Entrustment Arrangement. In addition, it is not within our terms of reference to comment on the commercial merits of the Proposed Entrustment Arrangement which is the responsibility of the Directors.

BASIS OF OUR OPINION

In arriving at our opinion, we have relied on the information, opinions and facts supplied, and representations made to us, by the Directors, advisers and representatives of the Company (including those contained or referred to in the Circular). We have also assumed that the information and representations contained or referred to in the Circular were true and accurate in all respects at the time they were made and continue to be so at the date of dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and senior management of the Company. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or other prospects of the Company, the Parent Company and any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In forming our opinion, we have considered the following principal factors and reasons:

1. BACKGROUND

Information relating to the Group

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

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Information relating to the Parent Company

The Parent Company is principally engaged in the research and development, manufacture and sale of rail transportation products and large-scale wind power generation facilities.

Previous entrusted loans provided by the Company to the Parent Company

On 30 December 2013, the Company entered into the Original Entrustment Agent Agreement with ICBC and the Original Entrustment Loan Agreement with ICBC and the Parent Company, respectively, in relation to the provision of the Original Entrusted Loan by the Company to the Parent Company with ICBC acting as the lending agent. Pursuant to the Original Entrustment Agent Agreement, ICBC has, at the request of and acting as an agent to the Company, agreed to provide the service as a lending agent in relation to the release of the Original Entrusted Loan. Pursuant to the Original Entrustment Loan Agreement, ICBC is designated by the Company to act as a lending agent to release the Original Entrusted Loan, which is funded by the Company, to the Parent Company. The Original Entrusted Loan of a principal amount of RMB500 million (equivalent to approximately HK\$642 million) was provided to the Parent Company for the sole purpose as its working capital. The drawdown of the Original Entrusted Loan by the Parent Company was completed on 31 December 2013.

2. REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTMENT AGREEMENT

As mentioned in the Letter from the Board, given that the proposed lending rate of the Proposed Entrusted Loan (as well as the lending rate of the Original Entrusted Loan) is higher than the interest rate the Group could obtain by placing the same amount of fund in deposit with commercial banks in the PRC and taking into account the flexibility that the Company shall be entitled to demand for repayment of the outstanding principal amount of the Proposed Entrusted Loan and all interests accrued thereon at any time by giving only one month prior written notice to the Parent Company, the Directors consider that the Proposed Entrustment Arrangement will provide a better utilization of such surplus cash with acceptable levels of risk, and the interest charged thereto will, after deducting the relevant fees charged by ICBC or to be charged by the Bank, provide satisfactory economic returns for the Group.

The Company advised that in order to have an efficient utilization of the surplus cash, the Company has a track record of investing in several investment products offered by commercial banks in the PRC. The Company further advised that, taking into account the normal operating funds requirement and the liquidity needs of the Group and with a view to seeking a higher return on the Group's surplus funds, the Group would from time to time apply its surplus funds to treasury activities including but not limited to buying low-risk financial products offered by banks, advancing entrusted loans and investing in secured or guaranteed trust and treasury products in accordance with the Group's established treasury policy and procedures. We have reviewed a portfolio of the investment recently made by the Company and noticed that most of these investment products are of short term principal-guaranteed floating income nature without early redemption. The term of these investment

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

products ranged from 41 days to 6 months. The Company further advised that it had not obtained any loans from financial institutions specifically for the purpose of the provision of the Proposed Entrusted Loans, and the Company intends to fund the Proposed Entrusted Loans from its own financial resources.

In addition, the Company advised that it has made internal assessment on the probability of default and the corresponding financial risks. The Company further advised that:

- (i) The Parent Company is a wholly owned subsidiary of CSR Corporation Limited, being a joint stock company the A shares and H shares of which are listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange respectively, whose ultimate holding company is CSR Group, a state-owned enterprise with sound credit record;
- (ii) The Parent Company has long-term good credit rating of AAA pursuant to an internal rating by a PRC commercial bank;
- (iii) The Parent Company has strong financial strength with banking facilities of approximately RMB3.6 billion credit line limit;
- (iv) The Parent Company could request for additional funds from its fellow subsidiary, which governs the centralized management system of funds (holding surplus cash from all of its subsidiaries of CSR Corporation Limited).

On the above basis, we concur with the Directors that the default risk exposure to the Company is manageable.

Having considered that (i) the Proposed Entrustment Arrangement allows the greater utilization of available surplus cash of the Company with acceptable level risk; (ii) the Proposed Entrusted Loan would provide the Group with a reasonable return from the interests received; and (iii) the better flexibility that the Company could recall the Proposed Entrusted Loan at any time by giving only one month prior notice to the Parent Company (as compared to non-callable investment products offered by commercial banks in the PRC), we concur with the view of the Directors that the Proposed Entrustment Arrangement is in the interests of the Company and the Shareholders as a whole.

3. PROPOSED PRINCIPAL TERMS OF THE PROPOSED ENTRUSTMENT ARRANGEMENT

It is proposed that the proposed principal terms of the Proposed Entrustment Arrangement shall be similar to those terms of the Original Entrustment Agreements (as stated in the announcement of the Company dated 30 December 2013) and are summarized as follows:

Principal amount

It is proposed that the Company shall provide the Proposed Entrusted Loan with the principal amount of up to RMB1 billion (equivalent to approximately HK\$1,284 million) to the Parent Company, which shall be drawn down in a manner as set out in the definitive entrustment loan agreement(s) to be entered into by the parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Purpose of the Proposed Entrusted Loan

It is proposed that the Proposed Entrusted Loan shall be provided to the Parent Company for the sole purpose of working capital.

Term

It is proposed that the term of the Proposed Entrusted Loan shall be a term of not more than twelve (12) months commencing from the date of drawdown to be determined by the parties (the “**Drawdown Date**”). The Parent Company shall repay in full the outstanding principal amount of the Proposed Entrusted Loan and any interest accrued thereon at maturity.

Interest rate

It is proposed that the interest payable by the Parent Company for the Proposed Entrusted Loan shall be calculated at a 10% discount to the benchmark lending rate of the corresponding loan type and period promulgated by the PBOC. If there are any changes in such benchmark lending rate, the interest rate of the Proposed Entrusted Loan will be adjusted accordingly. Interest will be charged and calculated from the Drawdown Date, and will be payable quarterly by the Parent Company.

In order to assess the reasonableness of the interest rate of the Entrusted Loan, we have reviewed a portfolio of the investment recently made by the Company with a term ranging from 41 days to 6 months. The expected yields from these investment products ranges from 5.45% per annum to 6.2% per annum and mostly approximately 5.5% per annum. Most of these investment products are of short term principal-guaranteed floating income nature without early redemption. In addition, we have reviewed the interest rate structure for entrusted loans arrangement of various companies listed in Hong Kong which are mainland enterprises (either H shares or red chips) whose ultimate holding companies are state-owned enterprises and noticed that most of them are determined at a floating rate with reference to the benchmark lending interest rate to be charged for the same level of loans in RMB promulgated by the People’s Bank of China for the same period. Given that the interest rate of the Proposed Entrusted Loan is set at a 10% discount to the benchmark lending rate of the corresponding loan type and period promulgated by the PBOC and the prevailing benchmark interest rate of the PBOC for the same level of loans in RMB for the period of one year or shorter as at the Latest Practicable Date is 6% per annum, the current interest rate of the Proposed Entrusted Loan thus would be approximately 5.4% per annum, which is comparable to the expected yields from the other investment products recently offered by other commercial banks in the PRC.

As mentioned in the Letter from the Board, the Company advised that the interest rate under the Proposed Entrustment Arrangement has been and will be arrived at after arm’s length negotiation between the Company and the Parent Company and on normal commercial terms or if there are no 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. The Company further advised that the 10% discount has been set after taking into account, among other things, the manageable default risks and the early redemption mechanism of the Proposed Entrusted Loan. In order to assess the fairness and reasonableness of the 10% discount, based on the above-mentioned selected comparables, we found that it is not uncommon to set the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

interest rate at a 10% discount to the benchmark lending rate of the corresponding loan type and period promulgated by the PBOC. In addition, we have reviewed the recent investments made by the Company and found that most of them are made at the end of December 2013 and early January 2014 and that their respective expected yields are guaranteed. We notice that in general, the expected yields offered during this period will be higher as a result of the tightened liquidity in the money market due to the year-end cash demand. In addition, according to an article in the China Securities Journal published on 20 January 2014, the average expected yields for similar type of investment products recently bought by the Company had fallen slightly to approximately 5.26% per annum. On this basis, we consider that the 10% discount is acceptable.

In order to further safeguard the interests of the Company, as mentioned in the Letter from the Board, the Group shall only conduct the entrusted loan business in compliance with its internal control rules and regulations and the Company would compare the proposed terms of the Proposed Entrusted Loan with those market comparable low-risk investment products offered by commercial banks in the PRC. To facilitate the review and approval process, the finance assets department of the Company shall submit the relevant form together with the details of the proposed principal terms of the Proposed Entrusted Loan for the Board's and senior management's approval in accordance with the Company's internal control rules and regulations. We consider that it would be an appropriate measure for the Company to make sure that the Proposed Entrustment Arrangement would be conducted on normal commercial terms.

Based on the above, in particular, given that (i) the Proposed Entrusted Loan can be recalled for early repayment by giving one month prior notice; (ii) the interest rate is comparable to that of similar low-risk investment products offered by other commercial banks in the PRC, we consider that the interest rate of the Proposed Entrusted Loan is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

Handling fees

It is proposed that each of the Company and the Parent Company shall open and maintain a bank account with the Bank for the purpose of the drawdown and repayment of the Proposed Entrusted Loan and the payment of interest accrued thereon.

It is proposed that the handling fee to be charged by the Bank shall not be more than 0.05% of the final principal amount of the Proposed Entrusted Loan and shall be payable by the Company upon the drawdown by the Parent Company.

We note that the Group has engaged ICBC as lending agent in relation to the provision of the Original Entrusted Loan and the rate of the handling fees was set at 0.05% of the principal amount of the entrusted loans. In addition, based on our review of the handling fees charged by commercial banks in the PRC for entrusted loans arrangement of various companies listed in Hong Kong which are mainland enterprises (either H shares or red chips) whose ultimate shareholders are state-owned enterprises, we found that handling fees ranged from 0.02% to 1.50%. Based on this, we consider that the rate of the handling fees for the Proposed Entrusted Loan is on normal commercial terms.

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Event of defaults

It is contemplated that the Bank shall be entitled to, at the written instruction of the Company, among other things, stop the drawdown of or demand early repayment of the outstanding principal amount of the Proposed Entrusted Loan and all interests accrued thereon upon the occurrence of any of the following events:

- (a) the Parent Company is in breach of any of its obligations under the Proposed Entrustment Arrangement;
- (b) the Parent Company does not use the Proposed Entrusted Loan for the specific purpose;
- (c) the Proposed Entrusted Loan is overdue and unpaid upon demand for repayment by the Bank;
- (d) the non-provision of financial statements and other documents or the provision of false financial statements and other documents to the Company or the Bank; and/or
- (e) the Parent Company is involved in material legal proceedings or arbitration proceedings.

As advised by the Company, in order to safeguard the interests of the Shareholders, the Group will request the Parent Company to provide financial statements and other documents in order to monitor the usage of the Proposed Entrusted Loan on a monthly basis. In addition, once the Proposed Entrusted Loan has been provided to the Parent Company, the Company will set up a ledger for the Proposed Entrusted Loan for fund tracking and risk-monitoring and will report the same to the Board and senior management on a regular basis.

Early repayment

It is contemplated that the Parent Company may, by giving a prior written notice of three (3) days to the Company and with the written consent of the Company, repay the outstanding principal amount of the Proposed Entrusted Loan and any interest accrued thereon before maturity.

It is contemplated that the Company shall be entitled to demand for repayment of the outstanding principal amount of the Proposed Entrusted Loan and all interests accrued thereon any time before maturity by giving one month prior written notice to the Parent Company and the Parent Company shall repay the same within the specified time limit as set out in the said written notice.

In this connection, we consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole for the Company to provide the Proposed Entrusted Loan to the Parent Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the view that the principal terms of the Proposed Entrustment Arrangement (as stated in the Letter from the Board) are on normal commercial terms and are fair and reasonable as far as the interests of the Independent Shareholders are concerned, and, from this perspective, the provision of the Proposed Entrusted Loan under the Proposed Entrustment Arrangement is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM approving the Proposed Entrustment Arrangement.

Yours faithfully,
For and on behalf of

GF Capital (Hong Kong) Limited

Danny Wan
Managing Director

Harry Yu
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

2.1 Directors, supervisors and chief executive

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange in other ways pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules.

2.2 Substantial Shareholders

As at the Latest Practicable Date, so far as it was known to, or can be ascertained after reasonable enquiry by, the Directors, supervisors or chief executive of the Company, the persons/entities (other than a Director, supervisor or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of substantial shareholder	Number of Shares held	Capacity	Approximate % of Domestic Share share capital	Approximate % of H Share share capital	Approximate % of total issued share capital
Parent Company	589,585,699 (Long position)	Beneficial owner	93.86%	—	50.16%
CSR (Note 1)	608,966,468 (Long position)	Interest in controlled entity	96.95%	—	51.81%
CSRG (Note 2)	618,347,237 (Long position)	Interest in controlled entity	98.44%	—	52.60%

APPENDIX
GENERAL INFORMATION

Name of substantial shareholder	Number of Shares held	Capacity	Approximate % of Domestic Share share capital	Approximate % of H Share share capital	Approximate % of total issued share capital
JP Morgan Chase & Co. <i>(Note 3)</i>	2,045,007 (Long position)	Beneficial owner	—	0.37%	0.17%
	1,000,000 (Short position)	Beneficial owner	—	0.18%	0.09%
	1,936,000 (Long position)	Investment manager	—	0.35%	0.16%
	29,228,611 (Lending pool shares)	Custodian corporation /Approved lending agent	—	5.34%	2.49%
Lazard Asset Management LLC	32,763,000 (Long position)	Investment manager	—	5.99%	2.79%
BlackRock, Inc. <i>(Note 4)</i>	51,872,088 (Long position)	Interest in controlled entity	—	9.48%	4.41%
	30,000 (Short position)	Interest in controlled entity	—	0.01%	0.003%
The Capital Group Companies, Inc. <i>(Note 5)</i>	32,549,000 (Long position)	Interest in controlled entity	—	5.95%	2.77%
Fortis Investment Management SA <i>(Note 6)</i>	23,544,000 (Long position)	Investment manager	—	4.30%	2.00%
GIC Private Limited	31,517,000 (Long position)	Investment manager	—	5.76%	2.68%

Notes:

- (1) CSR is interested in 100% in the registered capital of the Parent Company, CSR Zhuzhou and CSR Investment & Leasing. Accordingly, CSR is deemed under the SFO to be interested in the Shares held by each of the Parent Company, CSR Zhuzhou and CSR Investment & Leasing.
- (2) CSRG is directly and indirectly interested in approximately 57.16% of the issued shares of CSR, and is directly interested in 100% in the registered capital of Qishuyan Works. Accordingly, CSRG is deemed under the SFO to be interested in the Shares held by each of CSR and Qishuyan Works.

- (3) As stated in the corporate substantial shareholders notification filed in by JPMorgan Chase & Co., it held its interests in the Shares of the Company through its wholly-owned corporations.
- (4) As stated in the corporate substantial shareholders notification filed in by BlackRock, Inc., 215,500 H Shares are long positions in, and 30,000 H Shares are short positions in, underlying Shares under equity derivative interests. BlackRock, Inc. held its interests in the Shares of the Company and short positions (including underlying Shares under equity derivative interests) through its wholly-owned corporations.
- (5) As stated in the corporate substantial shareholders notification filed in by The Capital Group Companies, Inc., it held its interests in the Shares of the Company through its wholly-owned corporations.
- (6) As stated in the corporate substantial shareholders notification filed in by Fortis Investment Management SA, it held its interests in the Shares of the Company through its wholly-owned corporations.

As at the Latest Practicable Date and so far as it was known to, or can be ascertained after reasonable enquiry by, the Directors, supervisors and chief executive of the Company, there was no other person/entity who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

As at the Latest Practicable Date, save for Messrs. Ding Rongjun (the chairman of the Board and an executive Director and a general manager of the Parent Company) and Mr. Deng Huijin (vice chairman of the Board, a non-executive Director and a deputy manager of the Parent Company), the Directors are not aware of any Director who is a director or employee of the entities which had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors nor supervisors had entered into, or proposed to enter into, any service contract with the Company or any member of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

4. INTEREST IN CONTRACTS

Save as disclosed herein, no contract or arrangement of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at the date of this circular.

5. INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates were interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors or GF Capital had any interest, direct or indirect, in any asset which since 31 December 2012, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGES

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

8. CONSENT AND QUALIFICATION OF EXPERT

GF Capital is a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO. Its letter of advice to the Independent Board Committee and the Independent Shareholders dated as of the date of this circular was given for the purpose of incorporation in this circular.

GF Capital has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they respectively appear in this circular.

As at the Latest Practicable Date, GF Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Minter Ellison in Hong Kong at Level 25, One Pacific Place, 88 Queensway, Hong Kong during normal business hours from the date of this circular up to and including 12 February 2014, both days inclusive:

- (a) a memorandum giving the proposed principal terms of the Proposed Entrustment Arrangement, the text of which is set out on pages 5 and 7 of this circular;

- (b) the Original Entrustment Agreements;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular; and
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 14 and 21 of this circular and the consent letter from the Independent Financial Adviser.

10. MISCELLANEOUS

The English text of this circular shall prevail over its Chinese text in case of any discrepancies.

NOTICE OF EGM



株洲南车时代电气股份有限公司

ZHUZHOU CSR TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

Notice of the First Extraordinary General Meeting of 2014

NOTICE IS HEREBY given that the First Extraordinary General Meeting of 2014 (the “EGM”) of Zhuzhou CSR Times Electric Co., Ltd. (the “**Company**” and its subsidiaries, the “**Group**”) will be held at Gengshiji, Xianyuling, Hetang District, Zhuzhou, Hunan Province, the People’s Republic of China (the “**PRC**”) on Tuesday, 25 March 2014 at 2:00 p.m. to consider and, if thought fit, pass with or without amendments, the following resolutions:-

AS ORDINARY RESOLUTIONS

1. “**THAT** the proposed principal terms of the Proposed Entrustment Arrangement (as defined in the circular dated 28 January 2014 despatched by the Company to its shareholders (the “**Circular**”) and the details of which are set out in the Circular, a copy of the text of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby approved and that the directors of the Company (the “**Directors**”) be and are hereby authorized to take any step as they consider necessary, desirable or expedient in connection therewith, including but not limited to the execution of the relevant entrustment loan agreement and other related agreement(s) or document(s).”
2. “**THAT** the board of Directors (the “**Board**”) be and is hereby authorised to apply up to and in aggregate, at any time, RMB3,000,000,000 of the surplus funds of the Group to treasury activities including but not limited to buying low-risk financial products offered by banks, advancing entrusted loans and investing in secured or guaranteed trust and treasury products, in accordance with the Group’s established treasury policy and procedures and in compliance with applicable laws and regulations and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and that the Directors be and are hereby authorized to take any step as they consider necessary, desirable or expedient in connection therewith.”

By order of the Board
Ding Rongjun
Chairman

Zhuzhou, China, 28 January 2014

Notes:

1. The register of members of the Company will be closed from Saturday, 22 February 2014 to Tuesday, 25 March 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the H share registrar of the Company (for holders of H shares) or the registered office address of the Company (for holders of domestic shares) no later than 4:30 p.m. on Friday, 21 February 2014.

NOTICE OF EGM

2. Holders of H shares and domestic shares whose names appear on the register of members of the Company at the close of business on Friday, 21 February 2014 are entitled to attend and vote at the EGM and may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited to the H share registrar of the Company (for holders of H shares) or the registered office address of the Company (for holders of domestic shares) not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof.
4. Shareholders who intend to attend the EGM should complete and return the reply slip by hand or by post to the principal place of business of the Company in Hong Kong (for holders of H shares) or to the registered office address of the Company (for holders of domestic shares) on or before Wednesday, 5 March 2014.
5. Voting at the EGM will be conducted by way of poll.
6. The addresses of the H share registrar of the Company areas follows:

- (a) For the purpose of transfer of shares referred to in note 1 above:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

- (b) For the purpose of deposit of the form of proxy etc. referred to in note 3 above:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

7. The registered office address of the Company is as follows:

Times Road
Shifeng District
Zhuzhou
Hunan Province, 412001
PRC
Tel: 86 733 849 8028

8. The principal place of business of the Company in Hong Kong is as follows:

Unit 1106 on 11th floor
Jubilee Centre
18 Fenwick Street
Wanchai Hong Kong
Tel: 852 2189 7268

NOTICE OF EGM

9. The EGM is expected to take half a day. Shareholders or their proxies attending the EGM shall be responsible for their own travel and accommodation expenses. Shareholders or their proxies shall produce their identification documents for verification when attending the EGM.

As at the date of this notice, our chairman of the Board and executive Director is Ding Rongjun, our vice chairman of the Board and non-executive Director is Deng Huijin, our other executive Director is Li Donglin, our non-executive Directors are Yan Wu and Ma Yunkun, and our independent non-executive Directors are Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Liu Chunru.