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**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)**

## **ANNOUNCEMENT**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **IGBT LEASE AGREEMENT**

Reference is made to the Announcement in relation to the MOU entered into between the Company and the Parent Company.

The Board is pleased to announce that on 25 September 2014, the Semiconductor Business Unit of the Company (as lessee) entered into the IGBT Lease Agreement with the Parent Company (as lessor) for the leasing of the IGBT Production Line from 1 September 2014 to (i) the expiration of three (3) years, or (ii) the date of completion of the transfer of the IGBT Production Line, or (iii) such other date as may be agreed by the parties, whichever is the earliest.

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 all of the applicable percentage ratios (other than the profits ratio) for the IGBT Annual Rent, whether considered separately or aggregated with the Previous Annual Rents, exceed 0.1% but are less than 5%, the IGBT Lease Agreement, whether considered separately or aggregated with the Previous Lease Agreements, constitutes non-exempt continuing connected transactions of the Company, which are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the Company's announcement dated 14 March 2014 ("Announcement") in relation to the MOU entered into between the Company and the Parent Company regarding, among other things, the right of trial run and the ROFR for the leasing or purchase of the IGBT Production Line for conducting high-power IGBT-related businesses.

The Board is pleased to announce that on 25 September 2014, the Semiconductor Business Unit of the Company (as lessee) entered into the IGBT Lease Agreement with the Parent Company (as lessor) for the leasing of the IGBT Production Line from 1 September 2014 to (i) the expiration of three (3) years, or (ii) the date of completion of the transfer of the IGBT Production Line or (iii) such other date as may be agreed by the parties, whichever is the earliest.

## **THE IGBT LEASE AGREEMENT**

A summary of the principal terms of the IGBT Lease Agreement is set out as follows:

Date	: 25 September 2014
Parties:	: (i) The Parent Company (as lessor) (ii) The Semiconductor Business Unit (as lessee)
Properties and facilities leased	: The IGBT Production Line which is located at the intersection of Boya Lu, Tianxin, Zhuzhou, Hunan Province, the PRC (中國湖南省株洲市田心博雅路口)
Term	: The lease of the IGBT Production Line pursuant to the IGBT Lease Agreement is from 1 September 2014 to: (i) the expiration of three (3) years; (ii) the date of completion of the transfer of the IGBT Production Line; or (iii) such other date as may be agreed by the parties, whichever is the earliest.
Use	: For production purpose

- Rent : The IGBT Annual Rent is RMB 208,855,500 (equivalent to approximately HK\$263,739,740) which will remain the same during the term of the IGBT Lease Agreement, of which RMB 41,388,900 (equivalent to approximately HK\$52,265,311) is for the lease of the relevant buildings and properties, RMB 165,498,800 (equivalent to approximately HK\$208,989,519) is for the lease of ancillary facilities and equipment, and RMB 1,967,800 (equivalent to approximately HK\$2,484,910) is for the lease of intangible assets.
- Save and except for the monthly rent of RMB17,404,625 (equivalent to approximately HK\$21,978,312) for September 2014 which shall be paid by the Semiconductor Business Unit to the Parent Company on or before 15 October 2014, the IGBT Annual Rent of RMB 208,855,500 (equivalent to approximately HK\$263,739,740) shall be payable in cash by the Semiconductor Business Unit in arrears quarterly. Quarterly rent of RMB 52,213,875 (equivalent to approximately HK\$65,934,935) shall be payable within ten (10) working days after each quarter.
- Management, Maintenance and other fees : All expenses and fees associated with the occupation and operation of the IGBT Production Line, including but not limited to, water, electricity, gas, property management and maintenance of the related buildings, properties and ancillary facilities and equipment shall be borne by the Semiconductor Business Unit.
- Right of First Refusal : If the Parent Company proposes to sell the IGBT Production Line, it shall give the Semiconductor Business Unit three (3) months' advanced notice in writing and grant the Semiconductor Business Unit or the Company the ROFR to purchase the IGBT Production Line if the terms and conditions are the same as those offered by a third party.

Right of Sub-lease : The Semiconductor Business Unit may sublease the IGBT Production Line to the Company and/or its subsidiaries or any third party when it considers necessary for production purpose provided that if the sublease is to a third party, it shall provide the sub-lease agreement entered with the third party to the Parent Company for record.

## **THE PREVIOUS LEASE AGREEMENTS**

On 1 January 2014, the Company (as lessee) entered into the EC Lease Agreement with the Parent Company (as lessor) pursuant to which the Parent Company agreed to lease the EC Production and Facilities to the Company for testing purpose for a term of twelve (12) months commencing from 1 January 2014 to 31 December 2014 at the EC Annual Rent of RMB 534,389 (equivalent to approximately HK\$674,819) which is payable in advance semi-annually by two (2) equal installments.

On 22 January 2014, Times Equipment, a wholly-owned subsidiary of the Company, (as lessee) entered into the HQ Lease Agreement with the Parent Company (as lessor) pursuant to which the Parent Company agreed to lease the HQ Production and Facilities to Times Equipment for production purpose for a term of twelve (12) months commencing from 1 January 2014 to 31 December 2014 at the HQ Annual Rent of RMB 117,851 (equivalent to approximately HK\$148,821) which is payable in advance semi-annually by two (2) equal installments.

Pursuant to each of the Previous Lease Agreements, each of the Company or Times Equipment (as lessee) shall bear all water, electricity, gas fees associated with the respective leased properties and shall have similar ROFR as set out in the IGBT Lease Agreement. The Company or Times Equipment (as lessee) may sublease the respective leased properties to any third party when it considers necessary for production purpose provided that it shall seek the Parent Company's prior consent.

## **HISTORICAL TRANSACTIONS**

The annual rents in respect of the EC Properties and Facilities and the HQ Properties and Facilities for the three years ended 31 December 2011, 2012 and 2013 were substantially the same as the EC Annual Rent and the HQ Annual Rent, respectively which were de minimis transactions and were fully exempt from the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this announcement, there is no historical transaction records in respect of the IGBT Lease Agreement and the Previous Lease Agreements.

## **TOTAL ANNUAL RENT**

The IGBT Annual Rent was agreed after arm's length negotiations between the Semiconductor Business Unit and the Parent Company, with reference to the valuation report dated 14 August 2014 in relation to the valuation of the market value of the annual rent of IGBT Production Line in the amount of RMB 208,855,500 (equivalent to approximately HK\$263,739,740) conducted by an independent valuer on 31 May 2014.

The Previous Annual Rents were agreed after arm's length negotiations between the respective parties, with reference to, among other things, the estimated depreciation expenses of the relevant facilities and equipment and the prevailing market rental for similar properties in the surrounding areas at the time of entering into the Previous Lease Agreements.

The Directors (excluding Mr. Ding Rongjun and Mr. Deng Huijin but including the independent non-executive Directors) consider that the said valuation and market rental survey carried out by or for the Company ensured that the terms of the IGBT Lease Agreement and the Previous Lease Agreements were normal commercial terms and would not be prejudicial to the interests of the Company and its minority shareholders, and are of the view that the Total Annual Rent is fair and reasonable.

The payment for the Total Annual Rent has been and will be funded by internal resources of the Group.

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

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 ENTERING INTO THE LEASE AGREEMENTS**

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 converter, directly influencing motor train power class and operation flexibility, which is an important part for achieving modern high-speed and heavy-loading of motor vehicles.

Supported by national industrial policies and Chinese railway headquarters, the Parent Company commenced the construction of the IGBT Production Line in July 2012, which mainly produces high-power IGBT with high productive technology requirements.

In October 2008, the Company successfully acquired 75% interests of Dynex Power Inc., a joint stock company established pursuant to the laws of Canada and the shares of which are listed on the TSX Venture Exchange, Toronto, Canada (stock code: DNX). Dynex Semiconductor Limited is its only operating subsidiary and its headquarters is located in Lincoln, England which has IGBT design and manufacturing capacity to complement the semiconductor industry in the PRC.

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 so that the Group can leverage on its technical expertise and experience and to make use of the Parent Company's advanced IGBT Production Line with full independent process capacity to produce IGBT-related products and carry on the IGBT-related business. The entry into the IGBT Lease Agreement and the Previous Lease Agreements have facilitated and will facilitate the operation and growth of the Group's business. The transactions contemplated under the IGBT Lease Agreement and the Previous Lease Agreements are necessary for and are beneficial to the Company and therefore is of commercial benefit to the Company and the Group as a whole.

## **LISTING RULES REQUIREMENTS**

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 all of the applicable percentage ratios (other than the profits ratio) for the EC Annual Rent, whether considered separately or aggregated with the HQ Annual Rent, were less than 0.1%, the EC Lease Agreement and the HQ Lease Agreement were de minimis transactions, which were fully exempt from the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) for the IGBT Annual Rent, whether considered separately or aggregated with the Previous Annual Rents, exceed 0.1% but are less than 5%, the IGBT Lease Agreement, whether

considered separately or aggregated with the Previous Lease Agreements, constitutes non-exempt continuing connected transactions of the Company, which are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Ding Rongjun (the chairman of the Board, an executive Director and an executive director and a general manager of the Parent Company) and Mr. Deng Huijin (the vice-chairman of the Board, an executive Director and a Party secretary and a deputy general manager of the Parent Company) have abstained from the examination of and voting on the IGBT Lease Agreement and the Previous Lease Agreements due to conflicts of interest. Save as mentioned above, none of the Directors has material interest in the IGBT Lease Agreement and the Previous Lease Agreements and hence no other Director has abstained from voting on such Board resolutions.

The Directors, excluding Mr. Ding Rongjun and Mr. Deng Huijin but including the independent non-executive Directors, consider that the IGBT Lease Agreement and the Previous Lease Agreements were entered into in the ordinary and usual course of business of the Group and in the interest of the Company and its shareholders as a whole, the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, the terms thereof and the Total Annual Rent are on normal commercial terms or if there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned.

## **DEFINITIONS**

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 whose H shares are listed on the Stock Exchange

“CSR”	CSR Corporation Limited ((中國南車股份有限公司), a joint stock company established in the PRC with limited liability whose A shares and the H shares are listed on the Shanghai Stock Exchange and 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 as at the date of this announcement
“CSRG”	中國南車集團公司(CSR Group), a PRC state-owned enterprise and the controlling shareholder of CSR
“connected person(s)”	has the meaning given to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EC Annual Rent”	the annual rent of RMB 534,389 (equivalent to approximately HK\$674,819) to be paid by the Company to the Parent Company under the EC Lease Agreement
“EC Lease Agreement”	the lease agreement dated 1 January 2014 entered into between the Company and the Parent Company in relation to the EC Properties and Facilities
“EC Properties and Facilities”	certain properties and ancillary facilities located at Main Building of Engineering Centre, Times Road, Shifeng District, Zhuzhou, Hunan Province, the PRC (中國湖南省株洲市石峰區時代路工程中心大樓)
“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
“HQ Annual Rent”	the annual rent of RMB 117,851 (equivalent to approximately HK\$148,821) to be paid by Times Equipment to the Parent Company under the HQ Lease Agreement
“HQ Lease Agreement”	the lease agreement dated 22 January 2014 entered into between Times Equipment and the Parent Company in relation to the HQ Properties and Facilities

“HQ Properties and Facilities”	certain properties and ancillary facilities of certain parts of the office building located at Hong Qi Lu, Zhuzhou, Hunan Province, the PRC (中國湖南省株洲市紅旗路)
“IGBT”	insulated gate bipolar transistor
“IGBT Annual Rent”	the annual rent of RMB 208,855,500 (equivalent to approximately HK\$263,739,740) to be paid by the Semiconductor Business Unit to the Parent Company under the IGBT Lease Agreement
“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
“IGBT Production Line”	the high-power IGBT production line consisting of the relevant properties, premises and ancillary facilities and equipment which are located at the intersection of Boya Lu, Tianxin, Zhuzhou, Hunan Province, the PRC (中國湖南省株洲市田心博雅路口)
“Independent Third Party”	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
“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 ROFR for the leasing or purchase of the IGBT Production Line for conducting high-power IGBT-related businesses
“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, and a wholly-owned subsidiary of CSR
“PRC”	the People’s Republic of China

“Previous Annual Rents”	collectively, the EC Annual Rent and the HQ Annual Rent
“Previous Lease Agreements”	collectively, the EC Lease Agreement and the HQ Lease Agreement
“ROFR”	right of first refusal
“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
“Times Equipment”	Zhuzhou Times Equipment Technology Co., Ltd. (株洲時代裝備技術有限公司), a wholly-owned subsidiary of the Company
“Total Annual Rent”	collectively, the IGBT Annual Rent and the Previous Annual Rents

*This announcement contains translation of HK\$ to RMB at the rate of HK\$1 = RMB 0.7919 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.*

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

Zhuzhou, China, 25 September 2014

*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 Li Donglin and Yan Wu, our non-executive Director is Ma Yunkun, and our independent non-executive Directors are Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Liu Chunru.*