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

**(Stock Code: 3898)**

## **ANNOUNCEMENT**

### **CONTINUING CONNECTED TRANSACTIONS UNDER CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT**

#### **CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT**

In view of the prospective expiry of the CNR Financial Services Framework Agreement on 30 December 2017, on 29 December 2017, the Company and CRRC Finance entered into the CRRC Financial Services Framework Agreement, pursuant to which, CRRC Finance has agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CRRCG directly and indirectly holds approximately 55.62% equity interest in CRRC in aggregate. CRRC directly holds the entire equity interest in the Parent Company. The Parent Company is a controlling shareholder of the Company. CRRC Finance is held as to 91.36% by CRRC and 8.64% by CRRCG and is therefore a connected person of the Company as defined under the Listing Rules. Therefore, the transactions contemplated under the CRRC Financial Services Framework Agreement constitute continuing connected transactions of the Company.

The loan services to be provided by CRRC Finance to the Company under the CRRC Financial Services Framework Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are provided on normal commercial terms which are similar to or even more favourable than those offered by independent third parties for comparable services in the PRC, and no security over the assets of the Group will be granted in respect thereof, pursuant to Rule 14A.90 of the Listing Rules, the loan services are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

All of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the proposed annual cap for the total fees payable by the Group to CRRC Finance for the provision of other financial services under the CRRC Financial Services Framework Agreement are less than 0.1%. As one or more of the applicable percentage ratios in respect of the proposed annual cap for deposit services under the CRRC Financial Services Framework Agreement, whether alone or aggregated with the proposed annual cap for the total fees payable by the Group to CRRC Finance for the provision of other financial services under the CRRC Financial Services Framework Agreement, is more than 0.1% but less than 5%, the deposit services and other financial services to be provided by CRRC Finance to the Group constitute non-exempt continuing connected transactions of the Company which are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will disclose the relevant details in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Listing Rules.

## **BACKGROUND**

As a result of the merger of CSR Group (中國南車集團公司) with China Northern Locomotive and Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司) and the subsequent internal business restructuring of the post-merger corporation, CSR Finance merged with CNR Finance and all its assets, obligations, business, contracts and all other rights and obligations were passed to CNR Finance, CNR Finance was renamed CRRC Finance in January 2017.

In view of the prospective expiry of the CNR Financial Services Framework Agreement on 30 December 2017, on 29 December 2017, the Company and CRRC Finance entered into the CRRC Financial Services Framework Agreement, pursuant to which, CRRC Finance has agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein.

## **CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT**

The principal terms of the CRRC Financial Services Framework Agreement are set out below:

### **Date:**

29 December 2017

### **Parties:**

- (1) The Company; and
- (2) CRRC Finance

### **Term:**

The CRRC Financial Services Framework Agreement shall be for a term commencing from 31 December 2017 to 30 December 2018 (the "**Term**").

**Material Terms:**

Pursuant to the CRRC Financial Services Framework Agreement, the services to be provided by CRRC Finance to the Group include deposit services, loan services and other financial services as described below.

CRRC Finance shall ensure the stable operation of the fund management system to safeguard the funds, to monitor the credit risk and to satisfy the payment needs of the Group.

The parties have agreed to enter into separate agreements for each service provided under the CRRC Financial Services Framework Agreement and the terms of such agreements shall be in compliance with the principle and terms stipulated in the CRRC Financial Services Framework Agreement.

**Pricing Policy:*****Deposit services***

The interest rate for the Group's deposits with CRRC Finance shall be higher than (i) the benchmark interest rate as published by the PBOC for the same type of deposit; (ii) the interest rate payable by other principal commercial banks in the PRC to the Group for comparable deposits; and (iii) the interest rate payable by CRRC Finance to other members of the CRRCG Group for comparable deposits.

The commercial terms (including fees and charges) of other daily transactions in respect of the deposits offered by CRRC Finance to the Group are better than: (i) the terms offered by other principal PRC commercial banks when providing similar services to the Group; and (ii) the terms offered by the CRRC Finance to other members of CRRCG Group.

***Loan services***

The interest rate for loans granted to the Group by CRRC Finance shall comply with the benchmark interest rates as published by PBOC for the same type of loans within the same periods and shall be lower than (i) the interest rate payable by the Group to other principal commercial banks in the PRC for comparable loans; and (ii) the interest rate payable by other members of the CRRCG Group to CRRC Finance for comparable loans.

***Other financial services***

The fees charged by CRRC Finance for the provision of other financial services to the Group shall comply with the benchmark fees published by PBOC or CBRC for the same type of financial services and shall not be higher than (i) the fees charged by other principal commercial banks in the PRC for comparable financial services; and (ii) the fees paid by other members of the CRRCG Group to CRRC Finance for comparable financial services.

## Historical Transaction Figures

Set out below is a summary of the historical transaction records under the CSR Financial Services Framework Agreement and the CNR Financial Services Framework Agreement:

	Year ended 31 December		For the nine months ended
	2015	2016	30 September 2017
	<i>(RMB million)</i>		
Maximum daily deposit balance (including any interest accrued thereon) placed by the Group with CRRC Finance	337.9	684.8	690
Maximum daily loan balance (including any interest accrued thereon) granted by CRRC Finance to the Group	0	0	0
Fees paid by the Group for other financial services provided by CRRC Finance	0	0	0

## Annual Caps and Basis of Annual Caps

### *Deposit services*

The Company estimates that the proposed annual cap for the deposit services, being the maximum daily deposit balance (including any interest accrued thereon) with CRRC Finance, for the period commencing from 31 December 2017 and ending on 30 December 2018 shall be RMB700 million, after taking into account of: (a) the increasing total assets of the Group; and (b) the fact that CRRC Finance is under supervision of CBRC and it has been maintaining good risk control, satisfactory operating results and well-regulated management and settlement systems; and the fact that the Company's cooperation with CRRC Finance will allow it to reduce financial charges, increase income from interest on deposits, and reduce settlement costs with good risk control.

### *Loan services*

The Company estimates that the proposed annual cap for the loan services, being the maximum daily loan balance (including any interest accrued thereon) with CRRC Finance, for the period commencing from 31 December 2017 and ending on 30 December 2018, shall be RMB700 million, which is determined with reference to the expected business development and financial needs of the Group during the Term.

### *Other financial services*

The other financial services which may be provided by CRRC Finance to the Group include but not limited to investment and financial advisory and consultation services, credit assurance and related consulting and agency services, assistance in the receipt and payment of transaction proceeds, providing guarantees, entrusted loans, acceptance and discount of bills, intra-group transfer and settlement services, providing settlement solutions and finance leasing.

The Company estimates the annual cap for other financial services, being the fees payable by the Group to CRRC Finance for the provision of other financial services, for the period commencing from 31 December 2017 and ending on 30 December 2018, shall be RMB10 million, which is determined with reference to (a) the expected business development and demand on other financial services of the Group during the Term; and (b) the historical fees paid by the Group for the provision of other financial services by CRRC Finance as shown in the section headed “Historical Transaction Figures” above.

#### **INFORMATION ON THE GROUP**

The Group is mainly engaged in the research, development, manufacture and sale of locomotive train power converters, control systems and other train-borne electrical systems, as well as the development, manufacture and sale of urban railway train electrical systems. In addition, the Group is also engaged in the design, manufacture and sale of electric components for the railway industry, urban railway industry and non-railway purpose.

#### **INFORMATION ON CRRCG**

The principal scope of business of CRRCG is the authorized state-owned asset management and state-owned equity management, capital operation, investment and investment management, asset management and trust management; research and development, sale, leasing and technological services of transportation and urban infrastructure, new energy, energy conservation and environmental protection equipment; design, manufacture and repair of locomotive trains, urban railway transport trains, railway hoisting machinery, various mechanical and electrical equipment and parts, electronic equipment, environmental protection equipment and products; import and export of goods, technology and agency.

#### **INFORMATION ON CRRC FINANCE**

CRRC Finance is a non-banking financial institution established under the laws of the PRC in December 2012 with the approval of the CBRC and is subject to the supervision of CBRC. CRRC Finance is principally engaged in providing financial services including but not limited to deposit services, loan and entrusted loan services, discounting services and settlement services to the members of the CRRCG Group (and the Group as contemplated under the CRRC Financial Services Framework Agreement).

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CRRC FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Having considered (1) the interest rates on loans and deposits offered by CRRC Finance to the Group will be more favourable than those offered by other principal commercial banks in the PRC, (2) CRRC Finance is regulated by PBOC and CBRC and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities; (3) the Group is expected to benefit from CRRC Finance's better understanding of operations of the Group which should allow expedient and efficient service provision (such as it is expected that CRRC Finance may be more efficient in approving the loans than other principal commercial banks in the PRC); and (4) pursuant to the relevant regulations of PBOC and CBRC, the customers of CRRC Finance are limited to entities within the CRRCG Group (including the Group), thereby reducing the risks that CRRC Finance may otherwise be exposed to if its customers included other entities unrelated to CRRCG Group or the Group, the Directors consider that the CRRC Financial Services Framework Agreement will provide a better utilization of such surplus cash with acceptable levels of risk and an efficient management of loan, deposit and other financial services for meeting the daily operation needs of the Group. The deposit transactions do not have any effect on the assets and liabilities of the Group. In addition, the interest earned out of the deposit transactions will provide satisfactory economic returns for the Group.

Mr. Ding Rongjun, Mr. Li Donglin and Mr. Zhang Xinning have abstained from voting on the Board resolution approving the CRRC Financial Services Framework Agreement due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the CRRC Financial Services Framework Agreement and hence no other Director has abstained from voting on such Board resolution.

The Directors, excluding Mr. Ding Rongjun, Mr. Li Donglin and Mr. Zhang Xinning but including the independent non-executive Directors, consider that the CRRC Financial Services Framework Agreement was 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 ordinary and usual course of business of the Group on better commercial terms and that the terms of the CRRC Financial Services Framework Agreement and the respective annual caps for deposit services, loan services and other financial services thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULE IMPLICATIONS**

As at the date of this announcement, CRRCG directly and indirectly holds approximately 55.62% equity interest in CRRC in aggregate. CRRC directly holds the entire equity interest in the Parent Company. The Parent Company is a controlling shareholder of the Company. CRRC Finance is held as to 91.36% by CRRC and 8.64% by CRRCG and is therefore a connected person of the Company as defined under the Listing Rules. Therefore, the transactions contemplated under the CRRC Financial Services Framework Agreement constitute continuing connected transactions of the Company.

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## DEFINITIONS

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

“Board”	the Board of Directors
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	Zhuzhou CRRC Times Electric Co., Ltd. (株州中車時代電氣股份有限公司) (formerly known as Zhuzhou CSR Times Electric Co., Ltd. (株州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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CNR Financial Services Framework Agreement”	a financial services framework agreement entered into between CNR Finance and the Company on 29 December 2016 for a term commencing from 31 December 2016 to 30 December 2017. Please refer to the announcement of the Company dated 29 December 2016 for further details of the CNR Financial Services Framework Agreement
“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 55.62% in aggregate by CRRCG and holds the entire equity interest in the Parent Company

“CRRC Finance”	CRRC Finance Co., Ltd. (中車財務有限公司) (formerly known as CNR Group Finance Co., Ltd. (中國北車集團財務有限公司) (“ <b>CNR Finance</b> ”)), a company established under the laws of the PRC with limited liability
“CRRC Financial Services Framework Agreement”	a financial services framework agreement entered into between CRRC Finance and the Company on 29 December 2017 for a term commencing from 31 December 2017 to 30 December 2018
“CRRCG”	中國中車集團有限公司 (CRRC Group Co., Ltd.) (formerly known as 中國中車集團公司 (CRRC Group)), a wholly state-owned enterprise of the PRC and the controlling shareholder of CRRC
“CRRCG Group”	CRRCG and its subsidiaries (excluding the Group)
“CSR Finance”	南車財務有限公司 (CSR Finance Co., Ltd.), a company established under the laws of the PRC with limited liability and merged with CNR Finance
“CSR Financial Services Framework Agreement”	a financial services framework agreement entered into between CSR Finance and the Company on 2 April 2014. Please refer to the announcement of the Company dated 2 April 2014 for further details of the CSR Financial Services Framework Agreement
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parent Company”	中車株洲電力機車研究所有限公司 (CRRC Zhuzhou Institute Co., Ltd.) (formerly known as 南車株洲電力機車研究所有限公司 (CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.)), a company established under the laws of the PRC with limited liability, the controlling shareholder of the Company, and a wholly-owned subsidiary of CRRC
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

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

Zhuzhou, China, 29 December 2017

*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 Li Donglin, our other executive directors are Liu Ke'an and Yan Wu, our non-executive director is Zhang Xinning, and our independent non-executive directors are Chan Kam Wing, Clement, Pao Ping Wing, Liu Chunru, Chen Xiaoming and Ouyang Minggao.*