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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 2019-21 TAIYUAN TIMES MUTUAL SUPPLY AGREEMENT**

Reference is made to the announcement of the Company dated 14 December 2018 in relation to the establishment of a joint venture company, Taiyuan Times, in Taiyuan City, Shanxi Province, the PRC.

#### **2019-21 TAIYUAN TIMES MUTUAL SUPPLY AGREEMENT**

On 28 December 2018, the Company entered into the 2019-21 Taiyuan Times Mutual Supply Agreement with Taiyuan Times.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Parent Company is a controlling shareholder of the Company. CRRC directly holds the entire equity interest in the Parent Company and indirectly holds the entire equity interest in CRRC Taiyuan. Baoji Times, a subsidiary of the Company, and CRRC Taiyuan hold Taiyuan Times as to 55% and 45%, respectively. Taiyuan Times is a non-wholly owned subsidiary of the Company and therefore, a connected person of the Company under the Listing Rules. Accordingly, the continuing transactions contemplated under the 2019-21 Taiyuan Times Mutual Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profit ratio) as defined under the Listing Rules in respect of the 2019-21 Taiyuan Times Mutual Supply Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the 2019-21 Taiyuan Times Mutual Supply Agreement are subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Rule 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 14 December 2018 in relation to the establishment of a joint venture company, Taiyuan Times, in Taiyuan City, Shanxi Province, the PRC.

On 28 December 2018, the Company entered into the 2019-21 Taiyuan Times Mutual Supply Agreement with Taiyuan Times.

## **CONTINUING CONNECTED TRANSACTIONS**

### **Principal Terms of the 2019-21 Taiyuan Times Mutual Supply Agreement**

The principal terms of the 2019-21 Taiyuan Times Mutual Supply Agreement are summarised as follows:

Date:	28 December 2018
Parties:	(a) Taiyuan Times; and (b) the Company
Term:	A term commencing from 1 January 2019 and ending on 31 December 2021 (both dates inclusive)
Scope of products and services to be provided:	<p>The Company agreed to supply and procure other members of the Group to supply to Taiyuan Times Group certain products (including electrical systems and electrical components), parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes.</p> <p>Taiyuan Times agreed to supply and procure other members of the Taiyuan Times Group to supply to the Group certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes.</p>

Pricing basis:

The pricing for the products and/or services supplied by and/or to Taiyuan Times Group is determined on the following principles in order of priority:

- (a) the prices prescribed by the government of the PRC or any regulatory authority(ies) (if any) (“**government-prescribed prices**”);
- (b) the range of prices pursuant to the pricing guidelines or pricing recommendations set by the government of the PRC or any regulatory authority(ies) (if any) (“**government-guided prices**”), where no government-prescribed prices are available or applicable;
- (c) the final confirmed prices through the bidding and tendering process conducted in accordance with the applicable laws, rules and regulations (if any) (“**bidding prices**”), where neither government prescribed prices nor government-guided prices are available or applicable;
- (d) the market prices which are offered to or by Independent Third Parties in the ordinary and usual course of business, where none of the government-prescribed prices, government-guided prices or the bidding prices are available or applicable; and
- (e) the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit margin (which is determined by reference to the nature and historical price of products and/or services, current market price of the similar products and/or services and the Group’s forecasted demand and increase in the market price of such products and/or services in the remaining term), where none of the above prices are available or applicable.

Payment terms:

Payments for the products and/or services supplied by and/or to Taiyuan Times Group will be settled by way of cash or such other manners as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual product and service contracts to be entered into between the respective group companies of Taiyuan Times Group and the Group.

The payment and settlement terms shall be on terms no less favourable to the Group than those offered by the Independent Third Parties.

With respect to the purchase of products and/or services by the Group, in determining whether the price and/or payment terms offered by Taiyuan Times Group are reasonable or no less favourable than those offered by the Independent Third Parties, the Group has established effective methods and procedures by obtaining and comparing price references from the market to the extent that those products and/or services are of comparable nature, quality, quantity and condition. In the event that the price and/or payment terms offered by Taiyuan Times Group are less favourable than those offered by the Independent Third Parties, the Group will have the right to terminate and cancel such purchases.

The Directors (including the independent non-executive Directors) consider that such methods and procedures can ensure that the transactions contemplated under the 2019-21 Taiyuan Times Mutual Supply Agreement will be conducted on normal commercial terms and in the interests of the Company and its shareholders as a whole.

### **Annual Caps and Basis of Annual Caps**

The Annual Caps under the 2019-21 Taiyuan Times Mutual Supply Agreement for the three years ending 31 December 2019, 2020 and 2021 are as follows:

	<b>Year ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB millions)</i>		
Annual Cap of the amounts paid or to be paid to Taiyuan Times Group by the Group for the provision of the products and/or services	240	310	360
Annual Cap of the amounts paid or to be paid to the Group by Taiyuan Times Group for the provision of the products and/or services	280	410	460

The Annual Caps were determined by the parties based on the estimated transaction amounts with reference to the following: (1) the expected growth of railway industry in the PRC; (2) the expected growth of urban rail industry in the PRC; (3) the expected growth of the Group's business and the future business potential of Taiyuan Times Group; (4) the business development plan of the Group; and (5) the anticipated supply contracts to be entered into, and supply plans, between the Group and Taiyuan Times Group.

### **INFORMATION OF THE GROUP**

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

## **INFORMATION OF THE TAIYUAN TIMES GROUP**

Taiyuan Times Group is principally engaged in the research, development, manufacture, repair, maintenance, sale and technical services of self-wheeling special equipment and parts of railway vehicles, catenary operation vehicles and large-scale road maintenance machinery; import and export business of goods or technology; technical services of railway construction, maintenance, testing and rescue; leasing of venues, housing and equipment.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE 2019-21 TAIYUAN TIMES MUTUAL SUPPLY AGREEMENT**

Taiyuan Times was established with the intention to, among other things, (i) improve the allocation of resources and give play to the advantages of both Baoji Times and CRRC Taiyuan; (ii) foster the development of railway construction machinery industry and create good social and economic benefits; and (iii) expand and strengthen the Company's electrical railway business.

The Company considers that the procurement and supply relationship with Taiyuan Times Group established pursuant to the 2019-21 Taiyuan Times Mutual Supply Agreement will contribute to the expansion of the Group's sales and revenue from its electrical railway business which will in turn contribute to the business of the Group.

Mr. Li Donglin, Mr. Yang Shouyi and Mr. Zhang Xinning have abstained from voting on the Board resolution approving the 2019-21 Taiyuan Times Mutual Supply Agreement due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the 2019-21 Taiyuan Times Mutual Supply Agreement and hence no other Director has abstained from voting on such Board resolution.

The Directors, excluding Mr. Li Donglin, Mr. Yang Shouyi and Mr. Zhang Xinning but including the independent non-executive Directors, are of the view that the 2019-21 Taiyuan Times Mutual Supply Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Company, and the terms thereof (including the Annual Caps) 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.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, the Parent Company is a controlling shareholder of the Company. CRRC directly holds the entire equity interest in the Parent Company and indirectly holds the entire equity interest in CRRC Taiyuan. Baoji Times, a subsidiary of the Company, and CRRC Taiyuan hold Taiyuan Times as to 55% and 45%, respectively. Taiyuan Times is a non-wholly owned subsidiary of the Company and therefore, a connected person of the Company under the Listing Rules. Accordingly, the continuing transactions contemplated under the 2019-21 Taiyuan Times Mutual Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profit ratio) as defined under the Listing Rules in respect of the 2019-21 Taiyuan Times Mutual Supply Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the 2019-21 Taiyuan Times Mutual Supply Agreement are subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Rule 14A of the Listing Rules.

Details of the 2019-21 Taiyuan Times Mutual Supply Agreement will be disclosed in the next published annual report of the Company in accordance with Rules 14A.71 and 14A.72 of the Listing Rules.

## DEFINITIONS

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

“2019-21 Taiyuan Times Mutual Supply Agreement”	a framework agreement on mutual supply of products and ancillary services entered into between the Company and Taiyuan Times dated 28 December 2018 for a term commencing from 1 January 2019 and ending on 31 December 2021
“Annual Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the 2019-21 Taiyuan Times Mutual Supply Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baoji Times”	寶雞中車時代工程機械有限公司 (Baoji CRRC Times Engineering Machinery Co., Ltd.*), a subsidiary of the Company in which the Company holds 85.8% of its equity interests
“Board”	the board of Directors

“Company”	Zhuzhou CRRC Times Electric Co., Ltd. ( 株 洲 中 車 時 代 電 氣 股 份 有 限 公 司 ), a joint stock company incorporated 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
“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 Taiyuan”	中 車 太 原 機 車 車 輛 有 限 公 司 (CRRC Taiyuan Co., Ltd.*), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of CRRC
“Director(s)”	directors of the Company
“Group”	the Company and its subsidiaries, excluding Taiyuan Times Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	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
“Parent Company”	中 車 株 洲 電 力 機 車 研 究 所 有 限 公 司 (CRRC Zhuzhou 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
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, does not include Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Taiyuan Times”	太原中車時代軌道工程機械有限公司 (Taiyuan CRRC Times Rail Engineering Machinery Co., Ltd.*), a company established in the PRC with limited liability and which is held as to approximately 55% by Baoji Times and 45% by CRRC Taiyuan, respectively
“Taiyuan Times Group”	Taiyuan Times, its subsidiaries and their respective associates
“%”	per cent

*The English names of the PRC entities mentioned in this announcement which are marked with “\*” are translation, or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency between the Chinese name of the PRC entities mentioned in this announcement and their English translation, the Chinese version shall prevail.*

By order of the Board  
**Zhuzhou CRRC Times Electric Co., Ltd.**  
**Li Donglin**  
*Chairman*

Zhuzhou, China, 28 December 2018

*As at the date of this announcement, our chairman of the Board and executive Director is Li Donglin, our vice chairman of the Board and executive Director is Yang Shouyi, 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 Gao Feng.*