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株洲南車時代電氣股份有限公司
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

ACQUISITION OF ENTIRE EQUITY INTEREST IN ZHUZHOU TIMES EQUIPMENT TECHNOLOGY CO., LTD.

On 15 November 2007, the Company entered into the Share Transfer Agreement with Times Industry and the Four Individuals for the purchase of the entire equity interest in Times Equipment. Pursuant to the Share Transfer Agreement, Times Industry and the Four Individuals agreed to sell their respective 96.67%, 1.33%, 0.67%, 0.67% and 0.67% equity interests in Times Equipment at the Consideration. Upon Completion, Times Equipment will become a wholly-owned subsidiary of the Company.

Times Industry is a wholly-owned subsidiary of the Parent Company, a promoter and the controlling shareholder of the Company and hence a connected person of the Company under the Listing Rules. Times Industry is therefore also a connected person of the Company under the Listing Rules. The Share Transfer constitutes a connected transaction for the Company under Rule 14A.32 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The Directors (including the independent non-executive Directors) considered that the Share Transfer is in the ordinary and usual course of business of the Company and the pricing terms of the Share Transfer are on normal commercial terms which are fair and reasonable insofar as the interests of the shareholders of the Company as a whole are concerned.

PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT

Date:

15 November 2007

Parties:

Transferor: Times Industry and the Four Individuals

Transferee: Company

Interest to be transferred:

Pursuant to the Share Transfer Agreement, Times Industry and the Four Individuals agreed to transfer to the Company the entire equity interest in Times Equipment which is held as to (i) 96.67% by Times Industry; (ii) 1.33% by XQ; (iii) 0.67% by LXG; (iv) 0.67% by SWJ; and (v) 0.67% by ZJC. Upon Completion, Times Equipment will become a wholly-owned subsidiary of the Company.

For the twelve months ended 31 December 2005, the audited net profits both before and after taxation and extraordinary items of Times Equipment were RMB128,980.12 (equivalent to approximately HK\$135,156.79).

For the twelve months ended 31 December 2006, the audited net profits both before and after taxation and extraordinary items of Times Equipment were RMB1,555,969.82 (equivalent to approximately HK\$1,630,482.89).

Consideration:

The Consideration is RMB3,500,755.75 (equivalent to approximately HK\$3,668,401.71), to be paid in cash in full by means of bank transfer by the Company to each of Times Industry and the Four Individuals in proportion to their respective percentage of shareholdings in Times Equipment within 15 working days from completion of registration of the Share Transfer with the relevant authority for the administration for industry and commerce. The Consideration will be funded by internal financial resources of the Company.

In accordance with the auditors' report issued by 湖南天岳聯合會計師事務所 (Hunan Tianyue Certified Public Accountants Firm), as at 30 September 2007, the book value of the assets of Times Equipment was RMB24,853,676.46 (equivalent to approximately HK\$26,043,881.86). In accordance with the assets valuation report issued by the Valuer, as at 30 September 2007, the book value of the net assets of Times Equipment was RMB3,155,600.00 (equivalent to approximately HK\$3,306,716.97) and the assessed value of the net assets of Times Equipment was RMB3,500,800.00 (equivalent to approximately HK\$3,668,448.08).

The registered capital of Times Equipment is RMB3,000,000.00 (equivalent to approximately HK\$3,143,665.51). The original purchase cost of 96.67% equity interest in Times Equipment to Times Industry was RMB2,875,000.00 (equivalent to approximately HK\$3,012,679.45).

The Consideration was determined with reference to the aforesaid assessed value of the net assets of Times Equipment as assessed by the Valuer as at 30 September 2007.

REASONS FOR AND BENEFITS OF THE SHARE TRANSFER AGREEMENT

Times Equipment is a wholly-owned subsidiary of the Parent Company and hence a connected person of the Company under the Listing Rules. Pursuant to the Mutual Supply Agreement, the Company entered into various supply and sales agreements with Times Equipment for the supply of certain parts and components for the Group's manufacturing lines and for the sales of certain equipment to Times Equipment. After Listing, such supply and sales agreements constituted connected transactions for the Company under the Listing Rules. Pursuant to Rule 14A.42(3) of the Listing Rules, the Company applied for, and the Stock Exchange granted a waiver from strict compliance with the announcement and the independent shareholders' approval requirement under the Listing Rules in respect of the Mutual Supply Agreement.

The Share Transfer will reduce the volume of potential connected transactions between the Company and the Parent Company and hence streamline the Company's operations. The acquisition of Times Equipment will also allow the Company to vertically integrate such external supplier so as to build up its testing equipment business and strengthen its research and development capacity in the mechanical industry.

The seventh meeting of the independent non-executive Directors of the first term of the Board was held on 12 October 2007 at which the Share Transfer Agreement was reviewed and approved. According to the Rules for the Directors' Meetings of the Company, a meeting of the executive Directors was held on 5 November 2007 at which the Share Transfer Agreement was also reviewed and approved. The Directors (including the independent non-executive Directors) considered that the Share Transfer is in the ordinary and usual course of business of the Company and the pricing terms of the Share Transfer are on normal commercial terms which are fair and reasonable insofar as the interests of the shareholders of the Company as a whole are concerned.

CONNECTED TRANSACTION

The Parent Company is a promoter and the controlling shareholder of the Company, holding approximately 54.38% of the registered share capital of the Company. The Parent Company is therefore a connected person of the Company under the Listing Rules. Times Industry is a wholly-owned subsidiary of the Parent Company and therefore is also a connected person of the Company under the Listing Rules. The Share Transfer constitutes a connected transaction for the Company under Rule 14A.32 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

As each of the assets ratio, the revenue ratio and the consideration ratio for the Share Transfer is less than 2.5%, the Share Transfer constitutes a connected transaction subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent shareholders' approval requirement under the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

“Board”	the board of Directors
“Consideration”	an aggregate sum of RMB3,500,755.75 (equivalent to approximately HK\$3,668,401.71), being the aggregate consideration payable by the Company to Times Industry and the Four Individuals for the purchase of the entire equity interest in Times Equipment

“Company”	株洲南車時代電氣股份有限公司 (Zhuzhou CSR Times Electric Co., Ltd.), a joint stock company incorporated in the PRC with limited liability. The Group is the leading train-borne electrical system provider and integrator for the PRC railway industry.
“Completion”	the completion of the Share Transfer Agreement in accordance with the terms and conditions thereof
“Director(s)”	the director(s) of the Company
“Four Individuals”	XQ, LXG, SWJ and ZJC, each of whom is a PRC individual and is an Independent Third Party
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) which is or are not a connected person(s) or party(ies) that is or are not connected with any Directors, supervisors, chief executive, promoters, controlling shareholders substantial shareholders of the Company, its subsidiaries or any of their respective associates (such terms as defined in the Listing Rules)
“Listing”	the listing of the Company’s shares on the Main Board of the Stock Exchange on 20 December 2006
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LXG”	李曉光 (Li Xiao Guang), one of the Four Individuals, holder of 0.67% equity interest in Times Equipment

“Mutual Supply Agreement”	a mutual supply agreement between the Parent Company and the Company dated 4 December 2006, under which the Company agreed to supply and procure its subsidiaries to supply to the Parent Company certain electrical parts and components for the production of the Parent Company’s products and the Parent Company also agreed to supply and procure its subsidiaries to supply to the Group certain mechanical and electro-mechanical parts and components for the production of the Group’s train-borne electrical systems for a term commencing on the date of Listing and ending on 31 December 2008
“Parent Company”	中國南車集團株洲電力機車研究所 (CSR Zhuzhou Electric Locomotive Research Institute), a PRC State-owned enterprise which is engaged in the research and development of electric locomotives and related products; one of the promoters and also the controlling shareholder of the Company
“PRC” or “China”	The People’s Republic of China
“Share Transfer”	the transfer of the entire equity interest in Times Equipment under the Share Transfer Agreement
“Share Transfer Agreement”	the share transfer agreement dated 15 November 2007 entered into among the Company, Times Industry and the Four Individuals in respect of the sale and purchase of the entire equity interest in Times Equipment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SWJ”	施蔚加 (Shi Wei Jia), one of the Four Individuals, holder of 0.67% equity interest in Times Equipment
“Times Equipment”	株洲時代裝備技術有限責任公司 (Zhuzhou Times Equipment Technology Co., Ltd.), a limited liability company established in the PRC which is engaged in the development, design, manufacture, sale and installation of shock absorbers, testing equipment, sightseeing buses and vulcanizing machines, and providing related technical advice

“Times Industry”	株洲南車時代新產業投資發展有限責任公司 (Zhuzhou CSR Times New Industry Investment Development Co., Ltd.), a limited liability company established in the PRC which is engaged in investing in, advising on and providing security for the development, manufacture, sale and provision of technical support of electro-mechanical and IT products
“Valuer”	湖南天岳聯合會計師事務所 (Hunan Tianyue Certified Public Accountants Firm), an independent valuer
“XQ”	薛群 (Xue Qun), one of the Four Individuals, holder of 1.33% equity interest in Times Equipment
“ZJC”	朱建成 (Zhu Jian Cheng), one of the Four Individuals, holder of 0.67% equity interest in Times Equipment
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

For illustrative purposes of this announcement, RMB95.43 = HK\$100 save as otherwise stated.

By order of the Board
Liao Bin
Chairman

China, 15 November 2007

As at the date of this announcement, our chairman of the Board and non-executive director is Liao Bin, our executive directors are Ding Rongjun and Lu Penghu, our other non-executive directors are Tian Lei and Ma Yunkun, and our independent non-executive directors are Zhou Heliang, Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Tan Xiao'ao.