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*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 3898)

**(1) CONNECTED TRANSACTION:  
ACQUISITION OF 29% EQUITY INTEREST IN  
SIEMENS TRACTION EQUIPMENT LTD., ZHUZHOU  
(2) CHANGE IN USE OF PROCEEDS**

On 16 September 2008, the Company and the Parent Company entered into the Parent SPA, pursuant to which the Parent Company agreed to transfer to the Company its 17% equity interest in Zhuzhou Siemens for the Parent Consideration. On the same date, the Company entered into the CSR Zhuzhou SPA with CSR Zhuzhou, pursuant to which CSR Zhuzhou agreed to transfer to the Company its 12% equity interest in Zhuzhou Siemens for the CSR Zhuzhou Consideration. Upon Completion, Zhuzhou Siemens will be held as to 30% by the Company.

The Parent Company is a promoter and the controlling shareholder of the Company. CSR Zhuzhou is a promoter of the Company and a fellow subsidiary of the Parent Company. Each of the Parent Company and CSR Zhuzhou is therefore a connected person of the Company under the Listing Rules. Each of the Share Transfers constitutes a connected transaction for the Company and is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

A meeting of the Board was held on 16 September 2008 at which each of the Parent SPA and the CSR Zhuzhou SPA was reviewed and approved. Three of the Directors, Messrs. Ding Rongjun, Song Yali and Liao Bin, abstained from the examination of and voting on the Parent SPA and the CSR Zhuzhou SPA due to conflict of interests. The Directors, including the independent non-executive Directors but excluding Messrs. Ding, Song and Liao, considered that the Share Transfers are in the ordinary and usual course of business of the Company and the terms of the Share Transfers 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.

The Company intends to use the net proceeds from the Global Offering to finance the CSR Zhuzhou Share Transfer and the Siemens Share Transfer. As such, the Board considers it necessary to reallocate part of such net proceeds initially designated to be used as working capital to facilitate the CSR Zhuzhou Share Transfer and the Siemens Share Transfer.

## **PARENT SPA**

### **Date:**

16 September 2008

### **Parties:**

Transferor: The Parent Company

Transferee: The Company

### **Interest to be transferred:**

Pursuant to the Parent SPA, the Parent Company agreed to sell and the Company agreed to acquire 17% equity interest in Zhuzhou Siemens for the Parent Consideration.

### **Consideration:**

The Parent Consideration shall be RMB10,868,678 (equivalent to approximately HK\$12,407,167), payable in full in cash by means of bank transfer by the Company to the Parent Company within 15 working days from completion of registration of the Parent Share Transfer with the relevant authority for the administration for industry and commerce. The Parent Consideration will be funded by the net proceeds from the Global Offering as disclosed in the Prospectus.

The registered capital of Zhuzhou Siemens is RMB128,989,000 (equivalent to approximately HK\$147,247,717). The original purchase cost of 17% equity interest in Zhuzhou Siemens to the Parent Company was RMB21,928,130 (equivalent to approximately HK\$25,032,112).

The Parent Consideration was determined with reference to the assessed value of the net assets of Zhuzhou Siemens as assessed by the Valuer as at 30 September 2007 (being RMB63,933,400, equivalent to approximately HK\$72,983,333).

## **CSR ZHUZHOU SPA**

### **Date:**

16 September 2008

### **Parties:**

Transferor: CSR Zhuzhou

Transferee: The Company

### **Interest to be transferred:**

Pursuant to the CSR Zhuzhou SPA, CSR Zhuzhou agreed to sell and the Company agreed to acquire 12% equity interest in Zhuzhou Siemens for the CSR Zhuzhou Consideration.

### **Consideration:**

The CSR Zhuzhou Consideration shall be RMB7,672,008 (equivalent to approximately HK\$8,758,000), payable in full in cash by means of bank transfer by the Company to CSR Zhuzhou within 15 working days from completion of registration of the CSR Zhuzhou Share Transfer with the relevant authority for the administration for industry and commerce. The CSR Zhuzhou Consideration will be funded by the net proceeds from the Global Offering as disclosed below.

The registered capital of Zhuzhou Siemens is RMB128,989,000 (equivalent to approximately HK\$147,247,717). The original purchase cost of 12% equity interest in Zhuzhou Siemens to CSR Zhuzhou was RMB15,478,680 (equivalent to approximately HK\$17,669,726).

The CSR Zhuzhou Consideration was determined with reference to the assessed value of the net assets of Zhuzhou Siemens as assessed by the Valuer as at 30 September 2007 (being RMB63,933,400, equivalent to approximately HK\$72,983,333).

## **INFORMATION ON ZHUZHOU SIEMENS**

Zhuzhou Siemens is a Sino-foreign joint venture established in the PRC, which was held as to 51% by Siemens China, as to 32% by CSR Zhuzhou and as to 17% by the Parent Company prior to the Completion. Zhuzhou Siemens is principally engaged in the design, development, manufacture and sale of AC propulsion locomotives and related key parts and components and the provision of after-sales services.

In accordance with the auditors' report issued by KPMG Huazhen, as at 31 December 2007, the book value of the assets of Zhuzhou Siemens was RMB122,831,387

(equivalent to approximately HK\$140,218,478). In accordance with the assets valuation report issued by the Valuer, as at 30 September 2007, the book value of the net assets of Zhuzhou Siemens was RMB63,146,100 (equivalent to approximately HK\$72,084,589) and the assessed value of the net assets of Zhuzhou Siemens was RMB63,933,400 (equivalent to approximately HK\$72,983,333). Based on the aforesaid book value of the total assets of Zhuzhou Siemens as at 31 December 2007, the value of the assets attributable to an aggregate of 29% equity interests in Zhuzhou Siemens was approximately RMB35,621,102.23 (equivalent to approximately HK\$40,663,359).

For the twelve months ended 31 December 2006, the audited net loss both before and after taxation and extraordinary items of Zhuzhou Siemens was RMB639,739 (equivalent to approximately HK\$730,296), and the audited net loss attributable to an aggregate of 29% equity interests in Zhuzhou Siemens was approximately RMB185,524.31 (equivalent to approximately HK\$211,785.74).

For the twelve months ended 31 December 2007, the audited net loss both before and after taxation and extraordinary items of Zhuzhou Siemens was RMB1,421,737 (equivalent to approximately HK\$1,622,987), and the audited net loss attributable to an aggregate of 29% equity interests in Zhuzhou Siemens was approximately RMB412,303.73 (equivalent to approximately HK\$470,666.36).

The audited book value of the total assets of Zhuzhou Siemens as at 31 December 2007 was RMB62,866,044 (equivalent to approximately HK\$71,764,890) and the unaudited book value of the total assets of Zhuzhou Siemens as at 31 August 2008 was RMB62,866,043 (equivalent to approximately HK\$71,764,889).

## **REASONS FOR AND BENEFITS OF THE SHARE TRANSFERS**

Prior to Listing, on 18 July 2006, the Company entered into a share purchase agreement with the Parent Company for the acquisition of its 17% equity interest in Zhuzhou Siemens (the “**Original SPA**”), which was approved by the Board and by the shareholders of the Company. The completion of the Original SPA was subject to certain conditions precedent as provided under the Original SPA, including the parties’ agreement as to amount of the final purchase price. The Company and the Parent Company agreed to revise the mechanism as provided under the Original SPA in determining the final purchase price and, accordingly, decided to terminate the Original SPA and to enter into the Parent SPA on 16 September 2008 which supersedes the Original SPA. The Parent SPA contains the revised terms and conditions for the Parent Share Transfer.

On the same date, the Company entered into the CSR Zhuzhou SPA for the acquisition of a 12% equity interest in Zhuzhou Siemens from CSR Zhuzhou. The Company also entered into the Siemens SPA for the acquisition of an additional 1% equity interest in Zhuzhou Siemens from Siemens China, an Independent Third Party.

Upon Completion, Zhuzhou Siemens will be held as to 50% by Siemens China, as to 30% by the Company and as to 20% by CSR Zhuzhou. Zhuzhou Siemens will remain as a Sino-foreign joint venture focusing on the design, development, manufacture and sale of AC propulsion locomotives and related key parts and components. The acquisition of Zhuzhou Siemens will allow the Company to facilitate the promotion of high power locomotive project and to form scaled sales.

## **CONNECTED TRANSACTIONS**

The Parent Company is a promoter and the controlling shareholder of the Company, and a wholly-owned subsidiary of CSR. CSR Zhuzhou is a promoter of the Company and a fellow subsidiary of the Parent Company. CSR Zhuzhou is held as to 69.01% by CSR, as to 16.31% by the Parent Company and as to 13.05% by New Leap. As at the date of this announcement, the Parent Company and CSR Zhuzhou respectively held approximately 54.38% and 0.92% of the issued share capital of the Company. Each of the Parent Company and CSR Zhuzhou is a connected person of the Company under the Listing Rules. Each of the Share Transfers therefore constitutes a connected transaction for the Company

As each of the assets ratio, the revenue ratio and the consideration ratio for the Share Transfers is less than 2.5% in aggregate, the Share Transfers are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

A meeting of the Board was held on 16 September 2008 at which each of the Parent SPA and the CSR Zhuzhou SPA was reviewed and approved. Three of the Directors, Messrs. Ding Rongjun (the chairman of the Board and an executive Director and a vice general manager of the Parent Company), Song Yali (the vice chairman of the Board and a non-executive Director and a vice general manager of the Parent Company) and Liao Bin (a non-executive Director and an executive director of the Parent Company), abstained from the examination of and voting on the Parent SPA and the CSR Zhuzhou SPA due to conflict of interests.

The Directors, including the independent non-executive Directors but excluding Messrs. Ding, Song and Liao, considered that the Share Transfers are in the ordinary and usual course of business of the Company and the terms of the Share Transfers 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.

The assessed value of the net assets of Zhuzhou Siemens as assessed by the Valuer as at 30 September 2007 was RMB63,933,400 (equivalent to approximately HK\$72,983,333). Such assessed value substantially reflected the audited book value of the total assets of Zhuzhou Siemens as at 30 September 2007, which was RMB63,146,100 (equivalent to approximately HK\$72,084,589). As there has been no material change in the audited book value of the total assets of Zhuzhou Siemens as at 31 December 2007 and the unaudited book value of the total assets of Zhuzhou Siemens as at 31 August 2008 from the said audited book value as at 30 September 2007, the Company does not consider there be any material change in the valuation of the net assets of Zhuzhou Siemens as at the date of the transaction.

### **CHANGE IN USE OF PROCEEDS**

The Company intends to use the net proceeds from the Global Offering to finance the CSR Zhuzhou Share Transfer and the Siemens Share Transfer. As such, the Board considers it necessary to reallocate part of such net proceeds initially designated to be used as working capital to facilitate the CSR Zhuzhou Share Transfer and the Siemens Share Transfer. The Board is of the view that the aforesaid reallocation of net proceeds is in the best interests of the Company and its shareholders as a whole.

### **TERMS USED IN THIS ANNOUNCEMENT**

“Board”	the board of Directors
“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 Transfers and the Siemens Share Transfer
“CSR”	中國南車股份有限公司 (China South Locomotive & Rolling Stock Corporation Limited), a joint stock company incorporated in the PRC with limited liability listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange

“CSR Zhuzhou”	南車株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Co., Ltd.), a limited liability company under the laws of the PRC which is principally engaged in the development and manufacture of electronic locomotives, EMUs and rail vehicles for urban rail systems
“CSR Zhuzhou Consideration”	the consideration payable by the Company to CSR Zhuzhou for the CSR Zhuzhou Share Transfer
“CSR Zhuzhou Share Transfer”	the transfer of 12% equity interest in Zhuzhou Siemens under the CSR Zhuzhou SPA
“CSR Zhuzhou SPA”	the share purchase agreement dated 16 September 2008 entered into between the Company and CSR Zhuzhou in respect of the CSR Zhuzhou Share Transfer
“Director(s)”	the director(s) of the Company
“Global Offering”	the global offering of shares of the Company as more particularly set out in the Prospectus
“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

“New Leap”	新力搏交通裝備投資租賃有限公司 (New Leap Transportation Equipment Investment & Leasing Co., Ltd.), formerly known as 新力搏交通裝備投資發展有限公司 (New Leap Communication Equipment Invest Development Co., Ltd.); a promoter of the Company and a wholly-owned subsidiary of CSR
“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 under the laws of the PRC which is principally engaged in the research and development of electric locomotives and related products
“Parent Consideration”	the consideration payable by the Company to the Parent Company for the Parent Share Transfer
“Parent Share Transfer”	the transfer of 17% equity interest in Zhuzhou Siemens under the Parent SPA
“Parent SPA”	the share purchase agreement dated 16 September 2008 entered into between the Company and the Parent Company in respect of Parent Share Transfer
“PRC” or “China”	The People’s Republic of China
“Share Transfers”	the Parent Share Transfer and the CSR Zhuzhou Share Transfer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Siemens China”	西門子(中國)有限公司 (Siemens Ltd., China), an Independent Third Party
“Siemens SPA”	the share purchase agreement dated 18 July 2006 entered into between the Company and Siemens China in respect of the Siemens Share Transfer
“Siemens Share Transfer”	the transfer of 1% equity interest in Zhuzhou Siemens under the Siemens SPA
“Prospectus”	the prospectus of the Company dated 8 December 2006



“Valuer”	北京龍源智博資產評估有限公司(Beijing Long Yuan Zhi Bo Assets Valuation Company Limited), an independent valuer
“Zhuzhou Siemens”	株洲西門子牽引設備有限公司 (Siemens Traction Equipment Ltd., Zhuzhou)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*For illustrative purposes of this announcement, RMB87.6 = HK\$100 save as otherwise stated.*

By order of the Board  
**Ding Rongjun**  
*Chairman*

Zhuzhou, China, 16 September 2008

*As at the date of this announcement, our chairman of the Board and executive Director is Ding Rongjun, our other executive Director is Lu Penghu, our non-executive Directors are Song Yali, Liao Bin and Ma Yunkun, and our independent non-executive Directors are Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing, Tan Xiao'ao and Liu Chunru.*