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

(Stock Code: 3898)

DISCLOSEABLE TRANSACTION

PROPOSED ACQUISITION OF DYNEX POWER INC.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

“Acquisition”	the proposed acquisition of 75% of the outstanding Common Shares by the Company as described herein
“Board”	the board of directors of the Company
“Cdn\$”	the lawful currency of Canada
“Common Shares”	the common equity shares of Dynex
“Company”	Zhuzhou CSR Times Electric Co., Ltd, a joint stock company incorporated in the PRC with limited liability, the issued shares of which are listed on the Stock Exchange
“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 (Stock code: 1766)
“CSR Zhuzhou”	南車株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Co., Ltd.), a promoter of the Company and a subsidiary of CSR
“CSRG”	中國南方機車車輛工業集團公司 (China Southern Locomotive & Rolling Stock Industry (Group) Corporation), the controlling shareholder of CSR
“Directors”	the directors of the Company as at the date of this circular
“Domestic Share(s)”	domestic share(s) of RMB1.00 each in the share capital of the Company
“Dynex”	Dynex Power Inc., a company incorporated in Canada, the issued shares of which are listed on the TSX Venture Exchange
“Effective Date”	the date upon which all of the conditions precedent to the consummation of the Arrangement (as set out under the Arrangement Agreement) have been duly satisfied or waived, and all documents agreed to be delivered thereunder have been duly delivered (or such other date as the Company and Dynex may agree)
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Stock Exchange and traded in HKD
“Holders”	the registered holders of Common Shares

DEFINITIONS

“HKD”	the lawful currency of Hong Kong, the Special Administrative Region of PRC
“KCR”	昆明中鐵大型樣路機械集團有限公司 (Kunming China Railway Large Road Maintenance Machinery Co., Ltd.), a limited liability company established under the laws of the PRC; a promoter of the Company and a wholly-owned subsidiary of China Railway Construction Corporation Limited (中國鐵建股份有限公司), a joint stock company incorporated in the PRC with limited liability listed on the Main Board of the Stock Exchange (Stock code: 1186)
“Latest Practicable Date”	16 September 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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.), a promoter of the Company and a wholly-owned subsidiary of CSR
“Options”	the options to purchase Common Shares under any stock option plans or other equity-related plans of Dynex
“Optionholders”	the holders of the Options
“Parent Company” or “CSR ZELRI”	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, which is a promoter and the controlling shareholder of the Company, and a wholly-owned subsidiary of CSR
“PRC”	the People’s Republic of China
“Qishuyan Works”	中國南車集團戚墅堰機車車輛廠 (CSR Qishuyuan Locomotive & Rolling Stock Works), a promoter of the Company and a wholly-owned subsidiary of CSRG
“RMB”	the lawful currency of PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“TSX-V”	the TSX Venture Exchange

LETTER FROM THE BOARD



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

(Stock Code: 3898)

Executive Directors:

Ding Rongjun (Chairman)
Lu Penghu

Registered Office:

Times Road
Shifeng District
Zhuzhou
Hunan Province, 412001
PRC

Non-Executive Directors:

Song Yali (Vice Chairman)
Liao Bin
Ma Yunkun

Independent Non-Executive Directors:

Gao Yucai
Chan Kam Wing, Clement
Pao Ping Wing
Tan Xiao'ao
Liu Chunru

19 September 2008

DISCLOSEABLE TRANSACTION PROPOSED ACQUISITION OF DYNEX POWER INC.

1. INTRODUCTION

On 31 August 2008, the Company announced that it had entered into the Arrangement Agreement with Dynex in respect of the proposed Acquisition of 75% of the outstanding Common Shares of Dynex at the cash consideration of Cdn\$0.55 per Common Share. The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Dynex and all Holders and their respective ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

The purpose of this circular is to provide you with further details of the Acquisition.

All HKD equivalents of the figures contained in this circular are calculated by reference to the foreign exchange rate of 7.2866. The exchange rate itself is calculated using figures published on the website of the Bank of China on the Latest Practicable Date.

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2. THE ACQUISITION

2.1 THE ARRANGEMENT UNDER CANADIAN LAW

The Acquisition will proceed by way of an “arrangement” (“**Arrangement**”), a statutory procedure available under Section 192 of the Canadian Business Corporations Act (“**CBCA**”) that allows a corporation to effect certain fundamental changes (set out under the aforesaid Section 192), including a transfer of a corporation’s securities to another corporation.

In general, to effect an Arrangement under the CBCA, parties to the proposed transaction would enter into an arrangement agreement setting out the principal terms of the transaction, after which they would apply to the relevant Canadian court for an “interim order” (“**Interim Order**”), followed by a “final order” (“**Final Order**”) approving the Arrangement.

In the case of the proposed Acquisition, the Company and Dynex have on 29 August 2008 entered into an arrangement agreement (the terms of which are described in further detail under Section 2.2 below) (“**Arrangement Agreement**”). Dynex agrees under the Arrangement Agreement to:

- (i) as soon as practicable after the execution of the Arrangement Agreement, apply to the Ontario Superior Court of Justice for an **Interim Order** giving directions on: the calling of a meeting of the Holders (“**Dynex Shareholders’ Meeting**”) to approve the Arrangement; the conduct of the Dynex Shareholders’ Meeting; and the level of approval (specified as two-third or 66.67% of the shareholders entitled to vote) by which the Holders must approve the Arrangement at the Dynex Shareholders’ Meeting in order for it to take effect; and
- (ii) (assuming the required level of approval is obtained from the Holders at the Dynex Shareholders’ Meeting) as soon as practicable after the Dynex Shareholders’ Meeting, proceed with and diligently pursue an application to the Ontario Superior Court of Justice for its **Final Order** approving the Arrangement.

2.2 ARRANGEMENT AGREEMENT & PLAN OF ARRANGEMENT

The Arrangement Agreement was entered into between the Company and Dynex on 29 August 2008, and sets out, *inter alia*, the nature of the transaction (i.e. an Arrangement under the CBCA); the respective representations and warranties of the Company and Dynex; and the conditions precedent to the obligations of the Company and Dynex to effect the Arrangement (some of which are set out under Section 2.4 below).

A “Plan of Arrangement” is appended to the Arrangement Agreement as “Exhibit B”, and sets out, *inter alia*, the Consideration for the Common Shares; the percentage of Common Shares to be acquired by the Company; the procedures by which Holders may elect to transfer their shares to the Company in connection with the Arrangement; the method by which the number of shares tendered shall be pro-rated or adjusted upwards or downwards (as the case may

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be) in the event it exceeds or fails to reach 75% of the outstanding Common Shares of Dynex; and the treatment of the Optionholders, who may elect to exercise all or part of their Options and to tender the Common Shares issued upon such exercise to the Company in connection with the Arrangement.

2.3 ASSETS TO BE ACQUIRED AND CONSIDERATION

Subject to the terms and conditions of the Arrangement Agreement, the Company intends to acquire 75% of the outstanding Common Shares of Dynex at the consideration (“**Consideration**”) of Cdn\$0.55 per share. As the total number of Common Shares and Options outstanding as at the date of this circular is 39,748,782 and 790,472 respectively, the aggregate consideration for the Acquisition will total at Cdn\$16,722,442¹ (HKD121,849,746).

The Consideration was arrived at through arm’s length negotiations between the Company and Dynex, principally taking into account the prevailing market prices of the Common Shares (the prevailing market prices between 26 August to 16 September 2008 are set out in the paragraph immediately below) and the knowledge and know-how of Dynex in the area of high power semiconductors. The prospective financial performance of Dynex (by reference to its estimated price-over-earning ratio for year 2008 and its Rate of Return on Common Stockholders’ Equity (ROE) for the next 3 to 5 years) was also considered. Amongst the above factors, the key and decisive factor relevant to the determination of the Consideration is the knowledge and know-how of Dynex in the area of high power semiconductors, which constitute intangible assets not shown in Dynex’s financial reports that is nevertheless of value to the Company. While the prospective financial performance of Dynex (by reference to its estimated price-over-earning ratio for year 2008 and its Rate of Return on Common Stockholders’ Equity (ROE) for the next 3 to 5 years) was considered by the Company, it did not amount to a significant factor in arriving at the Consideration. The Consideration shall be paid in cash on the Effective Date.

The table below sets out the recent price of the Common Shares in comparison with the Consideration:

Date (USA Eastern Time)	Dynex’s Latest Share Price (Cdn\$)	Consideration (Cdn\$)	Premium of Consideration over Dynex’s Latest Share Price (%)
2008/09/16	0.470	0.55	17.02
2008/09/15	0.480	0.55	14.58

¹ This figure is arrived at on the assumption that all Options will be exercised and converted into Common Shares on or prior to the closing of the Acquisition.

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Date (USA Eastern Time)	Dynex's Latest Share Price (Cdn\$)	Consideration (Cdn\$)	Premium of Consideration over Dynex's Latest Share Price (%)
2008/09/12	0.445	0.55	23.60
2008/09/11	0.445	0.55	23.60
2008/09/10	0.445	0.55	23.60
2008/09/09	0.470	0.55	17.02
2008/09/08	0.470	0.55	17.02
2008/09/05	0.460	0.55	19.57
2008/09/04	0.470	0.55	17.02
2008/09/03	0.470	0.55	17.02
2008/09/02	0.470	0.55	17.02
2008/09/01	0.470	0.55	17.02
2008/08/29	0.470	0.55	17.02
2008/08/28	0.415	0.55	32.53
2008/08/27	0.420	0.55	30.95
2008/08/26	0.420	0.55	30.95

There is no provision under the listing rules of the TSX-V or Canadian law which would require the Company to acquire more than 75% of the Common Shares.

2.4 CONDITIONS PRECEDENT TO THE ARRANGEMENT

The consummation of the Arrangement is conditional upon the conditions precedent set out in the Arrangement Agreement, including (but not limited to) the following:

- (i) The Arrangement shall have been duly approved by at least 66.67% or two-third of the Holders present in person or by proxy at the Dynex Shareholders' Meeting;
- (ii) The Interim Order and Final Order shall each have been obtained in a form and on terms reasonably satisfactory to each of the Company and Dynex;
- (iii) After giving effect to the Arrangement and as of the closing date of the Acquisition, Dynex shall be eligible to maintain its status as a publicly-listed company on the TSX-V, and Dynex shall not have received any notice or be aware of any circumstance that would result in its delisting from the TSX-V;
- (iv) Each of the Company and Dynex shall have obtained all necessary regulatory approvals for the consummation of the Arrangement, on terms which will not have a material adverse effect on either the Company or Dynex;
- (v) The Support Agreement (as described in further detail under Section 2.5 below) ("**Support Agreement**") shall be in full force and effect; and

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- (vi) There has not been a material breach of either the Company's or Dynex's representations, warranties and covenants under the Arrangement Agreement.

2.5 SUPPORT AGREEMENT

Messrs. David Banks and Daniel Owen, who collectively own approximately 42% of Dynex's outstanding Common Shares as at the date of this circular, have on the execution date of the Arrangement Agreement each entered into a Support Agreement, under which they undertake irrevocably to vote their shares in favour of the Arrangement. The Company's purpose in obtaining such undertakings is to increase the chances of a successful Acquisition.

3. INFORMATION ON DYNEX

Dynex is one of the world's leading independent suppliers of specialist, high power semiconductor products. Dynex Semiconductor Ltd is its operating business and is based in Lincoln, England in a facility housing the fully integrated silicon wafer fabrication, assembly and test, sales, design and development operations. Dynex designs and manufactures high power bipolar discrete semiconductors, power modules, including insulated-gate bipolar transistors (IGBTs), and high power electronic assemblies. Dynex products are used world wide in power electronic applications including electric power generation, transmission and distribution, marine and rail traction drives, aircraft, electric vehicles, industrial automation and controls. Dynex is listed on the TSX Venture Exchange.

The following are the consolidated audited results of Dynex for the financial years ended 31 December 2007 and 2006, and the book value of Dynex's total and net assets as at 31 December 2007 and 2006, calculated based on the Canadian generally accepted accounting principles:

	Year ended 31 December 2007		Year ended 31 December 2006	
	(Cdn\$)	(HKD)	(Cdn\$)	(HKD)
Net profit for the year (before tax and extraordinary items)	2,171,503	15,822,874	(273,449)	(1,992,513)
Net profit for the year (after tax and extraordinary items)	2,171,503	15,822,874	(273,449)	(1,992,513)
	At 31 December 2007		At 31 December 2006	
	(Cdn\$)	(HKD)	(Cdn\$)	(HKD)
Book value of total assets	15,086,835	109,931,732	13,652,026	99,476,853
Book value of total liabilities	13,444,450	97,964,329	14,424,614	105,106,392
Book value of net assets	1,642,385	11,967,403	(772,588)	(5,629,540)

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Dynex shall become a 75% owned subsidiary of the Company after the Acquisition, and its financial results will be consolidated thereafter into the accounts of the Company. It is expected that the Acquisition will not have any material impact on the earnings, total assets and liabilities of the Group for year 2008.

4. INFORMATION ON THE COMPANY

The Company is a joint stock company incorporated in Hunan, the PRC with limited liability. The Company's H shares were listed and traded on the Main Board of the Stock Exchange on 20 December 2006.

The Group is the leading train-borne electrical system provider and integrator for the PRC railway industry. The Group possesses comprehensive capabilities in research and development, design, manufacture, sales and customer service.

The Group is also engaged in developing, manufacturing and selling train power converts, auxiliary power supply equipment and control system, for trains for urban rails systems.

In addition, the Group designs, manufactures and sells electrical components for the PRC railway industry, the urban railway industry and non-railway applications. The Group's electrical component products include power semiconductor devices, sensors and related products.

5. REASONS FOR THE ACQUISITION

The development and production of semiconductor devices is integral to the Company's business. In view that Dynex is a global supplier of products and services specialising in the field of power semiconductors and integrated circuit products, the Board considers the Acquisition will provide an opportunity for the Company to:

- enlarge its business network;
- enhance its market position and competitiveness;
- optimize its customer base;
- further expand into overseas markets; and
- realize operational synergies, including in the area of technological research and development

The Board is of the view that the Acquisition would be in line with the Company's long-term business strategies. The Board believes the terms of the Acquisition are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

6. IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios involved in the Acquisition under Chapter 14 of the Listing Rules exceed 5% but are less than 25%, the entering into of the Arrangement Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide the shareholders of the Company with information on the proposed Acquisition in accordance with the Listing Rules.

7. ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the appendix to this circular.

By Order of the Board
Zhuzhou CSR Times Electric Company Limited
Ding Rongjun
Chairman

1. RESPONSIBILITY

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DIRECTORS' DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors and chief executive of the Company was interested in the equity or debt securities of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange;
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group; and
- (c) none of the Directors had any direct or indirect interest in any assets which had since 31 December 2007, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) As at the Latest Practicable Date, none of the Directors or their respective associates were interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, supervisors and chief executive of the Company, the persons, other than a Director, supervisor or chief executive of the Company, who had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

<u>Name of substantial shareholder</u>	<u>Number of shares held</u>	<u>Capacity</u>	<u>% of Domestic Share share capital</u>	<u>% of H Share share capital</u>	<u>% of issued share capital</u>
CSR ZELRI	589,585,699 (L)	Beneficial owner	93.86%	—	54.38%
CSR (note 1)	608,966,468 (L)	Interest of controlled entity	96.95%	—	56.16%
CSRG (note 2)	618,347,237 (L)	Interest of controlled entity	98.44%	—	57.03%
The Hamon Investment Group Pte Limited	41,074,000 (L)	Investment manager	—	9.01%	3.79%
Mirae Asset Global Investments (Hong Kong) Limited	36,159,000 (L)	Investment manager	—	7.93%	3.33%

Note:

- (1) CSR holds 100% interest in the registered capital of CSR ZELRI and New Leap, and is directly and indirectly interested in 98.37% of the registered capital of CSR Zhuzhou. Accordingly, CSR is deemed under the SFO to be interested in the shares held by each of CSR ZELRI, New Leap and CSR Zhuzhou.
- (2) CSRG is directly and indirectly interested in 57.57% of the shares of CSR, and is directly interested in 100% of the registered capital of Qishuyan Works. Accordingly, CSRG is deemed under the SFO to be interested in the shares held by each of CSR and Qishuyan Works.

As at the Latest Practicable Date, so far as it was known to, or can be ascertained after reasonable enquiry by, the Directors, supervisors or chief executive of the Company, the persons/entities (other than a Director, supervisor or chief executive of the Company) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

<u>Name of subsidiary</u>	<u>Name of shareholder</u>	<u>% of equity interest</u>
Zhuzhou Times Zhuoyue Automotive Electronics Technology Co., Ltd.	Zhuzhou Zhuoyue High Technology Enterprise Company Limited	39%

Save as disclosed above, as at the Latest Practicable Date and so far as it was known to, or can be ascertained after reasonable enquiry by, the Directors, supervisors and chief executive of the Company, there was no other entity who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

As at the Latest Practicable Date, save for 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), Liao Bin (a non-executive Director and an executive director of the Parent Company) and Ma Yunkun (a non-executive Director and the chairman of the board of KCR), the Directors are not aware of any Director who is a director or employee of the entities which had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company for a term of three years, effective from June 2008. Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years, effective from June 2008. Such service contracts may be terminated by either party by giving three months' notice in advance or in accordance with the other terms provided in the service contracts. Each of the Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Directors regarding the amount of annual salary and management bonus payable to himself.

As at the Latest Practicable Date, none of the Directors nor supervisors had entered into, or proposed to enter into, any service contract with the Company or any member of the Group which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or arbitration of material importance is pending or threatened against any member of the Group.

6. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Lu Penghu and Tang Tuong Hock, Gabriel. Tang Tuong Hock, Gabriel is a chartered accountant.
- (b) The qualified accountant of the Company, appointed under Rule 3.24, is Tang Tuong Hock, Gabriel. Tang Tuong Hock, Gabriel is a chartered accountant.
- (c) The registered office of the Company is situated at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, PRC.
- (d) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.