

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**中國南車股份有限公司**  
**CSR CORPORATION LIMITED**

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

(Stock code:1766)

**ANNOUNCEMENT**  
**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

The Board announces that the Company and CSRG will renew the Product Mutual Provision Framework Agreement on 31 December 2010 for an effective term from 1 January 2011 to 31 December 2013.

The Company estimates that the annual caps for the amounts to be paid by CSRG and/or its associates for products provided by the Group under the renewed Framework Agreement for the three years ending 31 December 2013 will amount to RMB804.98 million, RMB925.98 million and RMB1,035.98 million respectively; while the annual caps for the amounts to be paid by the Group for provision of products by CSRG and/or its associates under the renewed Framework Agreement for the same period will amount to RMB981.53 million, RMB1,191.63 million and RMB1,513.93 million, respectively.

CSRG is the controlling shareholder and connected person of the Company. Therefore, the transactions under the renewed Framework Agreement between the Group and CSRG and/or its associates constitute continuing connected transactions of the Company.

As more than one applicable size test percentage ratios exceed 0.1% but none exceeds 5% in respect of the continuing connected transactions under the renewed Framework Agreement, such transactions are therefore only subject to the reporting, annual review and announcement requirements of the Hong Kong Listing Rules but are exempted from the independent shareholders' approval requirement.

## **A. BACKGROUND**

In order to regulate, among other things, the mutual provision of products between the Group and CSRG (and/or its associates), the Company and CSRG entered into the Product Mutual Provision Framework Agreement on 10 January 2008 (as supplemented by a supplementary agreement dated 15 July 2008), and set the annual caps of the continuing connected transactions under the Framework Agreement for the three years ending 31 December 2010 in the Prospectus.

## **B. RENEWAL OF THE PRODUCT MUTUAL PROVISION FRAMEWORK AGREEMENT**

As the Framework Agreement and the annual caps of the continuing connected transactions thereunder will both expire on 31 December 2010, to regulate such continuing connected transactions, the Board announces that, the Company and CSRG will renew such Framework Agreement on 31 December 2010 on the same major terms and conditions, except for an additional payment provision as set out below, for an effective term from 1 January 2011 to 31 December 2013, and set the annual caps of the continuing connected transactions thereunder for the three years ending 31 December 2013.

The principal terms of the renewed Framework Agreement are summarized as follows:

<b>Parties:</b>	CSRG and the Company
<b>Mutual provision of products:</b>	CSRG and/or its associates will provide raw materials, accessories, components, packing materials, etc. to the Group.

The Group will sell raw materials, accessories and energy resource, etc. to CSRG and/or its associates.

The sale and purchase of products by the parties shall be made on terms not less favourable than those offered to independent third parties under comparable conditions. Otherwise, either party is entitled to engage other supplier(s) for the products required.

The parties will and will procure their relevant subsidiaries to enter into separate contracts to set out the specific terms and conditions for the sale of products according to the principles and scope provided under the renewed Framework Agreement.

**Term:**

Form 1 January 2011 to 31 December 2013, subject to renewal provided that it is in compliance with the relevant provisions governing connected transactions under the Hong Kong Listing Rules and Shanghai Listing Rules

**Pricing policy:**

Under the renewed Framework Agreement, either party shall sell its products to the other party in accordance with the following pricing principles (and in the following order):

- price prescribed by the PRC government; or
- where there is no government-prescribed price, the guidance price set by the PRC government; or
- where there is neither government-prescribed price nor government guidance price, market price (including price determined through tender process); or
- where none of the above is applicable or available, a price to be agreed between the parties.



## D. PROPOSED ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS FOR YEAR 2011, 2012 AND 2013

The estimated annual caps of the continuing connected transactions under the renewed Framework Agreement for each of the three financial years ending 31 December 2013 shall be as follows:

	twelve months ending 31 December 2011	twelve months ending 31 December 2012 <i>(RMB'000)</i>	twelve months ending 31 December 2013
<b>Revenue</b>			
Amount to be paid by CSRG and/or its associates for provision of products by the Group under the renewed Framework Agreement	804,980	925,980	1,035,980
<b>Expenditure</b>			
Amount to be paid by the Group for provision of products by CSRG and/or its associates under the renewed Framework Agreement	981,530	1,191,630	1,513,930

The above proposed annual caps of the continuing connected transactions are determined based on the estimated amount of transactions involved with reference to the historical transaction volumes and expected growth of the Group's business in the future. The Company has also taken into consideration of, among others, the following factors:

1. The annual caps for the amount to be paid by CSRG and/or its associates for products provided by the Group

The transaction value in respect of the provision of products by the Group to CSRG and/or its associates under the Framework Agreement for the 11 months ended 30 November 2010 amounted to approximately RMB241.86 million. As the settlement of a substantial portion of such transactions by the Group is expected to take place toward the end of the year, it is estimated that the total value of such transaction for the year 2010 will amount to approximately RMB341.80 million.

CSR Ziyang is a subsidiary of the Company. Commencing from 2011, it will import key components in relation to the production of tunnel boring machine and sell the same to Ziyang Tunnel, a subsidiary of CSRG. As a result, it is expected that the sale from CSR Ziyang to Ziyang Tunnel will significantly increase by RMB350 million, RMB410 million and RMB460 million in the years 2011, 2012 and 2013 respectively as compared with the estimated figure in 2010.

CSR Zhuzhou is a wholly-owned subsidiary of the Company which engages in the manufacturing of high-powered locomotives and rapid transit vehicles. It sells and will continue to sell raw materials and accessories to Tianli Forging and Gofront Braking, both of which are subsidiaries of CSRG, to be processed into various types of components that are to be purchased back by CSR Zhuzhou for use in its own manufacturing business. As the demand for high-powered locomotives and rapid transit vehicles in the PRC is expected to rise in the next few years, and CSR Zhuzhou has won bids for a number of new projects, its business is expected to see significant and continuous growth in the next 3 years, which, in turn, will result in an increase in its sales of raw materials to as well as the purchase of components from Tianli Forging and Gofront Braking. It is expected that its sales of raw materials to Tianli Forging and Gofront Braking will increase by RMB40 million, RMB90 million and RMB140 million in the years 2011, 2012 and 2013 respectively as compared with the estimated figure in 2010.

As a result of the foregoing, the Company has determined the above annual caps for the three financial years ending 31 December 2013 in relation to the provision of products to CSRG and/or its subsidiaries by the Group. In calculating the above annual caps, a 10% buffer has been added to allow room for any further unexpected increase in the transaction volume. In light of the business growth of the Group and the current market situation, the Directors (including independent non-executive Directors) are of the view that the 10% buffer is fair and reasonable.

2. The annual caps for the amount to be paid by the Group for products provided by the CSRG and/or its associates

The transaction value in respect of the provision of products by CSRG and/or its associates to the Group under the Framework Agreement for the 11 months ended 30 November 2010 amounted to approximately RMB457.45 million. As the settlement of a substantial portion of such transactions by the Group is expected to take place toward the end of the year, it is estimated that the total transaction value in relation to the purchase of products by the Group from CSRG and/or its associates will amount to approximately RMB802.30 million for the year 2010.

As mentioned in paragraph D.1 above, CSR Zhuzhou's business is expected to see significant and continuous growth in the next 3 years. As a result, CSR Zhuzhou's demand for parts and components in relation to manufacturing of locomotives and rapid transit vehicles will rise significantly in the next 3 years, and its purchase of parts and components from Tianli Forging and Gofront Braking will expect to see substantial growth accordingly. As the demand increases, CSR Zhuzhou will not only purchase back those parts and components manufactured by Tianli Forging and Gofront Braking out of the raw materials and accessories supplied by CSR Zhuzhou, but will also purchase additional parts and components separately produced by these companies. It is expected that CSR Zhuzhou's purchase of parts and components from Tianli Forging and Gofront Braking will increase by RMB90 million, RMB281 million and RMB574 million in the years 2011, 2012 and 2013 respectively as compared with the estimated figure in 2010.

As a result of the foregoing, the Company has determined the above annual caps for the three financial years ending 31 December 2013 in relation to the purchase of products from CSRG and/or its associates. When calculating the above annual caps, a 10% buffer has been added to cater for any unexpected increase in the transaction volume. In light of the business growth of the Group and the current market situation, the Directors (including independent non-executive Directors) are of the view that the 10% buffer is fair and reasonable.

## **E. REASONS FOR RENEWAL OF THE FRAMEWORK AGREEMENT AND THE BENEFITS EXPECTED TO ACCRUE TO THE COMPANY**

Following the restructuring in preparation for the listing of the Company's H Shares on the Hong Kong Stock Exchange, CSRG has retained its interests in the production plants, after they have transferred their operating assets to the Company. These production plants continue to retain their legal entity status, each of which is wholly-owned by CSRG, and continue to hold their ancillary operations. Such ancillary operations continue to provide ancillary products such as rolling stock components, raw materials, construction installation materials and fuels to the Group. Reciprocally, the Company and certain members of the Group provide raw materials and accessories to CSRG and/or its associates for processing into rolling stock components and re-selling back all or part of such components to the Group for use in its core business.

The Group has been conducting the aforementioned sale and purchase transactions with CSRG and/or its associates since the listing of the Company's H Shares on the Hong Kong Stock Exchange. Due to the historical connection and long term co-operation relationship between the Group and CSRG, CSRG and/or its associates generally have better understanding of the Group's business and can better ensure the standard of technology, quality, delivery and technical support of the products to meet the Group's requirements. Further, transactions under the renewed Framework Agreement will be conducted on normal commercial terms (or better to the Group) or on terms not less favorable than those offered to or obtained from independent third parties under comparable market conditions. In addition, the transaction parties to certain transactions under the renewed Framework Agreement are often geographically adjacent to each other, so that CSRG and/or its associates are in a better position to ensure the timely delivery of products to meet the Group's requirements. For example, CSR Zhuzhou and its major transaction counterparties, Tianli Forging and Gofront Braking, are all located in Zhuzhou city of Hunan Province of the PRC.

The Directors, including independent non-executive Directors, are of the view that the renewed Framework Agreement are on normal commercial terms and in the Group's ordinary course of business, and the relevant annual caps are fair and reasonable, and are in the interest of the Company and its Shareholders as a whole.

## **F. IMPLICATIONS OF THE HONG KONG LISTING RULES**

CSRG is the controlling shareholder and a connected person of the Company. Therefore, the transactions under the renewed Framework Agreement between the Group and CSRG and/or its associates constitute continuing connected transactions of the Company.

As more than one applicable size test percentage ratios exceed 0.1% but none exceeds 5% in respect of the continuing connected transactions under the renewed Framework Agreement, such transactions are therefore only subject to the reporting, annual review and announcement requirements of the Hong Kong Listing Rules but are exempted from the independent shareholders' approval requirement.

Mr. Zhao Xiaogang, the Chairman of the Company, has abstained from voting on the board resolutions approving the renewed Framework Agreement and the relevant annual caps, due to his position as the legal representative of CSRG. Save as mentioned above, none of the Directors has any material interest in the continuing connected transaction contemplated under the renewed Framework Agreement and hence no other Director has abstained from voting on such board resolutions.

## **G. GENERAL INFORMATION RELATING TO THE COMPANY AND CSRG**

The Company, incorporated as a joint stock limited company in the PRC on 28 December 2007, is one of the largest rolling stock manufacturers and solutions providers in the world and is also one of the largest rolling stock manufacturers and solutions providers in China.

CSRG is a large-scale wholly state-owned enterprise approved by the State Council, which was established on 2 July 2002, and is one of the promoters of the Company. CSRG is a substantial shareholder of the Company holding, directly and indirectly, 55.09% of the Company's issued share capital. CSRG is therefore the Company's controlling shareholder and hence a connected person of the Company. CSRG is primarily engaged in the production of ancillary products and the provision of social support services.

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the content requires otherwise:

- “Board” the board of Directors of the Company;
- “Company” CSR Corporation Limited (中國南車股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
- “CSR Zhuzhou” CSR Zhuzhou Electric Locomotive Co., Ltd. (南車株洲電力機車有限公司), a company established under the laws of the PRC with limited liability, is a subsidiary of the Company;
- “CSR Ziyang” CSR Ziyang Locomotive Co., Ltd. (南車資陽機車有限公司), a company established under the laws of the PRC with limited liability, is a subsidiary of the Company;
- “CSR Group” CSR Group (中國南車集團公司), a large-scale wholly state-owned enterprise, is the controlling shareholder and one of the promoters of the Company;
- “Directors” the directors, including the independent non-executive directors, of the Company;
- “Gofront Braking” Zhuzhou Gofront Braking Equipment Co., Ltd. (株洲九方制動設備有限公司), a company established under the laws of the PRC with limited liability, is an associate of CSR Group under the Hong Kong Listing Rules;
- “Group” the Company and its subsidiaries;

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (as amended from time to time);
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China;
“Product Mutual Provision Framework Agreement” or “Framework Agreement”	the product mutual provision framework agreement entered into between the Company and CSRG on 10 January 2008 as supplemented by a supplementary agreement dated 15 July 2008;
“Prospectus”	the prospectus of the Company dated 8 August 2008
“RMB”	Renminbi Yuan, the lawful currency of the PRC;
“Shanghai Listing Rules”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange (as amended from time to time);
“Shareholder(s)”	the shareholders of the Company;
“Tianli Forging”	Zhuzhou Tianli Forging Co., Ltd. (株洲天力鍛業有限責任公司), a company established under the laws of the PRC with limited liability, is an associate of CSRG under the Hong Kong Listing Rules; and

“Ziyang Tunnel”

Ziyang CSR Tunnel Company (資陽南車隧道公司), a company established under the laws of the PRC with limited liability, is an associate of CSRG under the Hong Kong Listing Rules.

By order of the Board  
**CSR Corporation Limited**  
**Zhao Xiaogang**  
*Chairman*

Beijing, the PRC  
28 December 2010

*As at the date of this announcement, the executive Directors are Mr. Zhao Xiaogang, Mr. Zheng Changhong, Mr. Tang Kelin and Mr. Liu Hualong; and the independent non-executive Directors are Mr. Zhao Jibin, Mr. Yang Yuzhong, Mr. Chen Yongkuan, Mr. Dai Deming and Mr. Tsoi, David.*