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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)

Connected Transaction Announcement

Acquisition of Equity Interest in CSR Xiangfan Motor

The Board announces that CSR ZELRI and CSR Luoyang Works will enter into the Agreement on 31 March 2011, pursuant to which CSR Luoyang Works agrees to sell and CSR ZELRI agrees to purchase 84.38% equity interest held by CSR Luoyang Works in CSR Xiangfan Motor. The consideration for the Transaction is RMB50,551,383 and will be paid by CSR ZELRI in cash.

As at the date of this announcement, CSRG is the controlling shareholder holding, directly and indirectly, 55.09% equity interest in the Company and thus a Connected Person of the Company under the Hong Kong Listing Rules. CSR Luoyang Works is a wholly owned enterprise of CSRG. CSR ZELRI is a wholly owned subsidiary of the Company. The entering into of the Agreement between CSR Luoyang Works and CSR ZELRI constitutes a connected transaction for the Company as defined under Rule 14A.13(1) of the Hong Kong Listing Rules.

As more than one applicable size test percentage ratios in relation to the Transaction exceed 0.1% but none reaches 5%, the Transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

1. INTRODUCTION

The Board announces that CSR ZELRI and CSR Luoyang Works will enter into the Agreement on 31 March 2011, pursuant to which CSR Luoyang Works agrees to sell and CSR ZELRI agrees to purchase the Equity Interest. Upon completion of the Transaction, the Company will hold indirectly 84.38% of the equity interest in CSR Xiangfan Motor through CSR ZELRI.

2. THE AGREEMENT

2.1 Signing date

The Agreement will be signed on 31 March 2011.

2.2 Parties

- (1) CSR Luoyang Works, as vendor; and
- (2) CSR ZELRI, as purchaser

2.3 Target

The subject of the Transaction is the Equity Interest. As at the date of this announcement, CSR Xiangfan Motor is owned as to 84.38% by CSR Luoyang Works and as to the remaining 15.62% by China Railway No. 4 Group.

2.4 Consideration

The agreed consideration for the Transaction is RMB50,551,383, which is determined based on the appraised net asset value of CSR Xiangfan Motor as at 31 December 2010, being the valuation date, as evaluated by Longyuan Zhibo using cost (asset-based) method. Longyuan Zhibo, an independent valuer, has appraised the net asset value of CSR Xiangfan Motor at approximately RMB59,909,200. Accordingly, the net asset value of the Equity Interest is approximately RMB50,551,383 on a proportionate basis.

The consideration shall be paid in cash in full by CSR ZELRI within 10 days after the date of signing of the Agreement to the account designated by CSR Luoyang Works.

Both parties have agreed to bear their own expenses incurred in respect of the Transaction.

2.5 Other terms

- (1) Either party in breach of the terms and undertakings under the Agreement shall indemnify the other for direct and consequential losses caused thereby.
- (2) All disputes in relation to the Agreement shall be dealt with by friendly negotiations between the parties. If the parties cannot reach an agreement after such negotiations, the disputes shall be submitted to the Company for mediation.
- (3) The Agreement will become effective upon signing by the legal representatives or authorized persons and affixing of the common seals of both parties.

3. REASONS FOR AND BENEFITS OF THE TRANSACTION

Upon completion of the Transaction, CSR ZELRI will hold 84.38% equity interest in CSR Xiangfan Motor while China Railway No. 4 Group will hold the remaining 15.62% equity interest. The Transaction will expect to meet the needs of the overall strategic development of both CSR ZELRI and the Company by reinforcing the industrial integration of CSR ZELRI and CSR Xiangfan Motor in the pre-stressed bridge and electric machinery business sectors. Such integration may have a positive impact on the enhancement of the profitability and sustainable development of the Company through unleashing the advantage of business scale and the formulation of complementary strengths and mutual development.

Upon completion of the Transaction, future transactions between CSR Xiangfan Motor and the Company will no longer constitute connected transactions between the Company and CSRG under Chapter 14A of the Hong Kong Listing Rules.

4. INFORMATION ON CSR XIANGFAN MOTOR

CSR Xiangfan Motor is a limited liability company incorporated in the PRC and as at the date of this announcement, is owned as to 84.38% by CSR Luoyang Works and 15.62% by China Railway No. 4 Group. The business scope of CSR Xiangfan Motor comprises: repair and manufacturing of locomotive motors, manufacturing of axle suspension bush of locomotives, bridge parts, pre-stressed anchor devices, non-standard equipments, electric appliances, electric control equipments and small appliances, etc.

In accordance with PRC Generally Accepted Accounting Principles, the net profits (before and after taxation and extraordinary items) of CSR Xiangfan Motor for the financial years ended 31 December 2009 and 31 December 2010 are set out as follows:

	Year ended 31 December 2010 (RMB)	Year ended 31 December 2009 (RMB)
Net profit before taxation and extraordinary items	<u>4,155,561</u>	<u>2,127,933</u>
Net profit after taxation and extraordinary items	<u>3,712,264</u>	<u>1,125,375</u>

The book net asset value of CSR Xiangfan Motor was approximately RMB36,196,700 as at 31 December 2010 and the appraised net asset value of CSR Xiangfan Motor was approximately RMB59,909,200, based on the valuation report prepared by Longyuan Zhibo.

5. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

CSRG is the controlling shareholder holding, directly and indirectly, 55.09% equity interest in the Company and thus a Connected Person of the Company under the Hong Kong Listing Rules. CSR Luoyang Works is a wholly owned enterprise of CSRG. CSR ZELRI is a wholly owned subsidiary of the Company. The entering into of the Agreement between CSR Luoyang Works and CSR ZELRI constitutes a connected transaction for the Company as defined under Rule 14A.13(1) of the Hong Kong Listing Rules.

As more than one applicable size test percentage ratios exceed 0.1% but none reaches 5%, the Transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Mr. Zhao Xiaogang, the Chairman of the Company, has abstained from voting on the board resolution approving the Agreement and the Transaction, due to his position as the legal representative of CSRG. Save as mentioned above, none of the Directors has material interest in the Transaction and hence no other Director has abstained from voting on such board resolutions.

All Directors, including all independent non-executive Directors, are of the view that the terms of the Transaction are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. GENERAL INFORMATION RELATING TO THE COMPANY, CSRG, CSR LUOYANG WORKS AND CSR ZELRI

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 solution providers in the world and is also one of the largest rolling stock manufacturers and solutions providers in China.

CSRG is a large-scale 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 controlling shareholder of the Company holding, directly and indirectly, 55.09% of the Company's total issued share capital. CSRG is primarily engaged in the production of ancillary products and the provision of social support services.

CSR Luoyang Works is a wholly owned enterprise of CSRG and is primarily engaged in manufacturing and sales of locomotive and components, forgings, welding parts, steel ingots, machine tools, hardware tools, machinery equipments, instruments and meters.

CSR ZELRI is a limited liability company incorporated in the PRC and a wholly owned subsidiary of the Company, which is primarily engaged in manufacturing and sales of products and equipments for railway transportation, electrical machinery and equipment, general machinery, motor, electronic products, controlled computer products and software, rubber and plastic products, electronic components, electronic devices and electrical insulating materials; design, manufacturing, sales of large-scale wind power generating units and components; construction, operation and consultation service of wind power plants, etc.

7. DEFINITIONS

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

“Agreement”	the Equity Transfer Agreement to be entered into between CSR ZELRI and CSR Luoyang Works on 31 March 2011, pursuant to which CSR Luoyang Works agreed to sell and CSR ZELRI agreed to purchase the Equity Interest;
“Board”	the board of Directors of the Company;
“China Railway No. 4 Group”	China Railway No. 4 Engineering Group Co., Ltd. (中國中鐵四局集團有限公司)
“Connected Person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“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 Group”	CSR Group (中國南車集團公司), a large-scale wholly state-owned enterprise and the controlling shareholder and one of the promoters of the Company;
“CSR Luoyang Works”	CSR Luoyang Electric Locomotive Works (中國南車集團洛陽機車廠)
“CSR Xiangfan Motor”	CSR Xiangfan Traction Motor Co., Ltd. (中國南車集團襄樊牽引電機有限公司)
“CSR ZELRI”	CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司)
“Directors”	the directors, including the independent non-executive directors, of the Company;
“Equity Interest”	the 84.38% equity interest in CSR Xiangfan Motor indirectly held by CSR Group through CSR Luoyang Works;
“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;
“Longyuan Zhibo”	Beijing Longyuan Zhibo Asset Evaluation Limited* (北京龍源智博資產評估有限責任公司), an independent valuer;
“PRC”	the People’s Republic of China;

“RMB”	Renminbi Yuan, the lawful currency of the People’s Republic of China;
“Shareholder(s)”	the shareholders of the Company;
“Transaction”	the connected transaction between CSR Luoyang works and CSR ZELRI under the Agreement to be entered into on 31 March 2011 in relation to the Equity Interest.

By order of the Board
CSR Corporation Limited
Zhao Xiaogang
Chairman

Beijing, the PRC
30 March 2011

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.