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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
ASSET SWAP TRANSACTION WITH SOUTH HUITON

The Board announces that on 28 November 2014, the Company entered into the Asset Swap Agreement with South Huiton, CSR Guiyang and CSR ZELRI, pursuant to which the parties will undertake the Asset Swap Transaction.

CSRG is the controlling shareholder holding directly and indirectly approximately 57.15% equity interest of the Company, and thus is a connected person of the Company under the Hong Kong Listing Rules. CSRG is also the controlling shareholder holding 42.64% equity interest of South Huiton. Both CSR Guiyang and CSR ZELRI are the wholly-owned subsidiaries of the Company. Therefore, the Asset Swap Transaction constitutes the connected transaction of the Company as defined under Chapter 14A of the Hong Kong Listing Rules.

The Asset Swap Transaction involves both an acquisition and a disposal by the Company. Pursuant to the relevant requirements of the Hong Kong Listing Rules, the Company classifies the Asset Swap Transaction by reference to the larger of the acquisition or disposal in terms of size test percentage ratios, and complies with the applicable requirements of the Hong Kong Listing Rules based on such classification. As the highest applicable size test percentage ratio in respect of the Asset Swap Transaction exceeds 0.1% but is less than 5%, the Asset Swap 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 on 28 November 2014, the Company entered into the Asset Swap Agreement with South Huiton, CSR Guiyang and CSR ZELRI, pursuant to which the parties will undertake the Asset Swap Transaction.

2. ASSET SWAP AGREEMENT

2.1 Date

28 November 2014

2.2 Parties

- (1) the Company;
- (2) South Huiton;
- (3) CSR Guiyang; and
- (4) CSR ZELRI

2.3 Subject of Transaction

CSR Guiyang shall acquire the 36.79% equity interest of Times Wharton held by CSR ZELRI in cash. South Huiton shall swap the total assets and liabilities attributable to its railway freight wagon business as well as the 100% equity interest of Huiton Logistics, the 60.80% equity interest of Shenfa Steel Structure and the 51% equity interest of Qingdao Huiyitong all held by South Huiton (the “**Assets to be Acquired**”) for the 36.79% equity interest of Times Wharton acquired by CSR Guiyang (the “**Assets to be Disposed of**”). The difference in consideration shall be topped up by CSR Guiyang in cash. The acquisition of the 36.79% equity interest of Times Wharton held by CSR ZELRI in cash by CSR Guiyang and the asset swap shall be conducted simultaneously and on a mutual conditional basis.

2.4 Transaction Price

Pursuant to the Asset Swap Agreement, the transaction prices of the Assets to be Acquired and the Assets to be Disposed of shall be determined according to the appraisal results contained in the assets appraisal reports (Zhong Lian Ping Bao Zi [2014] No.1200 and Zhong Lian Ping Bao Zi [2014] No.1201) (“**Assets Appraisal Reports**”) issued by China United Appraisal (an independent appraisal institution with securities business qualifications) with 30 September 2014 as the benchmark date of appraisal (the “**Appraisal Date**”), the particulars of which are set out as follows:

- (1) The transaction price of the Assets to be Acquired: According to the Assets Appraisal Reports, the appraisal value of the Assets to be Acquired is RMB554,423,900 and the transaction price for the Assets to be Acquired determined on this basis is RMB554,423,900.
- (2) The transaction price of the Assets to be Disposed of: According to the Assets Appraisal Reports, the appraisal result of the 100% equity interest of Times Wharton is RMB1,347,155,900, and the appraisal value of the 36.79% equity interest of Times Wharton is the said appraisal result multiplied by 36.79%, namely RMB495,618,600. The transaction price for the Assets to be Disposed of determined on this basis is RMB495,618,600.

The difference between the transactions prices of the foregoing Assets to be Acquired and the Assets to be Disposed of shall be paid by CSR Guiyang in cash to South Huiton in one lump sum within 10 Working Days after the asset delivery date (the “**Asset Delivery Date**”).

2.5 Agreement Taking Effect

The Asset Swap Agreement shall be formed upon signing by all parties (namely, upon signing by the legal representative or authorized representative of each party with the company seal of each party affixed) but shall take effect only after the Asset Swap Transaction has been considered and approved by the board of directors, the shareholders’ general meetings or the relevant organs of authority of each party according to the provisions of relevant laws and regulations, the articles of association and internal management rules of each party.

2.6 Asset Delivery

After the Asset Swap Agreement has come into effect, all parties shall negotiate immediately to determine the Asset Delivery Date. Save as agreed otherwise in the Agreement, for those assets whose transfer formalities or title transfer is impracticable to be completed during the delivery period, the delivery shall be completed within six months after the Asset Delivery Date. Starting from the Asset Delivery Date, all the rights, obligations and risks in connection with the Assets to be Acquired and the Assets to be Disposed of shall be transferred. All parties shall perform their obligations of asset delivery subject to the fulfilment of certain customary condition precedents.

2.7 Liability For Breach Of Contract

Upon entering into of the Asset Swap Agreement, apart from a significant change of situation or force majeure, it shall constitute breach of contract if any party does not perform or fails to perform promptly or properly any obligation ought to be performed under the Agreement or contravenes any statement, warranty or undertaking under the Agreement. The party in breach shall assume liability as required by law.

3. INFORMATION ON SUBJECT OF TRANSACTION

3.1 Information on Assets to be Acquired

According to the Assets Appraisal Reports, the carrying value and the appraisal value of the net assets of the Assets to be Acquired on the Appraisal Date was RMB539,170,500 and RMB554,423,900, respectively, using the asset-based approach.

(1) Information on Railway Freight Wagon Business of South Huiton

According to the PRC Generally Accepted Accounting Principles, for the financial years ended 31 December 2012 and 31 December 2013, the net profits of South Huiton attributable to its railway freight wagon business (before and after taxation and extraordinary items) are listed as follows:

	For the year ended 31 December 2013 (RMB)	For the year ended 31 December 2012 (RMB)
Net profit before taxation and extraordinary items	25,594,113.06	8,086,648.91
Net profit after taxation and extraordinary items	8,657,740.25	9,793,561.06

(2) Information on Huiton Logistics

Huiton Logistics was incorporated in the PRC on 13 December 2012 as a company with limited liability. It is a subsidiary wholly owned by South Huiton. The company is primarily engaged in railway transportation, highway transportation, cargo warehousing and logistics business.

According to the PRC Generally Accepted Accounting Principles, for the financial years ended 31 December 2012 and 31 December 2013, the net profits of Huiton Logistics (before and after taxation and extraordinary items) are listed as follows:

	For the year ended 31 December 2013 (RMB)	For the year ended 31 December 2012 (RMB)
Net profit before taxation and extraordinary items	91,326.36	1,306.67
Net profit after taxation and extraordinary items	52,717.95	980.00

(3) *Information on Shenfa Steel Structure*

Shenfa Steel Structure was incorporated in the PRC on 24 March 2008 as a company with limited liability. The company is primarily engaged in the steel structure engineering design, production, construction, railway transportation equipment accessories development, production, sales, repair, steel pre-treatment, uncoiling, riveting and welding, processing and sales of edges and corners, machinery and non-standard equipment, production and sales, as well as mechanical and electrical installation engineering construction.

According to the PRC Generally Accepted Accounting Principles, for the financial years ended 31 December 2012 and 31 December 2013, the net profits attributable to the 60.80% equity interest of Shenfa Steel Structure (before and after taxation and extraordinary items) are listed as follows:

	For the year ended 31 December 2013 <i>(RMB)</i>	For the year ended 31 December 2012 <i>(RMB)</i>
Net profit before taxation and extraordinary items	7,658,034.95	18,499,788.17
Net profit after taxation and extraordinary items	3,979,703.28	13,104,853.58

(4) *Information on Qingdao Huiyitong*

Qingdao Huiyitong was incorporated in the PRC on 13 January 2013 as a company with limited liability. The company is primarily engaged in the research and development, production, sales and casting technology advisory services of railway wagon bolsters and side frames casting accessories.

According to the PRC Generally Accepted Accounting Principles, for the financial years ended 31 December 2012 and 31 December 2013, the net profits attributable to the 51% equity interest of Qingdao Huiyitong (before and after taxation and extraordinary items) are listed as follows:

	For the year ended 31 December 2013 <i>(RMB)</i>	For the year ended 31 December 2012 <i>(RMB)</i>
Net profit before taxation and extraordinary items	-3,321,290.31	0.00
Net profit after taxation and extraordinary items	-3,312,308.81	0.00

3.2 Information on Assets to be Disposed of

Times Wharton was incorporated in the PRC on 28 July 2006 as a company with limited liability. The company is primarily engaged in the research and development, production and services of reverse osmosis membrane and nano-filtration membrane components. Times Wharton is not a subsidiary of the Company and not consolidated into the audited consolidated accounts of the Company.

According to the PRC Generally Accepted Accounting Principles, for the financial years ended 31 December 2012 and 31 December 2013, the net profits attributable to the 36.79% equity interest of Times Wharton (before and after taxation and extraordinary items) are listed as follows:

	For the year ended 31 December 2013 <i>(RMB)</i>	For the year ended 31 December 2012 <i>(RMB)</i>
Net profit before taxation and extraordinary items	31,022,635.91	22,570,830.40
Net profit after taxation and extraordinary items	21,477,882.17	16,590,657.01

According to the Assets Appraisal Reports, the carrying value and the appraisal value of the net assets of Times Wharton on the Appraisal Date was RMB342,248,500 and RMB1,347,155,900, respectively, using the income approach. The carrying value and the appraisal value of the net assets attributable to the 36.79% equity interest of Times Wharton was RMB125,913,200 and RMB495,618,600, respectively, on a proportional basis.

As reflected in the financial statements of CSR ZELRI, the carrying value of the 36.79% equity interest of Times Wharton is RMB9,680,000 and the fair value (i.e., the appraisal value) for the proposed disposal of that portion of equity interest is RMB495,618,600. Based on the calculation as such, the gain expected to accrue by CSR ZELRI from the disposal of such equity interest is RMB485,938,600, which is expected to be recognised under investment gain in the income statement of CSR ZELRI.

Under the Asset Swap Agreement, the transaction price of the 36.79% equity interest of Times Wharton shall be determined according to its appraisal value. Based on the Assets Appraisal Reports, the appraisal value of the aforesaid equity interest was determined using the income approach. According to the requirements of the PRC laws and regulations including the Administrative Rules on Restructuring, in the event of applying approach(es) such as the income approach and the hypothetical development approach, which are based on the expected future earnings, to the appraisal or valuation of the assets to be acquired and using such appraisal or valuation result as reference and basis for pricing, the counterparty shall enter into a definite and practicable compensation agreement with the purchaser in respect of the circumstances when the of the actual profits are less than the forecast profits. As such, South Huiton and CSR Guiyang have entered into a profit compensation agreement, pursuant to which, for the three consecutive years counting from the year of the completion of the delivery of the Assets to be Disposed of, if the actual profits realised by Times Wharton during the aforementioned period are less than the forecast profits, CSR Guiyang shall provide South Huiton with the profit compensation (being the difference between the forecast profits and the actual profits) in cash on an annual basis. However, the accumulated amount to be compensated by CSR Guiyang for South Huiton shall not exceed the transaction price of the Assets to be Disposed of. Moreover, during the compensation period, if the actual amount of profits realised by Times Wharton being less than that of the forecast profits is caused by a material fault in the business decision made by the management of Times Wharton, CSR Guiyang will not be liable for compensating South Huiton under the profit compensation agreement.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

The railway freight wagon business of South Huiton has competition with the business of the Company. The Asset Swap Transaction could solve the competition issues between South Huiton and the Company and is beneficial to the Company for its integration of the freight wagon business, with no compromise to the interests of the Company and its minority shareholders. It will not have significant impact on the ability of sustainable operation, profit or loss or assets conditions of the Company.

The Directors (including the independent non-executive Directors) believe that the Asset Swap Transaction will be conducted on normal commercial terms in the ordinary and usual course of business of the Group, and the terms of the transaction are fair and reasonable and in the interests of the Company and its shareholders as a whole.

5. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

CSRG is the controlling shareholder holding directly and indirectly approximately 57.15% equity interest of the Company, and thus is a connected person of the Company under the Hong Kong Listing Rules. CSRG is also the controlling shareholder holding 42.64% equity interest of South Huiton. Both CSR Guiyang and CSR ZELRI are the wholly-owned subsidiaries of the Company. Therefore, the Asset Swap Transaction constitutes the connected transaction of the Company as defined under Chapter 14A of the Hong Kong Listing Rules.

The Asset Swap Transaction involves both an acquisition and a disposal by the Company. Pursuant to the relevant requirements of the Hong Kong Listing Rules, the Company classifies the Asset Swap Transaction by reference to the larger of the acquisition or disposal in terms of size test percentage ratios, and complies with the applicable requirements of the Hong Kong Listing Rules based on such classification. As the highest applicable size test percentage ratio in respect of the Asset Swap Transaction exceeds 0.1% but is less than 5%, the Asset Swap 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. Zheng Changhong, the Chairman of the Company, has abstained from voting on the board resolution approving the Asset Swap Transaction, due to his position as the legal representative of CSR Group. Save as mentioned above, none of the Directors has a material interest in the transaction, and hence no other Directors have abstained from voting on such board resolution.

6. GENERAL INFORMATION ON CSR GROUP, THE COMPANY AND THE OTHER PARTIES TO THE AGREEMENT

CSR Group is a large state-owned enterprise established on 2 July 2002 upon the approval by the State Council. As one of the promoters of the Company, CSR Group is primarily engaged in the production of ancillary products and the provision of social support services.

The Company, incorporated in the PRC on 28 December 2007 as a joint stock limited company, 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 solution providers in China.

South Huiton, incorporated in the PRC on 11 May 1999 as a joint stock limited company, was listed on the Shenzhen Stock Exchange on 16 June 1999 (Stock Code: 000920). The company is primarily engaged in the railway freight wagon business, the composite reverse osmosis membrane business and the plant-derived fiber product business.

CSR Guiyang, incorporated in the PRC on 30 September 2014 as a company with limited liability, is primarily engaged in the development, production, sales and repair of railway transportation equipment; the production and sales of spring and forging-casting fitting products; the production and sales of large metal structures; the export business of its own products and technologies; the import and export business of raw and auxiliary materials, instruments, machinery, equipment, spare and accessory parts as well as technologies required by this enterprise.

CSR ZELRI, incorporated in the PRC as a company with limited liability, and a wholly-owned subsidiary of the Company, is primarily engaged in the research and development, production and sales of railway transportation products and equipment, electrical machinery and equipment, ordinary machinery, motors, electronic products, computer products and software for control purpose, rubber and plastic products, electronic components, electronic appliances, and electrical insulating materials; the design, production and sales of large wind power generators as well as spare and accessory parts; the construction, operation and advisory services of wind power stations; the production, sales and after-sales services of passenger cars and spare and accessory parts.

7. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Administrative Rules on Restructuring”	the Administrative Rules on Substantial Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》) issued by China Securities Regulatory Commission (as revised in 2014);
“Asset Swap Agreement” or “Agreement”	the substantial asset swap agreement of South Huiton Co., Ltd., CSR Guiyang Rolling Stock Co., Ltd., CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. and CSR Corporation Limited dated 28 November 2014 entered into between the Company, South Huiton, CSR Guiyang and CSR ZELRI in 2014;
“Asset Swap Transaction”	the asset swap transaction under the Asset Swap Agreement, i.e., the total assets and liabilities attributable to the railway freight wagon business owned by South Huiton, as well as the 100% equity interests of Huiton Logistics, the 60.80% equity interests of Shenfa Steel Structure and the 51% equity interests of Qingdao Huiyitong all held by South Huiton to be swapped by South Huiton for the 36.79% equity interest of Times Wharton to be acquired by CSR Guiyang with the difference to be topped up by CSR Guiyang in cash;
“Board”	the board of Directors of the Company;
“Working Day(s)”	statutory working day(s) in the PRC, excluding Saturday, Sunday or statutory holidays;
“China United Appraisal”	China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司);
“Company”	CSR Corporation Limited, 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 Guiyang”	CSR Guiyang Rolling Stock Co., Ltd. (南車貴陽車輛有限公司);
“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);
“CSRG”	CSR Group (中國南車集團公司);
“Director(s)”	the director(s) of the Company (including independent non-executive Directors);

“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;
“Huiton Logistics”	Guizhou South Huiton Logistics Trading Co., Ltd. (貴州南方匯通物流貿易有限責任公司);
“PRC”	the People’s Republic of China, for the purpose of this agreement, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Qingdao Huiyitong”	Qingdao Huiyitong Casting Co., Ltd. (青島匯億通鑄造有限公司);
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“Shareholders”	the shareholders of the Company;
“Shenfa Steel Structure”	Guizhou Huiton Shenfa Steel Structure Co., Ltd. (貴州匯通申發鋼結構有限公司);
“South Huiton”	South Huiton Co., Ltd. (南方匯通股份有限公司);
“Times Wharton”	Guiyang Times Wharton Technology Co., Ltd. (貴陽時代沃頓科技有限公司); and
“%”	percent.

By order of the Board
CSR Corporation Limited
Zheng Changhong
Chairman

Beijing, the PRC
28 November 2014

As at the date of this announcement, the executive directors are Mr. Zheng Changhong, Mr. Liu Hualong and Mr. Fu Jianguo; the non-executive director is Mr. Liu Zhiyong; and the independent non-executive directors are Mr. Li Guo’an, Mr. Wu Zhuo and Mr. Chan Ka Keung, Peter.