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

CONNECTED TRANSACTION ASSETS TRANSFER

On 10 August 2007, the Company and the Parent Company entered into the Assets Transfer Agreement pursuant to which the Parent Company agreed to transfer to the Company all its title, interests and rights in the Assets at the Assets Price.

The Parent Company is a promoter and the controlling shareholder of the Company. The Parent Company is therefore a connected person of the Company under the Listing Rules. The Assets Transfer constitutes a connected transaction for the Company under Rule 14A.32 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47.

The tenth meeting of the first term of the Board was held on 23 July 2007 at which the Assets Transfer Agreement was reviewed and approved. Two of the Directors, Mr. Liao Bin and Mr. Tian Lei (a director and a deputy director of the Parent Company respectively) abstained from the examination of and voting on the Assets Transfer Agreement due to conflict of interests. The Directors, including the independent non-executive Directors but excluding Mr. Liao Bin and Mr. Tian Lei, considered that the Assets Transfer is in the ordinary and usual course of business of the Group and the terms of the Assets Transfer Agreement are on normal commercial terms which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned.

PRINCIPAL TERMS OF THE ASSETS TRANSFER

Date:

10 August 2007

Parties:

Transferor: Parent Company

Transferee: Company

Assets to be transferred:

Pursuant to the Assets Transfer Agreement, the Parent Company agreed to transfer to the Company all its title, interests and rights in the Assets at the Assets Price.

The Assets comprise of the production assets of the Company which include machinery, equipment, transformers, installation systems and other ancillary installation systems for the Company's experiment, inspection, examination and product testing uses.

Consideration:

The Assets Price shall be RMB57,647,811 (equivalent to approximately HK\$59,568,908.29). The original purchase cost of the Assets was RMB98,459,976.07 (equivalent to approximately HK\$101,741,127.43). In accordance with the assets valuation report issued by the Valuer, as at the Valuation Date, the book value of the Assets was RMB79,072,486.07 (equivalent to approximately HK\$81,707,554.71); the net book value was RMB42,382,669.81 (equivalent to approximately HK\$43,795,060.51); the assessed value was RMB101,042,440.00 (equivalent to approximately HK\$104,409,651.25); and the net assessed value was RMB57,647,811 (equivalent to approximately HK\$59,568,908.29). The Assets Price was determined with reference to the net assessed value of the Assets as assessed by the Valuer as at the Valuation Date.

The Assets Price shall be payable in cash and funded by the Company's internal financial resources. The Assets Price shall be paid in full by the Company to the Parent Company on Completion.

Completion:

Completion shall take place within one week after the publication of this announcement in accordance with the requirements under the Listing Rules. Upon Completion, the Lease Agreements shall be terminated.

REASONS FOR AND BENEFITS OF THE ASSETS TRANSFER

The Parent Company as a lessor and the Company as a lessee entered into the Lease Agreements under which the Parent Company agreed to let to the Company certain testing equipment situated at the laboratories of the Parent Company in Zhuzhou for the Company's experiment and product testing uses. Pursuant to the Lease Agreements, the Company shall pay an annual rental of approximately RMB9,000,000 to the Parent Company for a term of three years from 1 January 2006 to 31 December 2008. The rental payable under the Lease Agreements is comparable to the estimated market required rate of return for plant and machinery. The Lease Agreements constitute continuing connected transactions between the Company and the Parent Company under Rule 14A.34 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47.

The Assets comprise those principal machinery and equipment which are required by the Group for its operation, a majority of which are testing equipment leased from the Parent Company under the Lease Agreements. The Assets Transfer will reduce the volume of connected transactions between the Company and the Parent Company, and is also beneficial to the Company in terms of cost reduction.

As at the Valuation Date, the original useful lives of the Assets varied between 6 and 20 years and their remaining useful lives vary between 1 and 16 years. For those Assets with over 6 years of remaining useful lives, the one-off purchase cost payable under the Assets Transfer Agreement will be lower than the rent payable under the Lease Agreements. The original purchase cost of such Assets with over 6 years of remaining useful lives was RMB88,159,968.52 (equivalent to approximately HK\$91,097,874.99); the net book value was RMB38,605,610.02 (equivalent to approximately HK\$39,892,131.25); the assessed value was RMB95,091,540 (equivalent to approximately HK\$98,260,439.16); and the net assessed value was RMB55,759,598 (equivalent to approximately HK\$57,617,771.12).

Upon completion of the Assets Transfer, the costs of the Company will be lowered as a result of the reduction in the amount of transaction tax payable by the Company arising from leasing of the Assets, including business tax and other types of additional tax.

The tenth meeting of the first term of the board of Directors of the Company was held on 23 July 2007 at which the Assets Transfer Agreement was reviewed and approved. Two of the Directors, Mr. Liao Bin and Mr. Tian Lei (a director and a deputy director of the Parent Company respectively) abstained from the examination of and voting on the Assets Transfer Agreement due to conflict of interests. The Directors, including the independent non-executive Directors but excluding Mr. Liao Bin and Mr. Tian Lei, considered that the Assets Transfer is in the ordinary and usual course of business of the Group and the terms of the Assets Transfer Agreement are on normal commercial terms which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned.

CONNECTED TRANSACTION

The Parent Company is a promoter and the controlling shareholder of the Company, holding approximately 54.38% of the registered share capital of the Company. The Parent Company is therefore a connected person of the Company under the Listing Rules. The Assets Transfer constitutes a connected transaction for the Company under Rule 14A.32 of the Listing Rules. No profits were attributable to the Assets for the last two financial years. As the assets ratio and the consideration ratio for the Assets Transfer exceed 0.1% but are less than 2.5%, the Assets Transfer constitutes a connected transaction and is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 but exempt from the independent shareholders' approval requirements under the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

“Assets”	a total of 200 sets of machinery, equipment, transformers, installation systems and other ancillary installation systems for the Company's experiment, inspection, examination and product testing uses
“Assets Price”	RMB57,647,811 (equivalent to approximately HK\$59,568,908.29), the total consideration payable by the Company to the Parent Company for the Assets Transfer
“Assets Transfer”	the transfer of Assets under the Assets Transfer Agreement
“Assets Transfer Agreement”	the assets transfer agreement dated 10 August 2007 entered into between the Company and the Parent Company

“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 Assets Transfer
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Agreements”	an equipment leasing agreement dated 25 March 2006 and a supplemental equipment leasing agreement dated 30 May 2006 between the Parent Company (as lessor) and the Company (as lessee) under which the Parent Company agreed to let to the Company certain testing equipment situated at the laboratories of the Parent Company in Zhuzhou for the Company’s experiment and product testing uses
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parent Company”	中國南車集團株洲電力機車研究所 (CSR Zhuzhou Electric Locomotive Research Institute), a PRC State-owned enterprise which is engaged in the research and development of electric locomotives and related products; one of the promoters and also the controlling shareholder of the Company
“PRC” or “China”	People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	中聯資產評估有限公司, an independent valuer qualified for the valuation of securities related business and approved by the Ministry of Finance of the PRC and the China Securities Regulatory Commission
“Valuation Date”	31 December 2006

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

For illustrative purposes of this announcement, RMB96.775 = HK\$100 save as otherwise stated.

By order of the Board
Liao Bin
Chairman

China, 10 August 2007

As at the date of this announcement, our chairman of the Board and non-executive director is Liao Bin, our executive directors are Ding Rongjun and Lu Penghu, our other non-executive directors are Tian Lei and Ma Yunkun, and our independent non-executive directors are Zhou Heliang, Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Tan Xiao'ao.