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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)



中國北車股份有限公司
China CNR Corporation Limited

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

(Stock code: 6199)

JOINT ANNOUNCEMENT

- (1) MERGER OF CSR AND CNR**
 - (2) VERY SUBSTANTIAL ACQUISITION FOR CSR**
 - (3) VERY SUBSTANTIAL DISPOSAL FOR CNR**
 - (4) MANDATE BY CSR TO ISSUE CSR A SHARES AND CSR H SHARES**
 - (5) APPLICATION FOR WHITEWASH WAIVER**
- AND**
- (6) RESUMPTION OF TRADING**



**CHINA INTERNATIONAL CAPITAL CORPORATION
HONG KONG SECURITIES LIMITED
Lead Financial Adviser to CSR**



**UBS AG HONG KONG BRANCH
Sole Financial Adviser to CNR**



**MERRILL LYNCH (ASIA PACIFIC) LIMITED
Financial Adviser to CSR**



**SOMERLEY CAPITAL LIMITED
SOMERLEY CAPITAL LIMITED
Independent Financial Adviser to
the CNR Independent Board Committee**

SUMMARY

1. Introduction

In order to promote the prosperous development of the global rolling stock manufacturing industry, CSR and CNR entered into a Merger Agreement with respect to the Merger Proposal on 30 December 2014. Guided by the principles of a merger of equals, focusing on the future and ensuring the Merger is carried out in compliance with regulations, CSR proposes to merge with CNR by way of absorption and a share for share exchange. Through the Merger, CSR and CNR propose to build jointly a brand-new, multinational world-leading supplier of high-end equipment and systems solutions with rolling stock at its core. The Merger is expected to improve efficiency in the use of resources, effectively reduce operating costs and realize the internationalization strategy, thereby promoting competition globally. On implementation, the Merger Proposal will involve a merger by absorption by CSR issuing, on the basis of a single Exchange Ratio, approximately but not more than 11,138,692,293 CSR A Shares and 2,347,066,040 CSR H Shares to holders of CNR A Shares and CNR H Shares respectively in exchange for all of the issued shares of CNR. Following completion of the Merger, the Post-Merger New Company will adopt a new company name, will change its stock names and stock codes used on the Hong Kong Stock Exchange (which are subject to the approval of the Hong Kong Stock Exchange) and the SSE (which are subject to further feasibility discussions) and will implement a series of measures to establish a new corporate governance and management structure, development strategy and corporate culture. The Post-Merger New Company will hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR.

2. Merger Proposal

To ensure that holders of A shares and holders of H shares are treated equally and to enable the current proportionate shareholdings as between CSR A Shareholders and CSR H Shareholders and as between CNR A Shareholders and CNR H Shareholders respectively to be maintained on completion of the Merger, a single Exchange Ratio has been agreed in respect of the Merger for A shares and H shares of CSR and CNR. The Exchange Ratio is 1: 1.10, meaning that each CNR A Share shall be exchanged for 1.10 CSR A Shares to be issued by CSR, and that each CNR H Share shall be exchanged for 1.10 CSR H Shares to be issued by CSR.

The Exchange Ratio has been agreed by taking the volume-weighted average prices of the relevant shares for the 20 trading days prior to and including the Last Trading Date as the market reference prices, and giving full consideration to factors such as historical share prices, operating results and market capitalizations, and through arm's length negotiations. Specifically, the market reference prices for CSR A Shares and CSR H Shares are RMB5.63 per share and HK\$7.32 per share respectively, and the market reference prices for CNR A Shares and CNR H Shares are RMB5.92 per share and HK\$7.21 per share respectively. Based on the market reference prices and the Exchange Ratio, the exchange prices of CSR A Shares and CSR H Shares have been determined as RMB5.63 per share and HK\$7.32 per share, respectively, and the exchange prices of CNR A Shares and CNR H Shares have been determined as RMB6.19 per share and HK\$8.05 per share, respectively.

Pursuant to PRC legal requirements, a facility will be made available to dissenting shareholders to sell their shares. The CNR Dissenting Shareholders who Exercise the Put Option will be entitled to sell their CNR Shares for cash to the CNR Put Option Provider(s). The cash amounts have been determined in accordance with the volume-weighted average prices of CNR A Shares and CNR H Shares on the SSE and the Hong Kong Stock Exchange respectively for the 20 trading days immediately prior to and including the Last Trading Date, and are RMB5.92 per CNR A Share and HK\$7.21 per CNR H Share. The CSR Dissenting Shareholders who Exercise the Put Option will be entitled to sell their CSR Shares for cash to the CSR Put Option Provider(s). The cash amounts have been determined in accordance with the volume-weighted average prices of CSR A Shares and CSR H Shares on the SSE and the Hong Kong Stock Exchange respectively for the 20 trading days immediately prior to and including the Last Trading Date, and are RMB5.63 per CSR A Share and HK\$7.32 per CSR H Share.

All CNR Shareholders and CSR Shareholders are entitled to vote for, vote against or abstain from voting in respect of the resolutions proposed in connection with the Merger Proposal.

Only those: (i) CNR H Shareholders who vote against the Merger Proposal at both the (A) CNR EGM and (B) CNR H Shareholders' Class Meeting; and (ii) CNR A Shareholders who vote against the Merger Proposal at both the (A) CNR EGM and (B) CNR A Shareholders' Class Meeting, will be eligible to exercise the CNR Put Option in relation to their CNR H Shares and/or CNR A Shares (as the case may be), subject to satisfaction of specified conditions.

Only those: (i) CSR H Shareholders who vote against the Merger Proposal at both the (A) CSR EGM and (B) CSR H Shareholders' Class Meeting; and (ii) CSR A Shareholders who vote against the Merger Proposal at both the (A) CSR EGM and (B) CSR A Shareholders' Class Meeting, will be eligible to exercise the CSR Put Option in relation to their CSR H Shares and/or CSR A Shares (as the case may be), subject to satisfaction of specified conditions.

Certain CNR Shareholders and CSR Shareholders are entitled to vote on the resolutions relating to the Merger Proposal, but are excluded from being eligible to exercise the CNR Put Option and the CSR Put Option, respectively. Please refer to the definition of "CNR Dissenting Shareholder who Exercises the Put Option" and "CSR Dissenting Shareholder who Exercises the Put Option" in the "Definitions" section of this announcement for further details.

3. Conditions to the Merger Agreement Becoming Effective and Being Implemented

The Merger Agreement shall become effective upon satisfaction of all of the following conditions (none of which shall be capable of being waived):

- (1) obtaining approvals of the CSR EGM, the CSR H Shareholders' Class Meeting and the CSR A Shareholders' Class Meeting;
- (2) obtaining approvals of the CNR EGM, the CNR H Shareholders' Class Meeting and the CNR A Shareholders' Class Meeting (in terms of the CNR H Shareholders' Class Meeting, CNR H Shareholders will be considered to have passed the resolutions if (i) the Merger is approved by at least 75% of the votes attaching to the disinterested shares held by CNR H Shareholders that are cast either in person or by proxy at the CNR H Shareholders' Class Meeting; and (ii) the number of votes cast against the resolution to approve the Merger at the CNR H Shareholders' Class Meeting is not more than 10% of the votes attaching to all disinterested shares held by CNR H Shareholders);
- (3) (i) obtaining approvals from SASAC and the CSRC (each in respect of the Merger Proposal); and (ii) obtaining clearance from the Executive of the circulars to be issued to CSR Shareholders and to CNR Shareholders in connection with the Merger; and
- (4) obtaining approval from the Hong Kong Stock Exchange for listing of the CSR H Shares to be issued as consideration of the share-exchange.

Provided that the Merger Agreement has become effective, the implementation of the Merger shall be subject to satisfaction or appropriate waiver from CSR and CNR (except for the condition referred to in paragraph (3) below, which shall not be capable of being waived) of the following conditions:

- (1) all necessary PRC domestic anti-trust filings for the Merger having been formally submitted and clearance having been obtained;
- (2) for the purposes of the Merger, CSR and CNR having submitted anti-trust filings in the applicable jurisdictions where notification is legally required before completion of the Merger, and having obtained or being deemed to have obtained all necessary approvals in relation to the Merger from the anti-trust authorities of such jurisdictions; and
- (3) the Executive having granted, and not having withdrawn or revoked such grant of, the Whitewash Waiver and all conditions to the Whitewash Waiver having been satisfied including, among other things, obtaining the approval by poll by a simple majority of the independent CSR Shareholders at the CSR EGM (which will not include CSRG and parties acting in concert with it).

4. Implications under the Hong Kong Listing Rules

(1) In respect of CSR

The highest relevant percentage ratio for transaction classification under the Hong Kong Listing Rules in respect of the relevant acquisition and the issue and exchange of CSR A Shares and CSR H Shares pursuant to the Merger is more than 100%. As a result, the Merger will constitute a very substantial acquisition for CSR under Rule 14.06(5) of the Hong Kong Listing Rules. Further, the issue of CSR A Shares and CSR H Shares pursuant to the Merger Proposal will constitute a variation of class rights of the holders of A shares and H shares under CSR's Articles of Association. Pursuant to Rules 14.06(5) and 19A.38 of the Hong Kong Listing Rules and CSR's Articles of Association, the Merger is required to be approved by CSR Shareholders at the CSR EGM, CSR A Shareholders at the CSR A Shareholders' Class Meeting and CSR H Shareholders at the CSR H Shareholders' Class Meeting.

For the purposes of Rule 14.06(6) of the Hong Kong Listing Rules, the Merger will not constitute a reverse takeover of CSR as there will be no change of control (as defined in the Takeovers Code).

(2) In respect of CNR

The highest relevant percentage ratio for transaction classification under the Hong Kong Listing Rules in respect of the disposal by CNR pursuant to the Merger is more than 100%. As a result, the Merger will constitute a very substantial disposal for CNR under Rule 14.06(4) of the Hong Kong Listing Rules. Further, the exchange of CNR A Shares and CNR H Shares for CSR A Shares and CSR H Shares pursuant to the Merger Proposal will constitute a variation of class rights of the holders of A shares and H shares under CNR's Articles of Association. Pursuant to Rules 14.06(4) and 19A.38 of the Hong Kong Listing Rules and CNR's Articles of Association, the Merger is required to be approved by CNR Shareholders at the CNR EGM, CNR A Shareholders at the CNR A Shareholders' Class Meeting and CNR H Shareholders at the CNR H Shareholders' Class Meeting.

5. Implications under the Takeovers Code

As at the date of this announcement: (i) CSRG directly and indirectly holds 7,889,406,857 CSR A Shares representing approximately 57.15% of the total issued share capital of CSR; and (ii) CNRG directly and indirectly holds 6,700,158,074 CNR A Shares representing approximately 54.65% of the total issued share capital of CNR.

Based on the Exchange Ratio and assuming that neither CSR nor CNR issues further or buys back CSR Shares or CNR Shares, respectively, upon completion of the Merger: (i) CSRG will directly and indirectly hold 7,889,406,857 CSR A Shares representing approximately 28.91% of the total issued share capital of the Post-Merger New Company; and (ii) CNRG will directly and indirectly hold 7,370,173,881 CSR A Shares representing approximately 27.01% of the total issued share capital of the Post-Merger New Company. There will be no acquisition of control (as such term is defined in the Takeovers Code) by CSRG or CNRG on completion of the Merger. However, CSRG and CNRG will fall into the class (1) presumption of “acting in concert” (as set out in the definition of “acting in concert” in the Takeovers Code) in respect of the Post-Merger New Company upon completion of the Merger.

Further, after completion of the Merger, CNRG and CSRG may merge, among other things, to facilitate the management of their respective interests in the Post-Merger New Company. There is no certainty as to whether CNRG or CSRG will merge nor the timing of any such possible merger.

To preclude any uncertainty on the part of CSR Shareholders, CNR Shareholders and investors more generally as to whether CSRG and/or CNRG would be obliged to make a mandatory general offer for the issued shares not held by them in the Post-Merger New Company after completion of the Merger by virtue of falling into the class (1) presumption of “acting in concert” (as set out in the definition of “acting in concert” in the Takeovers Code) in respect of the Post-Merger New Company or when and if CNRG and CSRG were to merge in the future, CNRG and CSRG will make an application to the Executive for the grant of a Whitewash Waiver pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code. Such application will be made by CNRG and CSRG on a voluntary basis. Such Whitewash Waiver would waive any obligations on CNRG, CSRG and/or any successor entity resulting from the merger of CNRG and CSRG to make a mandatory general offer for all the issued shares in the Post-Merger New Company not already owned by them as a result of and after completion of the Merger and/or any future possible merger of CNRG and CSRG.

The Whitewash Waiver, if granted by the Executive, would be conditional upon, among other things, the approval by poll by a simple majority of the independent CSR Shareholders at the CSR EGM (which will not include CSRG and parties acting in concert with it) for the purpose of fulfilling the Takeovers Code requirement of obtaining approval of the Whitewash Waiver through an independent vote at a meeting of the holders of the relevant class of securities.

Grant of the Whitewash Waiver (without subsequent withdrawal or revocation of such grant) and the satisfaction of all conditions to it is a condition (which shall not be capable of being waived) to implementation of the Merger Agreement and completion of the Merger.

6. Resumption of Trading

At the request of CSR, trading in the CSR H Shares on the Hong Kong Stock Exchange was suspended from 9:00 a.m. on 27 October 2014. An application has been made by CSR to the Hong Kong Stock Exchange for the resumption of trading in the CSR H Shares from 9:00 a.m. on 31 December 2014. At the request of CSR, trading in the CSR A Shares on the SSE was suspended from 27 October 2014. An application has been made by CSR to the SSE for the resumption of trading in the CSR A Shares from 31 December 2014.

At the request of CNR, trading in the CNR H Shares on the Hong Kong Stock Exchange was suspended from 9:00 a.m. on 27 October 2014. An application has been made by CNR to the Hong Kong Stock Exchange for the resumption of trading in the CNR H Shares from 9:00 a.m. on 31 December 2014. At the request of CNR, trading in the CNR A Shares on the SSE was suspended from 27 October 2014. An application has been made by CNR to the SSE for the resumption of trading in the CNR A Shares from 31 December 2014.

7. Warning

CSR Shareholders, CNR Shareholders and potential investors in the securities of CSR and/or the securities of CNR should be aware that the Merger is subject to the conditions set out in this announcement being satisfied or waived, as applicable, and neither CSR nor CNR provides any assurance that any or all conditions can be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, may or may not be implemented or completed. CSR Shareholders, CNR Shareholders and potential investors in the securities of CSR and/or the securities of CNR should therefore exercise caution when dealing in CSR H Shares or CNR H Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

8. Exercise Your Right to Vote

If you are a CSR H Shareholder or a CNR H Shareholder or a beneficial owner of CSR H Shares or CNR H Shares, CSR and CNR strongly encourage you to exercise your right to vote or give instructions to the relevant registered owner to vote in person or by proxy at the CSR EGM and the CSR H Shareholders' Class Meeting or the CNR EGM and the CNR H Shareholders' Class Meeting (as applicable). If you keep any CSR H Shares or CNR H Shares in a share lending programme or a custodian account, CSR and CNR urge you to recall any outstanding CSR H Shares or CNR H Shares on loan or require your custodian to recall any such shares on loan to avoid market participants using borrowed stock to vote.

1. INTRODUCTION

In order to promote the prosperous development of the global rolling stock manufacturing industry, CSR and CNR entered into a Merger Agreement with respect to the Merger Proposal on 30 December 2014. Guided by the principles of a merger of equals, focusing on the future and ensuring the Merger is carried out in compliance with regulations, CSR proposes to merge with CNR by way of absorption and a share for share exchange. Through the Merger, CSR and CNR propose to build jointly a brand-new, multinational world-leading supplier of high-end equipment and systems solutions with rolling stock at its core. The Merger is expected to improve efficiency in the use of resources, effectively reduce operating costs and realize the internationalization strategy, thereby promoting competition globally. On implementation, the Merger Proposal will involve a merger by absorption by CSR issuing, on the basis of a single Exchange Ratio, approximately but not more than 11,138,692,293 CSR A Shares and 2,347,066,040 CSR H Shares to holders of CNR A Shares and CNR H Shares respectively in exchange for all of the issued shares of CNR. Following completion of the Merger, the Post-Merger New Company will adopt a new company name, will change its stock names and stock codes used on the Hong Kong Stock Exchange (which are subject to the approval of the Hong Kong Stock Exchange) and the SSE (which are subject to further feasibility discussions), and will implement a series of measures to establish a new corporate governance and management structure, development strategy and corporate culture. The Post-Merger New Company will hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR.

2. BACKGROUND INFORMATION OF THE MERGER

Both CSR and CNR are among the major rolling stock manufacturers and solution providers in the world. They are also the leading enterprises in China's rolling stock manufacturing industry.

(1) Overview of CSR

CSR is a listed company with its shares listed separately on the SSE (as A shares) and the Hong Kong Stock Exchange (as H shares) since 18 August 2008 and 21 August 2008, respectively. As at the date of this announcement, CSR has issued 13,803,000,000 shares in total, including 2,024,000,000 CSR H Shares and 11,779,000,000 CSR A Shares. Under the CSR Share Option Scheme, 327 participants in total have been granted options to subscribe for 36,605,000 CSR A Shares, and provided that all effective conditions stipulated under the CSR Share Option Scheme are met, such options shall be exercisable in three tranches after two years since the date of such grant. As the effective conditions stipulated under the CSR Share Option Scheme were not met, both the first and second tranches of share options never became effective and were cancelled. As at the date of this announcement, the number of share options which have been granted by CSR but not yet become effective is 11,766,546. Provided that the conditions to the exercise of such rights have been met, participants may subscribe for a total of 11,766,546 CSR A Shares. CSR will follow appropriate procedures (including, without limitation, obtaining approval by CSR's Board, at the CSR EGM and at the CSR Shareholders' class meetings) to terminate the CSR Share Option Scheme and cancel the 11,766,546 unvested share options and agrees that the Post-Merger New Company will reformulate a share incentives plan in accordance with relevant provisions of PRC laws and will undertake the relevant approval procedures. Save for the CSR Share Option Scheme, there are no share options, derivatives, warrants or any other securities which are convertible or exchangeable into CSR Shares. CSRG is the controlling shareholder of CSR and directly and indirectly holds approximately 57.15% of the equity interests in CSR as at the date of this announcement, while the other CSR A Shareholders and CSR H Shareholders hold approximately 28.18% and approximately 14.66% equity interests in CSR, respectively. CSR engages primarily in the research and development, manufacturing, sale, refurbishment and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components, as well as in other extended businesses that utilise proprietary rolling stock technologies. As at the date of this announcement, CSR has 21 directly-held subsidiaries that are wholly owned or controlled by it. In addition to the above, Times Electric (stock code: 3898) and Times New Material (stock code: 600458) are indirectly-held subsidiaries of CSR, and are listed on the Hong Kong Stock Exchange and the SSE, respectively.

According to CSR's consolidated financial statements prepared in accordance with the International Financial Reporting Standards, CSR's major financial data are as follows:

	2011	2012	2013	Six Months Ended 30 June 2014
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
	(Audited)	(Audited)	(Audited)	(Unaudited)
Total assets	92,786	105,217	121,129	142,306
Revenue	79,517	89,019	96,525	49,771
Net profit attributable to owners of the company	3,864	4,009	4,140	2,062

According to CSR's consolidated financial statements prepared in accordance with the International Financial Reporting Standards, CSR's profits before tax and profits after tax for the financial year ended 31 December 2012 were RMB5,593 million and RMB4,852 million, respectively; and CSR's profits before tax and profits after-tax for the financial year ended 31 December 2013 were RMB5,933 million and RMB5,074 million, respectively. CSR's net asset was RMB47,257 million as at 30 June 2014.

(2) Overview of CNR

CNR is a listed company with its A shares listed on the SSE since 29 December 2009 and its H shares listed on the Hong Kong Stock Exchange since 22 May 2014. As at the date of this announcement, CNR has issued 12,259,780,303 shares in total, including 2,133,696,400 CNR H Shares and 10,126,083,903 CNR A Shares. Under the CNR Share Option Scheme, 340 participants in total have been granted options to subscribe for 85,333,500 CNR A Shares, and provided that all vesting conditions stipulated under the CNR Share Option Scheme have been met, such options shall be exercisable in three tranches from the date two years after the date of such grant. As the vesting conditions stipulated under the CNR Share Option Scheme were not met, the first tranche of share options have lapsed and was cancelled. As at the date of this announcement, the number of share options which have been granted by CNR but not yet vested is 57,173,445. Provided the conditions to the exercise of such rights have been met, participants may, in accordance with the vesting arrangements, apply to exercise their rights and subscribe for a total of 57,173,445 CNR A Shares. CNR will follow appropriate procedures (including, without limitation, obtaining approval by CNR's Board, at the CNR EGM and at the CNR Shareholders' class meetings) to terminate the CNR Share Option Scheme and cancel the 57,173,445 unvested share options and agrees that the Post-Merger New Company will reformulate a share incentives plan in accordance with relevant provisions of PRC laws and will carry out the relevant review and approval procedures. Save for the CNR Share Option Scheme, there are no share options, derivatives, warrants or any other securities which are convertible or exchangeable into CNR Shares. CNRG is the controlling shareholder of CNR and directly and indirectly holds approximately 54.65% of the equity interests in CNR as at the date of this announcement, while the other CNR A Shareholders and CNR H Shareholders hold approximately 27.95% and approximately 17.40% equity

interests in CNR, respectively. CNR's primary businesses are research and development, manufacturing, refurbishment, technology services and leasing of various products such as rolling stock (including multiple units and rapid transit vehicles), mechanical and electric equipment, environmental protection equipment and ancillary components. As at the date of this announcement, CNR has 29 directly-held subsidiaries that are wholly owned or controlled by it.

According to CNR's consolidated financial statements prepared in accordance with the International Financial Reporting Standards, CNR's major financial data are as follows:

	2011	2012	2013	Six Months Ended 30 June 2014
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
	(Audited)	(Audited)	(Audited)	(Unaudited)
Total assets	97,366	106,582	120,159	148,941
Revenue	88,811	91,798	96,756	38,654
Net profit attributable to owners of the company	3,025	3,431	4,129	2,323

According to CNR's consolidated financial statements prepared in accordance with the International Financial Reporting Standards, CNR's profits before tax and profits after tax for the financial year ended 31 December 2012 were RMB4,187 million and RMB3,584 million, respectively. CNR's profits before tax and profits after tax for the financial year ended 31 December 2013 were RMB5,099 million and RMB4,226 million, respectively. CNR's net asset was RMB47,491 million as at 30 June 2014.

(3) History and Reorganisation of CSR and CNR

CSR and CNR's respective controlling shareholders, CSRG and CNRG, were both demerged and reorganised from the former 中國鐵路機車車輛工業總公司 (China National Railways Locomotive and Rolling Stock Industrial Corporation).

The former Industrial Bureau of the Ministry of Railways was established in October 1949. In February 1986, the Ministry of Railways established 鐵道部機車車輛工業總公司 (MOR Locomotive and Rolling Stock Industrial Corporation) to take over the role of the Industrial Bureau of the Ministry of Railways, which was renamed 中國鐵路機車車輛工業總公司 (China National Railways Locomotive and Rolling Stock Industrial Corporation) in 1989. In November 2000, China National Railways Locomotive and Rolling Stock Industrial Corporation demerged and reorganised into CSRG and CNRG, each of which was then formally registered with the SAIC in July 2002.

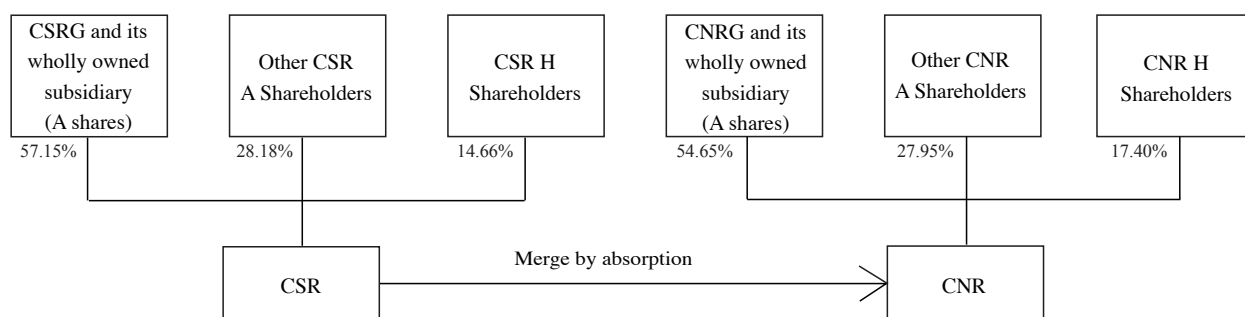
CSRG established CSR on 28 December 2007. In August 2008, CSR was listed on the SSE and the Hong Kong Stock Exchange, respectively.

CNRG established CNR on 26 June 2008. CNR was listed on the SSE in December 2009 and on the Hong Kong Stock Exchange in May 2014.

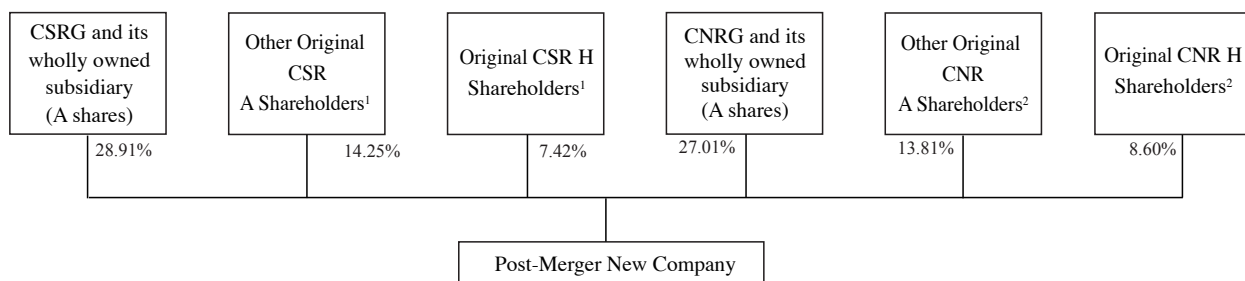
(4) Shareholding Structure Chart before and after the Merger

CSR and CNR propose to implement the Merger by way of a merger by absorption and share-exchange on the basis of a ‘merger of equals’. CSR will issue CSR A Shares and CSR H Shares to CNR Share-Exchange Shareholders to merge with CNR by absorption. Upon completion of the Merger, the Post-Merger New Company will be renamed 中國中車股份有限公司 (CRRC Corporation Limited) (subject to the approval of SAIC and the registration with the Hong Kong Companies Registry), will change its stock names and stock codes used on the Hong Kong Stock Exchange (which are subject to the approval of the Hong Kong Stock Exchange) and the SSE (which are subject to further feasibility discussions) and will implement a series of corporate governance and management measures simultaneously. The following charts show the shareholding structure before and after the Merger:

Merger of CSR and CNR by way of absorption and share-exchange:



After Completion of the Merger



Notes:

1. Includes the CSR Put Option Provider(s) which will pay cash to CSR Dissenting Shareholders who Exercise the Put Option as payment for their CSR Shares (if any).
2. Includes the CNR Put Option Provider(s) which will pay cash to CNR Dissenting Shareholders who Exercise the Put Option as payment for their CNR Shares (if any) and will subsequently convert such shares into CSR Shares at the Exchange Ratio.

(5) Rights and Interests in CNR Shares and Derivatives

As at the date of this announcement, save as disclosed below, none of CSR and any of the parties acting in concert with it owns, controls or directs any CNR Shares or holds any convertible securities, warrants or options (or other outstanding derivatives) in respect of CNR Shares, has received any irrevocable undertaking to vote to accept the Merger Proposal, or has they borrowed or lent any relevant securities of CNR.

As at the date of this announcement, China International Capital Corporation Hong Kong Securities Limited holds, on behalf of its clients, 9,300,000 CNR H Shares representing approximately 0.44% of CNR's total issued CNR H Shares.

As China International Capital Corporation Hong Kong Securities Limited, being the lead financial adviser of CSR, is presumed to be acting in concert with CSR in accordance with class (5) of the definition of "acting in concert" in the Takeovers Code. Details of holdings or borrowings or lendings of CNR Shares (or options, rights over CNR Shares, warrants or derivatives in respect of them) held by or entered into by other parts of the China International Capital Corporation Hong Kong Securities Limited group will be obtained as soon as possible after this announcement has been made in accordance with Note 1 to Rule 3.5 of the Takeovers Code. The statements in this announcement as to holdings or borrowings or lendings of, or voting of CNR Shares (or options, rights over CNR Shares, warrants or derivatives in respect of them) by parties presumed to be acting in concert under the Takeovers Code with CSR are subject to the holdings, borrowings or lendings (if any) of the other parts of the China International Capital Corporation Hong Kong Securities Limited group.

As at the date of this announcement, the BofAML Group (other than those members having exempt principal trader or exempt fund manager status), which is presumed to be acting in concert with CSR, owns or controls 5,009,295 CNR H Shares and derivatives relating to 2,140,000 CNR H Shares representing approximately 0.23% and 0.1% of CNR's total issued CNR H Shares respectively.

Merrill Lynch (Asia Pacific) Limited, being a financial adviser of CSR, is presumed to be acting in concert with CSR in accordance with class (5) of the definition of "acting in concert" in the Takeovers Code. Details of holdings or borrowings or lendings of CNR Shares (or options, rights over CNR Shares, warrants or derivatives in respect of them) held by or entered into by other parts of the Merrill Lynch (Asia Pacific) Limited group will be obtained as soon as possible after this announcement has been made in accordance with Note 1 to Rule 3.5 of the Takeovers Code. The statements in this announcement as to holdings or borrowings or lendings of, or voting of CNR Shares (or options, rights over CNR Shares, warrants or derivatives in respect of them) by parties presumed to be acting in concert under the Takeovers Code with CSR are subject to the holdings, borrowings or lendings (if any) of the other parts of the Merrill Lynch (Asia Pacific) Limited group.

3. MERGER PROPOSAL

(1) CSR to Issue CSR A Shares and CSR H Shares in Exchange for CNR A Shares and CNR H Shares

CSR proposes to issue CSR A Shares and CSR H Shares to CNR Share-Exchange Shareholders at the same Exchange Ratio in exchange respectively for the CNR A Shares and CNR H Shares held by such persons. CNR Dissenting Shareholders who Exercise the Put Option will be entitled to receive cash provided by the CNR Put Option Provider(s) for the CNR A Shares and CNR H Shares held by such persons. The CNR A Shares and CNR H Shares (if any) acquired by the CNR Put Option Provider(s) will be converted into CSR A Shares and CSR H Shares at the Exchange Ratio, which will then be held by the CNR Put Option Provider(s). Assuming that all shareholders of CNR approve the Merger and elect to exchange shares at the Exchange Ratio, CSR will, in accordance with the terms of the Merger Agreement, issue a maximum of 13,485,758,333 CSR Shares, consisting of a maximum of 11,138,692,293 CSR A Shares and 2,347,066,040 CSR H Shares. Upon completion of the Merger, the registered capital of the Post-Merger New Company will be RMB27,288,758,333, the aggregate number of its shares will be 27,288,758,333, among which 22,917,692,293 will be A shares representing approximately 83.98% of its total shares and 4,371,066,040 will be H shares representing approximately 16.02% of its total shares.

(2) Exchange Ratio and Basis of Determination

To ensure that holders of A shares and holders of H shares are treated equally and to enable the current proportionate shareholdings as between CSR A Shareholders and CSR H Shareholders and as between CNR A Shareholders and CNR H Shareholders respectively to be maintained on completion of the Merger, a single Exchange Ratio has been agreed in respect of the Merger for A shares and H shares of CSR and CNR. The Exchange Ratio is 1: 1.10, meaning that each CNR A Share shall be exchanged for 1.10 CSR A Shares to be issued by CSR, and that each CNR H Share shall be exchanged for 1.10 CSR H Shares to be issued by CSR.

The Exchange Ratio has been agreed by taking the volume-weighted average prices of the relevant shares for the 20 trading days prior to and including the Last Trading Date as the market reference prices, and giving full consideration to factors such as historical share prices, operating results and market capitalizations, and through arm's length negotiations. Specifically, the market reference prices for CSR A Shares and CSR H Shares are RMB5.63 per share and HK\$7.32 per share respectively, and the market reference prices for CNR A Shares and CNR H Shares are RMB5.92 per share and HK\$7.21 per share respectively. Based on the market reference prices and the Exchange Ratio, the exchange prices of CSR A Shares and CSR H Shares have been determined as RMB5.63 per share and HK\$7.32 per share, respectively, and the exchange prices of CNR A Shares and CNR H Shares have been determined as RMB6.19 per share and HK\$8.05 per share, respectively.

(3) Put Option and Dissenting Shareholders who Exercise the Put Option

CNR shall grant the CNR Put Option to CNR Dissenting Shareholders. The CNR Dissenting Shareholders who Exercise the Put Option will be entitled to sell their CNR Shares for cash to the CNR Put Option Provider(s). The cash amounts have been determined in accordance with the volume-weighted average prices of CNR A Shares and CNR H Shares on the SSE and the Hong Kong Stock Exchange respectively for the 20 trading days immediately prior to and including the Last Trading Date, and are RMB5.92 per CNR A Share and HK\$7.21 per CNR H Share. The CNR A Shares and CNR H Shares acquired by the CNR Put Option Provider(s) from the CNR Dissenting Shareholders who Exercise the Put Option (if any) will be converted to CSR A Shares and CSR H Shares at the Exchange Ratio on the Share Exchange Date, and the converted shares will be held by the CNR Put Option Provider(s).

CSR shall grant the CSR Put Option to CSR Dissenting Shareholders. The CSR Dissenting Shareholders who Exercise the Put Option will be entitled to sell their CSR Shares for cash to the CSR Put Option Provider(s). The cash amounts have been determined in accordance with the volume-weighted average prices of CSR A Shares and CSR H Shares on the SSE and the Hong Kong Stock Exchange respectively for the 20 trading days immediately prior to and including the Last Trading Date, and are RMB5.63 per CSR A Share and HK\$7.32 per CSR H Share. The CSR A Shares and CSR H Shares acquired by the CSR Put Option Provider(s) from the CSR Dissenting Shareholders who Exercise the Put Option (if any) will be held by the CSR Put Option Provider(s).

All CNR Shareholders and CSR Shareholders are entitled to vote for, vote against or abstain from voting in respect of the resolutions proposed in connection with the Merger Proposal.

Only those: (i) CNR H Shareholders who vote against the Merger Proposal at both the (A) CNR EGM and (B) CNR H Shareholders' Class Meeting; and (ii) CNR A Shareholders who vote against the Merger Proposal at both the (A) CNR EGM and (B) CNR A Shareholders' Class Meeting, will be eligible to exercise the CNR Put Option in relation to their CNR H Shares and/or CNR A Shares (as the case may be), subject to satisfaction of specified conditions.

Only those: (i) CSR H Shareholders who vote against the Merger Proposal at both the (A) CSR EGM and (B) CSR H Shareholders' Class Meeting; and (ii) CSR A Shareholders who vote against the Merger Proposal at both the (A) CSR EGM and (B) CSR A Shareholders' Class Meeting, will be eligible to exercise the CSR Put Option in relation to their CSR H Shares and/or CSR A Shares (as the case may be), subject to satisfaction of specified conditions.

Certain CNR Shareholders and CSR Shareholders are entitled to vote on the resolutions relating to the Merger Proposal, but are excluded from being eligible to exercise the CNR Put Option and the CSR Put Option, respectively. Please refer to the definition of "CNR Dissenting Shareholder who Exercises the Put Option" and "CSR Dissenting Shareholder who Exercises the Put Option" in the "Definitions" section of this announcement for further details.

4. PRINCIPAL TERMS OF THE MERGER AGREEMENT

On 30 December 2014, CSR and CNR entered into the Merger Agreement in relation to the Merger Proposal. In addition to the terms set out in section headed “3. MERGER PROPOSAL” above, the principal terms and conditions of the Merger Agreement include:

Parties	CSR and CNR
Overview of the Merger Proposal	<p>In accordance with the terms of the Merger Agreement and the merger principles of ensuring a merger of equals, focusing on the future and ensuring the Merger is carried out in compliance with regulations, the Post-Merger New Company will adopt a new company name and organization code, stock names and stock codes, new corporate governance structure, strategic positioning, organisational structure, management system and company brand. The Merger will be technically implemented by CSR merging CNR by way of absorption and share-exchange, namely CSR will issue CSR A Shares to the CNR Share-Exchange Shareholders holding A shares and CSR H Shares to the CNR Share-Exchange Shareholders holding H shares, will apply to have the CSR A Shares and CSR H Shares to be issued under the Merger listed and traded on the SSE and the Hong Kong Stock Exchange, respectively, and the CNR A Shares and CNR H Shares will be deregistered; the Post-Merger New Company will, at the same time, hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR, through which an equal merger of both parties will be achieved. The Merger will be effective as provided for by the Company Law of the PRC and shall be in compliance with the Hong Kong Listing Rules and the Takeovers Code.</p>
Consideration	<p>CSR will issue a maximum of 11,138,692,293 CSR A Shares and 2,347,066,040 CSR H Shares at the Exchange Ratio in exchange for a maximum of 10,126,083,903 CNR A Shares and 2,133,696,400 CNR H Shares respectively, which equates to 1.10 CSR A Shares being issued in exchange for one CNR A Share, and 1.10 CSR H Shares being issued for one CNR H Share. The CSR A Shares and CSR H Shares to be issued under the Merger will be listed and traded on the SSE and the Hong Kong Stock Exchange, respectively.</p>
Ranking of H shares and A shares to be issued by CSR	<p>The CSR H Shares and CSR A Shares to be issued by CSR in accordance with the Merger Proposal are not subject to any lien, pledge, charge or other restriction, and all relevant rights shall attach to such shares, including the right to receive all dividends and other distributions (if any) declared, made or paid on or after the issue date, and such shares will rank pari passu with the existing CSR Shares.</p>

**Treatment of fractions
of shares**

Upon completion of the Merger, the number of CSR H Shares and CSR A Shares obtained by CNR Share-Exchange Shareholders shall be in whole numbers. If the number of CSR H Shares to be obtained by a CNR Shareholder through a share-exchange of CNR H Shares for CSR H Shares at the Exchange Ratio will not result in a whole number, such shareholders will be ordered according to the value of the remaining fraction after the decimal point from highest to lowest, and one additional CSR H Share will be given to each such CNR Shareholder in that order until the number of shares actually exchanged is equal to the total number of shares proposed to be issued. If the number of shareholders with the same fraction is more than the number of remaining shares to be issued, shares will be allocated randomly by a computerised system until the number of shares actually exchanged is equal to the total number of shares proposed to be issued. The method of dealing with fractions of H shares described above shall also apply to dealing with fractions of A shares.

**Put option of
dissenting shareholders**

CNR shall grant the CNR Put Option to its dissenting shareholders. CSR shall grant the CSR Put Option to its dissenting shareholders. Please refer to item 3 of section headed “3. MERGER PROPOSAL — PUT OPTION AND DISSENTING SHAREHOLDERS WHO EXERCISE THE PUT OPTION” for details.

**Conditions to
becoming effective**

The Merger Agreement shall become effective upon satisfaction of all of the following conditions (none of which shall be capable of being waived):

- (1) obtaining approvals of the CSR EGM, the CSR H Shareholders’ Class Meeting and the CSR A Shareholders’ Class Meeting;
- (2) obtaining approvals of the CNR EGM, the CNR H Shareholders’ Class Meeting and the CNR A Shareholders’ Class Meeting (in terms of the CNR H Shareholders’ Class Meeting, CNR H Shareholders will be considered to have passed the resolutions if (i) the Merger is approved by at least 75% of the votes attaching to the disinterested shares held by CNR H Shareholders that are cast either in person or by proxy at the CNR H Shareholders’ Class Meeting; and (ii) the number of votes cast against the resolution to approve the Merger at the CNR H Shareholders’ Class Meeting is not more than 10% of the votes attaching to all disinterested shares held by CNR H Shareholders);
- (3) (i) obtaining approvals from SASAC and the CSRC (each in respect of the Merger Proposal); and (ii) obtaining clearance from the Executive of the circulars to be issued to CSR Shareholders and to CNR Shareholders in connection with the Merger; and
- (4) obtaining approval from the Hong Kong Stock Exchange for listing of the CSR H Shares to be issued as consideration of the share-exchange.

Conditions to implementation Provided that the Merger Agreement has become effective, the implementation of the Merger shall be subject to satisfaction or appropriate waiver from CSR and CNR (except for the condition referred to in paragraph (3) below, which shall not be capable of being waived) of the following conditions:

- (1) all necessary PRC domestic anti-trust filings for the Merger having been formally submitted and clearance having been obtained;
- (2) for the purposes of the Merger, CSR and CNR having submitted anti-trust filings in the applicable jurisdictions where notification is legally required before completion of the Merger, and having obtained or being deemed to have obtained all necessary approvals in relation to the Merger from the anti-trust authorities of such jurisdictions; and
- (3) the Executive having granted, and not having withdrawn or revoked such grant of, the Whitewash Waiver and all conditions to the Whitewash Waiver having been satisfied including, among other things, obtaining the approval by poll by a simple majority of the independent CSR Shareholders at the CSR EGM (which will not include CSRG and parties acting in concert with it).

Completion Subject to the satisfaction of all conditions required for the Merger Agreement to become effective and satisfaction or appropriate waiver by CSR and CNR of all conditions to implementation (except for the condition referred to in paragraph (3) above, which shall not be capable of being waived), the Merger shall complete on the later of the date on which CSR completes its business registration update in relation to the Merger and the date on which CNR completes the cancellation of its business registration.

Termination The Merger Agreement may be terminated in any of the following circumstances:

- (1) if a competent government authority restricts or prohibits the completion of the Merger, either CNR or CSR will be entitled to terminate the Merger Agreement by written notice;
- (2) if the Merger Agreement cannot be performed due to any force majeure event which continues for 60 days, either CNR or CSR will be entitled to terminate the Merger Agreement by written notice; or
- (3) if one party commits a material breach of the Merger Agreement and such material breach is not remedied within 30 days following written notice from the non-defaulting party to the defaulting party, the non-defaulting party will be entitled to unilaterally terminate the Merger Agreement by written notice.

Company name, stock names and stock codes of the Post-Merger New Company The company name of the Post-Merger New Company will be changed to 中國中車股份有限公司 (CRRC Corporation Limited) (subject to the approval of SAIC and registration with the Hong Kong Companies Registry), and CSR will complete the change of company name (subject to obtaining such approval and registration) on or prior to completion of the Merger.

CSR will apply to the Hong Kong Stock Exchange (which is subject to the approval of the Hong Kong Stock Exchange) and the SSE (which is subject to further feasibility discussions) to change its stock names and stock codes before completion of the Merger.

Post-Merger New Company's Articles of Association The Post-Merger New Company will adopt new articles of association to be in line with the company's corporate governance and management structure after the Merger.

Arrangements for profit distribution and accumulated profits during the Transitional Period Prior to the Closing Date of the Merger, CSR and CNR shall not undertake any ex-rights or ex-dividend actions such as distribution of rights, conversion and capitalization of reserves into share capital and rights issues. Any accumulated profits of CSR or CNR which remain undistributed as at the Closing Date of the Merger shall be for the benefit of shareholders of the Post-Merger New Company as a whole.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, CSR and CNR may invoke conditions (1) and/or (2) set out in the paragraph headed "Conditions to implementation" in this section or terminate the Merger Agreement in accordance with the paragraph headed "Termination" in this section as a basis for not proceeding with the Merger only if the circumstances which give rise to the right to invoke any such condition or termination right are of material significance to CSR and CNR in the context of the Merger Proposal.

On 30 December 2014, CSR's Board and CNR's Board also respectively resolved that after completion of the Merger, the Post-Merger New Company shall consider and make arrangements for the 2014 profit distribution after taking into account factors such as 2014 net profits and cash flows of CSR and CNR.

5. CSR'S SPECIFIC MANDATE TO ISSUE CSR A SHARES AND CSR H SHARES

On 30 December 2014, CSR's Board also resolved to seek, at the CSR EGM, CSR A Shareholders' Class Meeting and CSR H Shareholders' Class Meeting, that it be granted an unconditional specific mandate enabling it, when the Merger is given effect and as required by the Merger, to determine and implement the issuance of approximately but not more than 11,138,692,293 CSR A Shares and 2,347,066,040 CSR H Shares, and to have full authority to deal with any and all matters necessary for, beneficial to, or appropriate for the issuance of the CSR A Shares and CSR H Shares and to deal with any details of the issue, registration and transfer of relevant shares as well as matters relating to listing on the SSE and the Hong Kong Stock Exchange (including the right to adjust the proposed price and numbers of new CSR A Shares and CSR H Shares to be issued to the extent allowed and in accordance with the applicable laws and regulations or requirements or requests by the applicable regulatory authorities).

6. COMPARISONS OF VALUE

The Exchange Ratio is 1.10 CSR Shares for every 1 CNR Share. The Exchange Ratio represents an implied premium for CNR Shareholders when compared with the ratio between the market prices of CNR Shares and CSR Shares during the specified trading period.

		Trading Periods Including the Last Trading Date		
		1 Trading Day	20 Trading Days	60 Trading Days
H shares	Ratio between the market prices of CNR H Shares and CSR H Shares	0.985	0.985	0.961
	Implied premium of the Exchange Ratio	11.7%	11.7%	14.5%
A shares	Ratio between the market prices of CNR A Shares and CSR A Shares	1.107	1.052	1.011
	Implied premium of the Exchange Ratio	-0.6%	4.6%	8.8%

Note: (1) The market prices are the volume-weighted average prices during the specified trading period.

(2) Implied premium of the Exchange Ratio = $1.1/(\text{market price of CNR Shares}/\text{market price of CSR Shares}) - 1$. The ratio is calculated by comparing the Exchange Ratio with the ratio determined by dividing the volume-weighted average prices of CNR Shares by the volume-weighted average prices of the CSR shares for the specified trading period.

The Merger will be implemented at the Exchange Ratio. The comparisons below are provided solely for the convenience of investors. They are illustrations only. Shareholders should use the comparisons with care and take into account other disclosures in this announcement, including the reasons and benefits of the Merger.

Based on the closing price of each CSR H Share of HK\$7.89 on the Hong Kong Stock Exchange on the Last Trading Date, the value for each CNR H Share in the Merger represents:

- (a) a premium of approximately 13.3% over the closing price of each CNR H Share of HK\$7.66 on the Hong Kong Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 20.4% over the volume-weighted average price of HK\$7.21 of each CNR H Share based on the volume-weighted average price of CNR H Shares on the Hong Kong Stock Exchange for the 20 trading days immediately prior to and including the Last Trading Date; and
- (c) a premium of approximately 25.6% over the volume-weighted average price of HK\$6.91 of each CNR H Share based on the volume-weighted average price of CNR H Shares on the Hong Kong Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date.

Based on the closing price of each CSR A Share of RMB5.80 on the SSE on the Last Trading Date, the value for each CNR A Share in the Merger represents:

- (a) a discount of approximately 1.1% to the closing price of each CNR A Share of RMB6.45 on the SSE on the Last Trading Date;
- (b) a premium of approximately 7.8% over the volume-weighted average price of RMB5.92 of each CNR A Share based on the volume-weighted average price of CNR A Shares on the SSE for the 20 trading days immediately prior to and including the Last Trading Date; and
- (c) a premium of approximately 16.0% over the volume-weighted average price of RMB5.50 of each CNR A Shares based on the volume-weighted average price of CNR A Share on the SSE for the 60 trading days immediately prior to and including the Last Trading Date.

7. REASONS AND BENEFITS OF THE MERGER

The global rolling stock manufacturing industry encounters an unprecedented historical opportunity that creates a good turning point for the Merger. For the Chinese market, the “integration of three networks” comprises passenger dedicated railway line, inter-city rail network and urban mass rapid transit system with a huge market space; whereas the overseas market, the construction planning of “Silk Road Economic Belt Region” and “New Maritime Silk Route for the 21st Century”, and the gradual implementation of international rail plans for the Eurasian high-speed rail, high-speed rail in Central Asia and the Pan-Asian high-speed rail, etc. that all provide broad market space in the rolling stock manufacturing industry.

In order to fully seize the above-mentioned development opportunities, CSR and CNR as major enterprises in the rail transportation equipment manufacturing industry in China, major manufacturers of rail transportation equipment and solution providers in the world intend to build a transnational and global leading large-scale comprehensive industrial group with its core as rolling stock through the Merger, enhance market competitiveness internationally and therefore uplift the interests of all shareholders. The Merger will:

- (1) create a global leading large integrated manufacturer of rail transportation equipment and solution provider. The Post-Merger New Company will have advantages in terms of scale, technologies, products, costs and manufacturing experiences;
- (2) integrate the technology and resources for R&D of CSR and CNR in order to create an advanced R&D system worldwide and further enhance the technological advantages and innovation capability of the Company;
- (3) further increase the competitiveness of the Post-Merger New Company in overseas markets through unifying expansion strategies in overseas markets, sharing sales network resources, re-organizing sales teams overseas, building an unified brand image;
- (4) expand the cross-sales scale, reduce the costs on procurement and production and providing flexible and tailor-made services to customers of the Post-Merger New Company through unifying the product system and building a tree-like, standardized and segmented product system;
- (5) coordinate the systems of production, supply and sales; further establish a professional and regional division of works at production bases in order to achieve economy of scale, accelerate delivery time and reduce after-sales costs; integrate the local and overseas supplier system of both parties and achieve economy of scale in procurement; re-deploy sales network resources and further standardize sales strategies in order to improve feedbacks from the market and the ability to serve; and
- (6) utilize the existing resources of the rolling stock segment to promote the cross-over development between different areas, such as renewable energy, new materials, finance and modern services.

CSR's Board is of the view that the terms of the Merger, Merger Proposal and the Whitewash Waiver are fair and reasonable and in the interests of CSR and its shareholders as a whole because the terms of the Merger have taken into full account factors such as the parties' market value, financial results and current market valuations, and have been decided through arm's length negotiations by the parties, the fact that the shareholding ratio of the original shareholders of each party in the Post-Merger New Company will be essentially the same reflects the principle of a merger of equals and fair transaction.

CNR's Board (other than members of the CNR Independent Board Committee, whose views will be given after receiving the opinion of the CNR Independent Financial Adviser) is of the view that the terms of the Merger and the Merger Proposal are fair and reasonable and in the interests of CNR and its shareholders as a whole because the terms of the Merger have taken into full account factors such as the parties' market value, financial results and current market valuations, and have been decided through arm's length negotiations by the parties, the fact that the shareholding ratio of the original shareholders of each party in the Post-Merger New Company will be essentially the same reflects the principle of a merger of equals and fair transaction.

8. IMPACT OF THE MERGER ON THE SHAREHOLDING STRUCTURES OF CSR AND CNR

The shareholding structures of CSR and CNR prior to the Merger are as follows:

	Number of A Shares	Percentage of A Shares	Number of H Shares	Percentage of H Shares	Total Number of Issued Shares
CSR	11,779,000,000	85.34%	2,024,000,000	14.66%	13,803,000,000
CNR	10,126,083,903	82.60%	2,133,696,400	17.40%	12,259,780,303

The shareholding structure of the Post-Merger New Company will be as follows:

	Number of A Shares	Percentage of A Shares	Number of H Shares	Percentage of H Shares	Total Number of Issued Shares
CSR Shares issued prior to the Merger	11,779,000,000	43.16%	2,024,000,000	7.42%	13,803,000,000
CSR Shares issued in exchange for CNR Shares pursuant to the Merger	<u>11,138,692,293</u>	<u>40.82%</u>	<u>2,347,066,040</u>	<u>8.60%</u>	<u>13,485,758,333</u>
Total issued shares of the Post-Merger New Company	<u><u>22,917,692,293</u></u>	<u><u>83.98%</u></u>	<u><u>4,371,066,040</u></u>	<u><u>16.02%</u></u>	<u><u>27,288,758,333</u></u>

9. ANTI-TRUST FILINGS IN AND OUTSIDE CHINA

For the purposes of the Merger, CSR and CNR are required to file a report of concentration of business operators with the Ministry of Commerce of the PRC in accordance with the PRC Anti-Monopoly Law. The Merger will only be implemented after review and clearance from the Ministry of Commerce of the PRC.

For the purposes of the Merger, CSR and CNR are required to submit anti-trust filings in the applicable jurisdictions where notification will be legally required before completion of the Merger, and to obtain or be deemed to have obtained all necessary approvals in relation to the Merger from the anti-trust authorities of such jurisdictions.

10. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

(1) In respect of CSR

To the best of the knowledge, information and belief of the CSR Directors having made all reasonable enquiries, CNR and its controlling shareholder are parties independent of CSR and its connected persons, and the ultimate beneficial owners of CNR's controlling shareholder are not connected persons of CSR. The Merger does not constitute a connected transaction of CSR.

The highest relevant percentage ratio for transaction classification under the Hong Kong Listing Rules in respect of the relevant acquisition and the issue and exchange of CSR A Shares and CSR H Shares pursuant to the Merger is more than 100%. As a result, the Merger will constitute a very substantial acquisition for CSR under Rule 14.06(5) of the Hong Kong Listing Rules. Further, the issue of CSR A Shares and CSR H Shares pursuant to the Merger Proposal will constitute a variation of class rights of the holders of A shares and H shares under CSR's Articles of Association. Pursuant to Rules 14.06(5) and 19A.38 of the Hong Kong Listing Rules and CSR's Articles of Association, the Merger is required to be approved by CSR Shareholders at the CSR EGM, CSR A Shareholders at the CSR A Shareholders' Class Meeting and CSR H Shareholders at the CSR H Shareholders' Class Meeting.

For the purposes of Rule 14.06(6) of the Hong Kong Listing Rules, the Merger will not constitute a reverse takeover of CSR as there will be no change of control (as defined in the Takeovers Code).

(2) In respect of CNR

To the best of the knowledge, information and belief of the CNR Directors having made all reasonable enquiries, CSR and its controlling shareholder are parties independent of CNR and its connected persons, and the ultimate beneficial owners of CSR's controlling shareholder are not connected persons of CNR. The Merger does not constitute a connected transaction of CNR.

The highest relevant percentage ratio for transaction classification under the Hong Kong Listing Rules in respect of the disposal by CNR pursuant to the Merger is more than 100%. As a result, the Merger will constitute a very substantial disposal for CNR under Rule 14.06(4) of the Hong Kong Listing Rules. Further, the exchange of CNR A Shares and CNR H Shares for CSR A Shares and CSR H Shares pursuant to the Merger Proposal will constitute a variation of class rights of the holders of A shares and H shares under CNR's Articles of Association. Pursuant to Rules 14.06(4) and 19A.38 of the Hong Kong Listing Rules and CNR's Articles of Association, the Merger is required to be approved by CNR Shareholders at the CNR EGM, CNR A Shareholders at the CNR A Shareholders' Class Meeting and CNR H Shareholders at the CNR H Shareholders' Class Meeting.

11. IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the date of this announcement: (i) CSRG directly and indirectly holds 7,889,406,857 CSR A Shares representing approximately 57.15% of the total issued share capital of CSR; and (ii) CNRG directly and indirectly holds 6,700,158,074 CNR A Shares representing approximately 54.65% of the total issued share capital of CNR.

Based on the Exchange Ratio and assuming that neither CSR nor CNR issues further or buys back CSR Shares or CNR Shares, respectively, upon completion of the Merger: (i) CSRG will directly and indirectly hold 7,889,406,857 CSR A Shares representing approximately 28.91% of the total issued share capital of the Post-Merger New Company; and (ii) CNRG will directly and indirectly hold 7,370,173,881 CSR A Shares representing approximately 27.01% of the total issued share capital of the Post-Merger New Company. There will be no acquisition of control (as such term is defined in the Takeovers Code) by CSRG or CNRG on completion of the Merger. However, CSRG and CNRG will fall into the class (1) presumption of "acting in concert" (as set out in the definition of "acting in concert" in the Takeovers Code) in respect of the Post-Merger New Company upon completion of the Merger.

Further, after completion of the Merger, CNRG and CSRG may merge, among other things, to facilitate the management of their respective interests in the Post-Merger New Company. There is no certainty as to whether CNRG or CSRG will merge nor the timing of any such possible merger.

To preclude any uncertainty on the part of CSR Shareholders, CNR Shareholders and investors more generally as to whether CSRG and/or CNRG would be obliged to make a mandatory general offer for the issued shares not held by them in the Post-Merger New Company after completion of the Merger by virtue of falling into the class (1) presumption of “acting in concert” (as set out in the definition of “acting in concert” in the Takeovers Code) in respect of the Post-Merger New Company or when and if CNRG and CSRG were to merge in the future, CNRG and CSRG will make an application to the Executive for the grant of a Whitewash Waiver pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code. Such application will be made by CNRG and CSRG on a voluntary basis. Such Whitewash Waiver would waive any obligations on CNRG, CSRG and/or any successor entity resulting from the merger of CNRG and CSRG to make a mandatory general offer for all the issued shares in the Post-Merger New Company not already owned by them as a result of and after completion of the Merger and/or any future possible merger of CNRG and CSRG.

The Whitewash Waiver, if granted by the Executive, would be conditional upon, among other things, the approval by poll by a simple majority of the independent CSR Shareholders at the CSR EGM (which will not include CSRG and parties acting in concert with it) for the purpose of fulfilling the Takeovers Code requirement of obtaining approval of the Whitewash Waiver through an independent vote at a meeting of the holders of the relevant class of securities.

Grant of the Whitewash Waiver (without subsequent withdrawal or revocation of such grant) and the satisfaction of all conditions to it is a condition (which shall not be capable of being waived) to implementation of the Merger Agreement and completion of the Merger.

12. ARRANGEMENTS FOR IMPLEMENTATION OF THE MERGER AGREEMENT

Pursuant to the Merger Agreement, CSR will apply to the Hong Kong Stock Exchange for the listing of and permission to deal in the CSR H Shares to be issued under the Merger, which will be implemented upon approval by the Hong Kong Stock Exchange.

Following completion of the Merger, CNR Shares will cease to have effect as documents or evidence of title. Upon satisfaction of all the conditions precedent to the Merger, CNR will (i) apply to the Hong Kong Stock Exchange for voluntary withdrawal of the listing of CNR H Shares from the Hong Kong Stock Exchange pursuant to Rule 6.15 of the Hong Kong Listing Rules, which is subject to the requirements under Chapter 6 of the Hong Kong Listing Rules and the approval of the Listing Committee of the Hong Kong Stock Exchange; and (ii) apply to the SSE for voluntary withdrawal of the listing of CNR A Shares from the SSE pursuant to the SSE Listing Rules, which is subject to the approval of the SSE.

CNR will issue separate announcement(s) notifying CNR H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in CNR H Shares on the Hong Kong Stock Exchange as well as when the formal delisting of the CNR H shares will become effective.

The listing of the CNR H Shares on the Hong Kong Stock Exchange will not be withdrawn if the Merger is not approved or lapses or does not become unconditional for any reason.

13. CNR INDEPENDENT BOARD COMMITTEE AND CNR INDEPENDENT FINANCIAL ADVISER

To consider the Merger, CNR's Board has established the CNR Independent Board Committee, consisting of all of CNR's independent non-executive directors, being Mr. Li Fenghua, Mr. Zhang Zhong, Ms. Shao Ying and Mr. Sun Patrick. Such committee will advise disinterested CNR Shareholders as to: (a) whether the Merger is fair and reasonable; and (b) whether to vote in favour of the Merger at the CNR EGM and the relevant shareholders' class meetings.

Mr. Cui Dianguo, a non-executive director of CNR, is not a member of the CNR Independent Board Committee since as at the date of this announcement, he is interested in 125,000 CNR A Shares and, subject to confirmation, 281,400 unvested share options and therefore does not satisfy the independent board committee criteria set out in Rule 2.8 of the Takeovers Code.

Mr. Wan Jun, a non-executive director of CNR, is not a member of the CNR Independent Board Committee since he is an employee representative director in CNR's Board to represent the interests of the employees of CNR and its subsidiaries and therefore does not satisfy the independent board committee criteria set out in Rule 2.8 of the Takeovers Code.

The CNR Independent Board Committee has appointed Somerley Capital Limited as its independent financial adviser to provide advice to the CNR Independent Board Committee in respect of the Merger. The CNR Independent Board Committee is evaluating the Merger and its views and recommendations will be set out in the circular relating to the Merger to be despatched to CNR H Shareholders.

14. CSR INDEPENDENT BOARD COMMITTEE AND CSR'S INDEPENDENT FINANCIAL ADVISER

CSR's Board has established the CSR Independent Board Committee, consisting of all of CSR's non-executive directors, being Mr. Liu Zhiyong, a non-executive director, and all of CSR's independent non-executive directors, being Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Chan Ka Keung, Peter. Such committee will advise the independent CSR Shareholders as to: (a) whether the Merger Proposal and the Whitewash Waiver are fair and reasonable; and (b) whether to vote in favour of the Merger Proposal and the Whitewash Waiver at the CSR EGM.

An independent financial adviser will be appointed by the CSR Independent Board Committee to provide advice to it in respect of the Merger Proposal and the Whitewash Waiver. An announcement will be made by CSR as soon as possible after the appointment of such independent financial adviser. The CSR Independent Board Committee will evaluate the Merger Proposal and the Whitewash Waiver and its views and recommendations will be set out in the circular relating to the Merger Proposal and the Whitewash Waiver to be despatched to CSR H Shareholders.

15. CNR EGM AND CNR H SHAREHOLDERS' CLASS MEETING AND CNR'S CIRCULAR

CNR will convene the CNR EGM, the CNR A Shareholders' Class Meeting and the CNR H Shareholders' Class Meeting for CNR Shareholders to consider and, if thought fit, approve matters including the Merger and the withdrawal of listing of CNR H Shares from the Hong Kong Stock Exchange (to be approved at the CNR EGM only) and the withdrawal of listing of CNR A Shares from the SSE (to be approved at the CNR EGM only). In accordance with the Hong Kong Listing Rules and the Takeovers Code, a circular containing, amongst others, (i) further details of the Merger Agreement, the Merger Proposal and other matters in relation to the Merger; (ii) a letter of advice issued by the CNR Independent Financial Adviser to the CNR Independent Board Committee; and (iii) recommendations and advice from the CNR Independent Board Committee, together with a notice of the CNR EGM, a notice of the CNR H Shareholders' Class Meeting and proxy form are expected to be dispatched to CNR H Shareholders on or before 21 January 2015.

16. CSR EGM AND CSR H SHAREHOLDERS' CLASS MEETING AND CSR'S CIRCULAR

CSR will convene the CSR EGM, the CSR A Shareholders' Class Meeting and the CSR H Shareholders' Class Meeting for CSR Shareholders to consider and, if thought fit, approve matters including the Merger and the Whitewash Waiver (to be approved at the CSR EGM only). In accordance with the Hong Kong Listing Rules and the Takeovers Code, a circular containing, amongst others, (i) further details of the Merger Agreement, the Merger Proposal, the granting of a specific mandate to CSR's Board for the issue of CSR A Shares and CSR H Shares and other matters in relation to the Merger; (ii) a letter of advice issued by CSR's independent financial adviser to the CSR Independent Board Committee in respect of the Merger Proposal and the Whitewash Waiver; and (iii) recommendations and advice from the CSR Independent Board Committee on the Merger Proposal and the Whitewash Waiver, together with a notice of the CSR EGM, a notice of the CSR H Shareholders' Class Meeting and proxy form are expected to be dispatched to CSR H Shareholders on or before 21 January 2015.

17. COMPETITION IMPLICATIONS OF THE MERGER ON THE POST-MERGER NEW COMPANY

(1) Competition implications between the Post-Merger New Company and CSRG and CNRG, and their respective associates

Following the completion of the Merger, CSRG and CNRG will not compete with the Post-Merger New Company in respect of its primary businesses.

In order to avoid competition with the Post-Merger New Company, each of CSRG and CNRG issued an undertaking to avoid competition with the Post-Merger New Company on 30 December 2014, specifically undertaking as follows:

- A. they will not, and they will procure that their wholly-owned subsidiaries and controlled subsidiaries do not, engage in any businesses which may be in direct competition with the Post-Merger New Company's current operating businesses;
- B. subject to undertaking A above, should they (including their wholly-owned subsidiaries and controlled subsidiaries or other associated entities) come to provide, in the future, products or services potentially in competition with the primary products or services provided by the Post-Merger New Company, they have agreed to grant the Post-Merger New Company pre-emptive rights to acquire the assets or their entire equity interests in such subsidiaries related to such products or services;
- C. subject to undertaking A above, they may develop advanced and highly-profitable projects in the future which fall within the business scope of the Post-Merger New Company, provided that, on the same terms, they shall grant pre-emptive rights to the Post-Merger New Company to acquire any results of such projects; and
- D. they shall indemnify the Post-Merger New Company for its actual losses arising from any failure to comply with the above undertakings.

(2) Competition implications between the Post-Merger New Company and its listed subsidiaries

Each of Times Electric and Times New Material competes with CNR's wholly-owned subsidiaries and controlled subsidiaries in certain areas ("**Competing Businesses**"), which mainly include: (1) certain business overlap with Times Electric in areas such as drive control systems, network control systems, traction power supply systems, braking systems and track works; and (2) certain business overlap with Times New Material in areas such as rolling stock air suspension, rubber and metal.

Through the Merger, CNR's businesses will be merged into the Post-Merger New Company and Times Electric and Times New Material will become listed subsidiaries of the Post-Merger New Company. As such, there will be certain competition arising between Times Electric/Times New Material and the Post-Merger New Company.

A. Measures adopted to avoid competition between the Post-Merger New Company and Times Electric

In order to avoid competition between the Post-Merger New Company and Times Electric, each of CSRG and CNRG issued a non-competition undertaking to Times Electric on 30 December 2014 respectively, undertaking that they will procure the Post-Merger New Company to provide non-competition undertakings to Times Electric that: in respect of the Competing Businesses, (a) the Post-Merger New Company will grant a call option to Times Electric, pursuant to which Times Electric will be entitled to elect, at its own discretion, when to request the Post-Merger New Company to sell relevant Competing Businesses to Times Electric; (b) the Post-Merger New Company will further grant a pre-emptive right to Times Electric, pursuant to which the Post-Merger New Company shall, when proposing to sell the Competing Businesses to an independent third party, first offer the Competing Businesses to Times Electric on the same terms, and may only sell the Competing Businesses to such third party if Times Electric decides not to purchase the Competing Businesses; (c) the decision by Times Electric as to whether to exercise the abovementioned call option and pre-emptive right shall be made by independent non-executive directors of Times Electric; (d) the exercise of the abovementioned call option and pre-emptive right and other means to resolve competition effectively shall be subject to compliance with the regulatory, disclosure and shareholders' meeting approval processes in the places of listing applicable to the Post-Merger New Company and Times Electric respectively; and (e) the term of the above non-competition undertakings shall commence on the date they are given and continue until Times Electric is no longer a listed company or the Post-Merger New Company is no longer the indirect controlling shareholder of Times Electric.

B. Measures adopted to avoid competition between the Post-Merger New Company and Times New Material

In order to avoid competition between the Post-Merger New Company and Times New Material, each of CSRG and CNRG issued a non-competition undertaking to Times New Material on 30 December 2014 respectively, undertaking that they will procure that the Post-Merger New Company, within five years from the completion of the Merger, resolves any competition concerns between the Post-Merger New Company and Times New Material through methods approved by regulatory authorities, including but not limited to asset restructuring and business consolidation, and will also procure the Post-Merger New Company to provide corresponding undertakings.

18. NEW CONTINUING CONNECTED TRANSACTIONS OF THE POST-MERGER NEW COMPANY

Upon completion of the Merger, the controlling shareholder of CNR, CNRG, will become a substantial shareholder of the Post-Merger New Company (as defined under the Hong Kong Listing Rules). As a result, existing continuing connected transactions between CNR and CNRG will become continuing connected transactions of the Post-Merger New Company. The Post-Merger New Company will comply with the Hong Kong Listing Rules in respect of these continuing connected transactions. Details of such continuing connected transactions will be set out in the circulars relating to the Merger to be despatched to CSR H Shareholders and CNR H Shareholders.

19. FURTHER AGREEMENTS OR ARRANGEMENTS

CSR confirms that there are no other arrangements (whether by way of option, indemnity or otherwise) in relation to the CSR Shares or the CNR Shares and which might be material to the Merger. CSR further confirms that there are no agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Merger. CNR confirms that there are no other arrangements (whether by way of option, indemnity or otherwise) in relation to the CSR Shares or the CNR Shares and which might be material to the Merger.

20. RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

In accordance with Rule 3.8 of the Takeovers Code, associates (including persons holding 5% or more of a class of relevant securities of CSR and CNR) of CSR and CNR are hereby reminded to disclose their dealings in any shares in CSR and CNR pursuant to the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

21. NUMBER OF RELEVANT SECURITIES IN ISSUE

As at the date of this announcement, relevant securities of CSR in issue comprised: (i) 13,803,000,000 CSR Shares of which there are 2,024,000,000 CSR H Shares and 11,779,000,000 CSR A Shares; and (ii) 11,766,546 outstanding options to subscribe for CSR A Shares under the CSR Share Option Scheme.

As at the date of this announcement, relevant securities of CNR in issue comprised: (i) 12,259,780,303 CNR Shares of which there are 2,133,696,400 CNR H Shares and 10,126,083,903 CNR A Shares; and (ii) 57,173,445 outstanding options to subscribe for CNR A Shares under the CNR Share Option Scheme.

22. RESUMPTION OF TRADING

At the request of CSR, trading in the CSR H Shares on the Hong Kong Stock Exchange was suspended from 9:00 a.m. on 27 October 2014. An application has been made by CSR to the Hong Kong Stock Exchange for the resumption of trading in the CSR H Shares from 9:00 a.m. on 31 December 2014. At the request of CSR, trading in the CSR A Shares on the SSE was suspended from 27 October 2014. An application has been made by CSR to the SSE for the resumption of trading in the CSR A Shares from 31 December 2014.

At the request of CNR, trading in the CNR H Shares on the Hong Kong Stock Exchange was suspended from 9:00 a.m. on 27 October 2014. An application has been made by CNR to the Hong Kong Stock Exchange for the resumption of trading in the CNR H Shares from 9:00 a.m. on 31 December 2014. At the request of CNR, trading in the CNR A Shares on the SSE was suspended from 27 October 2014. An application has been made by CNR to the SSE for the resumption of trading in the CNR A Shares from 31 December 2014.

23. WARNING

CSR Shareholders, CNR Shareholders and potential investors in the securities of CSR and/or the securities of CNR should be aware that the Merger is subject to the conditions set out in this announcement being satisfied or waived, as applicable, and neither CSR nor CNR provides any assurance that any or all conditions can be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, may or may not be implemented or completed. CSR Shareholders, CNR Shareholders and potential investors in the securities of CSR and/or the securities of CNR should therefore exercise caution when dealing in CSR H Shares or CNR H Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

24. EXERCISE YOUR RIGHT TO VOTE

If you are a CSR H Shareholder or a CNR H Shareholder or a beneficial owner of CSR H Shares or CNR H Shares, CSR and CNR strongly encourage you to exercise your right to vote or give instructions to the relevant registered owner to vote in person or by proxy at the CSR EGM and the CSR H Shareholders' Class Meeting or the CNR EGM and the CNR H Shareholders' Class Meeting (as applicable). If you keep any CSR H Shares or CNR H Shares in a share lending programme or a custodian account, CSR and CNR urge you to recall any outstanding CSR H Shares or CNR H Shares on loan or require your custodian to recall any such shares on loan to avoid market participants using borrowed stock to vote.

25. DEFINITIONS

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

associate(s)	has the meaning given to it in the Hong Kong Listing Rules;
BofAML Group	means Merrill Lynch (Asia Pacific) Limited and its related entities presumed to be acting in concert with CSR under class (5) of the definition of "acting in concert" in the Takeovers Code;
Business Day	means a day on which the Hong Kong Stock Exchange and the SSE is open for the transaction of business;
Closing Date	means the later of the A Share Share Exchange Date and the H Share Share Exchange Date, or such other date as agreed by CSR and CNR;
CNR	means 中國北車股份有限公司 (China CNR Corporation Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H shares and A shares are listed and traded on the Hong Kong Stock Exchange and the SSE, respectively;
CNR A Shareholders	means the holders of CNR A Share(s);
CNR A Shareholders' Class Meeting	means CNR's class meeting to be convened for CNR A Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal and relevant arrangements;
CNR A Shares	means the ordinary shares issued by CNR, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in RMB and are listed and traded on the SSE;
CNR Director(s)	means CNR's director(s);

CNR Dissenting Shareholder	means CNR Shareholder who has cast Effective Dissenting Votes in respect of each of the resolutions regarding the Merger Proposal and the ratification of the Merger Agreement between the parties in relation to the Merger at the CNR EGM and the CNR A Shareholders' Class Meeting or the CNR H Shareholders' Class Meeting (as the case may be);
CNR Dissenting Shareholder who Exercises the Put Option	<p>means any CNR Dissenting Shareholder who:</p> <ul style="list-style-type: none"> (i) has been registered on CNR's register of shareholders since the date of record of the CNR EGM, the CNR A Shareholders' Class Meeting and the CNR H Shareholders' Class Meeting, and has held CNR Shares which are entitled to the proposed exercise of the CNR Put Option from such date of record until the CNR Put Option Exercise Day; and (ii) has fulfilled filing procedures which are required by CNR for the exercise of the CNR Put Option during the CNR Put Option Declaration Period; <p>and excluding the following:</p> <ul style="list-style-type: none"> (i) any CNR Shareholder who is a director, supervisor or a member of the senior management of CNR; (ii) any CNR Shareholder who holds CNR Shares with Share Restrictions; (iii) any CNR Shareholder who has undertaken to CNR that he/she will surrender the CNR Put Option; or (iv) any CNR Shareholder who is not permitted to exercise the CNR Put Option pursuant to applicable laws and regulations;
CNR EGM	means CNR's extraordinary general meeting to be convened, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal and relevant arrangements;
CNR Group	means CNR and its subsidiaries;
CNR H Shareholders	means the holders of CNR H Shares;
CNR H Shareholders' Class Meeting	means CNR's class meeting to be convened for CNR H Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal and relevant arrangements;
CNR H Shares	means the ordinary shares issued by CNR, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in Hong Kong dollars and are listed and traded on the Hong Kong Stock Exchange;

CNR Independent Board Committee	means CNR's independent board committee established by CNR for the purposes of considering the Merger, which comprises all of independent non-executive directors of CNR, being Mr. Li Fenghua, Mr. Zhang Zhong, Ms. Shao Ying and Mr. Sun Patrick;
CNR Independent Financial Adviser	means Somerley Capital Limited, a company licensed to conduct Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) of the regulated activities as defined under the SFO, which is appointed to act as the independent financial adviser to the CNR Independent Board Committee;
CNR Put Option	means the right granted by CNR to CNR Dissenting Shareholders, being that after the Merger becomes unconditional CNR Dissenting Shareholders who Exercise the Put Option may, pursuant to the Merger Proposal and during the CNR Put Option Declaration Period, require the CNR Put Option Provider(s) to pay cash consideration for all or part of the CNR A Shares or CNR H Shares held by such shareholders in return for transferring such shares to the CNR Put Option Provider(s);
CNR Put Option Declaration Period	means the period during which CNR Dissenting Shareholders may declare to exercise their CNR Put Option, which will be decided and announced by CNR;
CNR Put Option Exercise Day	means the date on which the CNR Put Option Provider(s) pays cash consideration to CNR Dissenting Shareholders who Exercise the Put Option and has the CNR A Shares and CNR H Shares held and effectively declared by such shareholders transferred to it, which will be decided and announced by CNR;
CNR Put Option Provider(s)	means one or more party(ies) who will pay CNR Dissenting Shareholders who Exercise the Put Option RMB5.92 per CNR A Share in cash, or HK\$7.21 per CNR H Share in cash, on the CNR Put Option Exercise Day, in order to have all or part of the CNR A Shares or CNR H Shares held by such shareholders transferred to it, and will subsequently convert the CNR A Shares or CNR H Shares so transferred into CSR A Shares or CSR H Shares at the Exchange Ratio;
CNR Share Option Scheme	means the share option scheme adopted by CNR on 26 October 2012 for grant of share options to the participants to subscribe for CNR A Shares;
CNR Share-Exchange Shareholder(s)	means CNR Shareholders who are registered on the register of shareholders after market closes on the Record Date for Share Exchange, including CNR Shareholders who do not declare, or are ineligible to declare, or invalidly declare to exercise the CNR Put Option, and the CNR Put Option Provider(s);
CNR Shareholders	means CNR A Shareholders and CNR H Shareholders;

CNR Shares	means CNR A Shares and CNR H Shares;
CNR's Articles of Association	means the articles of association of CNR;
CNR's Board	means CNR's board of directors;
CNRG	means 中國北方機車車輛工業集團公司 (China North Locomotive and Rolling Stock Industry (Group) Corporation), a wholly state-owned enterprise and CNR's controlling shareholder, which directly and indirectly holds approximately 54.65% of CNR's issued share capital as at the date of this announcement;
connected person(s)	has the meaning given to it in the Hong Kong Listing Rules;
controlling shareholder(s)	has the meaning given to it in the Hong Kong Listing Rules;
CSR	means 中國南車股份有限公司 (CSR CORPORATION LIMITED), a joint stock limited company incorporated in the PRC with limited liability, whose H shares and A shares are listed and traded on the Hong Kong Stock Exchange and the SSE, respectively;
CSR A Shareholders	means the holders of CSR A Shares;
CSR A Shareholders' Class Meeting	means CSR's class meeting to be convened for CSR A Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal and relevant arrangements;
CSR A Shares	means the ordinary shares issued by CSR, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in RMB and are listed and traded on the SSE;
CSR Director(s)	means CSR's director(s);
CSR Dissenting Shareholder	means CSR Shareholder who has cast Effective Dissenting Votes in respect of each of the resolutions regarding the Merger Proposal and the ratification of the Merger Agreement between the parties in relation to the Merger at the CSR EGM and the CSR A Shareholders' Class Meeting or the CSR H Shareholders' Class Meeting (as the case may be);
CSR Dissenting Shareholder who Exercises the Put Option	means any CSR Dissenting Shareholder who: <ul style="list-style-type: none"> (i) has been registered on CSR's register of shareholders since the date of record of the CSR EGM, the CSR A Shareholders' Class Meeting and the CSR H Shareholders' Class Meeting, and has held CSR Shares which are entitled to the proposed exercise of the CSR Put Option from such date of record until the CSR Put Option Exercise Day; and

- (ii) has fulfilled filing procedures which are required by CSR for the exercise of the CSR Put Option during the CSR Put Option Declaration Period;

and excluding the following:

- (i) any CSR Shareholder who is a director, supervisor or a member of the senior management of CSR;
- (ii) any CSR Shareholder who holds CSR Shares with Share Restrictions;
- (iii) any CSR Shareholder who has undertaken to CSR that he/she will forfeit the CSR Put Option; or
- (iv) any CSR Shareholder who is not permitted to exercise the CSR Put Option pursuant to applicable laws and regulations;

CSR EGM	means CSR's extraordinary general meeting to be convened, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal, the Whitewash Waiver and relevant arrangements;
CSR Group	means CSR and its subsidiaries;
CSR H Shareholders	means the holders of CSR H Shares;
CSR H Shareholders' Class Meeting	means CSR's class meeting to be convened for CSR H Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal and relevant arrangements;
CSR H Shares	means the ordinary shares issued by CSR, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in Hong Kong dollars and are listed and traded on the Hong Kong Stock Exchange;
CSR Independent Board Committee	means CSR's independent board committee established by CSR for the purposes of considering the Merger Proposal and the Whitewash Waiver, which comprises all of CSR's non-executive directors, being Mr. Liu Zhiyong, a non-executive director, and all of CSR's independent non-executive directors, being Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Chan Ka Keung, Peter;
CSR Put Option	means the right granted by CSR to CSR Dissenting Shareholders, being that after the Merger becomes unconditional CSR Dissenting Shareholders who Exercise the Put Option may, pursuant to the Merger Proposal and during the CSR Put Option Declaration Period, require CSR Put Option Provider(s) to pay cash consideration for all or part of CSR A Shares or CSR H Shares held by such shareholders in return for transferring such shares to the CSR Put Option Provider(s);

CSR Put Option Declaration Period	means the period during which CSR Dissenting Shareholders may declare to exercise their CSR Put Option, which will be decided and announced by CSR;
CSR Put Option Exercise Day	means the date on which CSR Put Option Provider(s) pays cash consideration to CSR Dissenting Shareholders who Exercise the Put Option and has the CSR A Shares and CSR H Shares held and effectively declared by such shareholders transferred to it, which will be decided and announced by CSR;
CSR Put Option Provider(s)	means one or more party(ies) who will pay CSR Dissenting Shareholders who Exercise the Put Option RMB5.63 per CSR A Share in cash, or HK\$7.32 per CSR H Share in cash, on the CSR Put Option Exercise Day, in order to have all or part of the CSR A Shares or CSR H Shares held by such shareholders transferred to it;
CSR Share Option Scheme	means the share option scheme adopted by CSR on 26 April 2011 for grant of share options to the participants to subscribe for CSR A Shares;
CSR Shareholders	means CSR A Shareholders and CSR H Shareholders;
CSR Shares	means CSR A Shares and CSR H Shares;
CSR's Articles of Association	means the articles of association of CSR;
CSR's Board	means CSR's board of directors;
CSRC	means the China Securities Regulatory Commission;
CSRG	means 中國南車集團公司 (CSR Group), a wholly state-owned enterprise and CSR's controlling shareholder, which directly and indirectly holds approximately 57.15% of CSR's issued share capital as at the date of this announcement;
Effective Dissenting Votes	means any dissenting votes in relation to the Merger effectively cast by a shareholder in accordance with CSR's Articles of Association or CNR's Articles of Association (as the case may be) and relevant laws and regulations through either voting at the shareholders' meeting or voting via the online voting platform provided for CSR A Shareholders and CNR A Shareholders;
Exchange Ratio	means the ratio of 1.10 CSR A Shares being issued by CSR in exchange for each CNR A Share, and 1.10 CSR H Shares being issued by CSR in exchange for each CNR H Share under the Merger Proposal;
Executive	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
HK\$	means Hong Kong dollars, the lawful currency of Hong Kong;
Hong Kong	means the Hong Kong Special Administrative Region of the People's Republic of China;

Hong Kong Listing Rules	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
Hong Kong Stock Exchange	means The Stock Exchange of Hong Kong Limited;
Last Trading Date	means 24 October 2014, the last trading day prior to the suspension of trading in the A shares and H shares of CSR and CNR on the SSE and the Hong Kong Stock Exchange respectively pending the issue of this announcement;
Merger	means the merger to be implemented in accordance with the terms of the Merger Agreement and the principles of a merger of equals, focusing on the future and ensuring the Merger is carried out in compliance with regulations, and by CSR technically merging with CNR through absorption, and under which the Post-Merger New Company will hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR, thereby achieving a merger of equals;
Merger Agreement	means the merger agreement entered into between CSR and CNR on 30 December 2014 in relation to the Merger;
Merger Proposal	means the proposal regarding the Merger of CSR and CNR, the main contents of which are set out in Section 3 of this announcement;
Post-Merger New Company	means the merged company of CSR and CNR after implementation of the Merger;
PRC or China	means the People's Republic of China, which for the purposes of this announcement does not include Hong Kong, the Macau Special Administrative Region and Taiwan unless the context otherwise specifies;
Record Date for Share Exchange	means the trading day of the SSE and the Hong Kong Stock Exchange, to be decided and announced by CSR and CNR, on which a list of CNR Shareholders who are eligible to participate in the share-exchange and the number of shares held by such shareholders will be confirmed;
RMB	means Renminbi, the lawful currency of the PRC;
SAIC	means the State Administration for Industry and Commerce of the People's Republic of China;
SASAC	means the State-owned Assets Supervision and Administration Commission of the State Council;
SFC	means the Securities and Futures Commission of Hong Kong;
SFO	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as revised, supplemented or otherwise modified from time to time);

Share Restrictions	means shares held by shareholders that are subject to ownership disputes, pledges, freezing orders, sealing-up orders or other restrictions on transfer under applicable laws;
Share Exchange Date	with respect to A shares means the date, to be decided and announced by CSR and CNR, on which CNR Share-Exchange Shareholders convert the CNR A Shares held by them into CSR A Shares according to the Exchange Ratio, being the A Share Share Exchange Date; with respect to H shares means the date, to be decided and announced by CSR and CNR, on which CNR Share-Exchange Shareholders convert the CNR H Shares held by them into CSR H Shares according to the Exchange Ratio, being the H Share Share Exchange Date;
SSE	means the Shanghai Stock Exchange;
SSE Listing Rules	means the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange;
Takeovers Code	means the Codes on Takeovers and Mergers and Share Buy-backs published by the SFC (as revised, supplemented or otherwise modified from time to time);
Times Electric	株洲南車時代電氣股份有限公司 (Zhuzhou CSR Times Electric Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Hong Kong Stock Exchange (stock code: 3898), an indirectly-controlled subsidiary of CSR;
Times New Material	株洲時代新材料科技股份有限公司 (Zhuzhou Times New Material Technology Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability, whose A shares are listed and traded on the SSE (stock code: 600458), an indirectly-controlled subsidiary of CSR;
trading day	with respect to A shares, means a day on which the SSE is open for dealing or trading in securities; and with respect to H shares, means a day on which the Hong Kong Stock Exchange is open for dealing or trading in securities;
Transitional Period	means the period between signing of the Merger Agreement and the Closing Date;
Whitewash Waiver	means a waiver from the obligation of CNRG, CSRG and/or any successor entity resulting from the merger of CNRG and CSRG and their respective concert parties to make a mandatory general offer under Rule 26 of the Takeovers Code for the issued shares in the Post-Merger New Company not already owned by them as a result of and after either: (i) completion of the Merger; or (ii) any future possible merger of CNRG and CSRG, granted by the Executive pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code; and
%	means per cent.

By order of the board of
CSR CORPORATION LIMITED
Mr. Zheng Changhong
Chairman

By order of the board of
China CNR Corporation Limited
Mr. Cui Dianguo
Chairman

Beijing, China
30 December 2014

As at the date of this announcement, CSR's Board comprises Mr. Zheng Changhong, Mr. Liu Hualong and Mr. Fu Jianguo as executive directors, Mr. Liu Zhiyong as non-executive director, and Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Chan Ka Keung, Peter as independent non-executive directors. The CSR Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than in relation to CNR Group and CNRG) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of CNR) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any of the statements in this announcement misleading.

As at the date of this announcement, CNR's Board comprises Mr. Xi Guohua as executive director, Mr. Cui Dianguo and Mr. Wan Jun as non-executive directors, and Mr. Li Fenghua, Mr. Zhang Zhong, Ms. Shao Ying and Mr. Sun Patrick as independent non-executive directors. The CNR Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than in relation to CSR Group and CSRG) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of CSR) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any of the statements in this announcement misleading.