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*Unless otherwise defined in this announcement, terms defined in the prospectus dated 8 December 2006 (the “**Prospectus**”) issued by Zhuzhou CSR Times Electric Co., Ltd. (the “**Company**”) have the same meanings when used in this announcement.*



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

(Stock Code: 3898)

EXERCISE OF OVER-ALLOTMENT OPTION

The Company announces that the Over-allotment Option described in the Prospectus was exercised in full by the Global Coordinator on behalf of the International Underwriters on 21 December 2006 in respect of an aggregate of 54,084,000 H Shares, representing 15% of the Offer Shares initially available under the Global Offering. The Over-allotment Shares will be issued and allotted by the Company at HK\$5.30 per H Share (exclusive of brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%), being the Offer Price per H Share under the Global Offering.

In accordance with the Reduction Measures and the relevant letter from the NSSF Council to the Company, the Parent Company, CSR Qishuyan and New Leap are required to transfer to the NSSF Council 5,408,400 Domestic Shares, representing 10% of the number of H Shares issued by the Company pursuant to the exercise of the Over-allotment Option. Such Domestic Shares transferred to the NSSF Council will be converted into H Shares on a one-for-one basis. Neither the Parent Company, CSR Qishuyan, New Leap nor the Company will receive any proceeds from the transfer of the H Shares to the NSSF Council or from any subsequent disposal of such H Shares by the NSSF Council.

The Company announces that the Over-allotment Option described in the Prospectus was exercised in full by the Global Coordinator on behalf of the International Underwriters on 21 December 2006 in respect of an aggregate of 54,084,000 H Shares (the “Over-allotment Shares”), representing 15% of the Offer Shares initially available under the Global Offering. The Over-allotment Shares will be issued and allotted by the Company at HK\$5.30 per H Share (exclusive of brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%), being the Offer Price per H Share under the Global Offering. The Over-allotment Shares will be used solely to cover over-allocations in the International Placing.

In accordance with the Reduction Measures and the relevant letter from the NSSF Council to the Company, the Parent Company, CSR Qishuyan and New Leap are required to transfer to the NSSF Council 5,408,400 Domestic Shares, representing 10% of the number of H Shares issued by the Company pursuant to the exercise of the Over-allotment Option. Such Domestic Shares transferred to NSSF Council will be converted into H Shares on a one-for-one basis. Neither the Parent Company, CSR Qishuyan, New Leap nor the Company will receive any proceeds from the transfer of the H Shares to the NSSF Council or from any subsequent disposal of such H Shares by the NSSF Council.

Immediately after the issue and allotment of the Over-allotment Shares, the number of H Shares in public hands represents 42.07% of the total issued share capital of the Company.

Listing of, and permission to deal in, the Over-allotment Shares and the H shares to be held by NSSF Council have already been granted by the Listing Committee of the Stock Exchange. Listing of, and dealings in, the Over-allotment Shares are expected to commence on the Main Board of the Stock Exchange at 9: 30 a.m. on 28 December 2006.

The shareholding structure of the Company immediately before and immediately after the issue and allotment of the Over-allotment Shares are as follows:

	Immediately before the issue of the Over-allotment Shares		Immediately after the issue of the Over-allotment Shares	
	Approximate percentage of the Company's issued share capital		Approximate percentage of the Company's enlarged issued share capital	
	Number of Shares	issued share capital	Number of Shares	issued share capital
Domestic Shares in issue	633,555,637	61.50%	628,147,237	57.93%
H Shares held by NSSF Council	36,056,000	3.50%	41,464,400	3.83%
H Shares held by other shareholders	<u>360,560,000</u>	<u>35.00%</u>	<u>414,644,000</u>	<u>38.24%</u>
Total number of Shares	<u>1,030,171,637</u>	<u>100.00%</u>	<u>1,084,255,637</u>	<u>100.00%</u>

The net proceeds of approximately HK\$277 million from the issue of the Over-allotment Shares by the Company pursuant to the exercise of the Over-allotment Option will be used by the Company in the manner set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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

By order of the Board of Directors
Liao Bin
Chairman and Non-executive Director

PRC, 21 December 2006

* *The Company is registered as an oversea company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name "Zhuzhou CSR Times Electric Co., Ltd."*.

Please also refer to the published version of this announcement in South China Morning Post.