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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold** or transferred all your shares in Zhuzhou CSR Times Electric Co., Ltd., you should at once hand this circular together with the enclosed proxy form and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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

**CONTINUING CONNECTED TRANSACTIONS: REVISION OF CAPS**

Independent financial adviser to the  
Independent Board Committee and the Independent Shareholders



A letter from the Board of the Company is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular. A letter from the independent financial adviser, CSC Asia, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 20 of this circular.

A notice convening the EGM to be convened on Monday, 13 October 2008 is set out on pages 25 to 26 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time scheduled for holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

If you intend to attend the EGM in person or by proxy, you should also complete and return the accompanying reply slip in accordance with instructions printed thereon on or before Tuesday, 23 September 2008.

28 August 2008

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions have the following meanings:*

“Board”	the board of Directors
“Company”	株洲南車時代電氣股份有限公司 (Zhuzhou CSR Times Electric Co., Ltd.), a joint stock company incorporated in the PRC with limited liability. The Group is the leading train-borne electrical system provider and integrator for the PRC railway industry
“CSC Asia”	CSC Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“CSR”	中國南車股份有限公司 (China South Locomotive & Rolling Stock Corporation Limited), a joint stock company incorporated in the PRC with limited liability listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange (Stock code: 1766)
“CSR Zhuzhou”	南車株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Co., Ltd.), a promoter of the Company
“CSRG”	中國南方機車車輛工業集團公司 (China Southern Locomotive & Rolling Stock Industry (Group) Corporation), the controlling shareholder of CSR
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic share(s) of RMB1.00 each in the share capital of the Company
“EGM”	an extraordinary general meeting of the Company to be convened on Monday, 13 October 2008 for the purpose of, among other things, approving the Supplemental KCR Mutual Supply Agreement as well as the Revised Annual Caps by the Independent Shareholders, details of which are set out in the notice of EGM on pages 25 to 26 of this circular
“Group”	the Company and its subsidiaries; and “Group Companies” means any one of them
“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Stock Exchange and traded in HKD
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Gao Yucai, Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Mr. Tan Xiao’ao and Ms. Liu Chunru, formed to advise the Independent Shareholders in relation to the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the respective resolution to approve the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps
“KCR”	昆明中鐵大型樣路機械集團有限公司 (Kunming China Railway Large Road Maintenance Machinery Co., Ltd.), a limited liability company established under the laws of the PRC; a promoter of the Company and a wholly-owned subsidiary of China Railway Construction Corporation Limited, a joint stock company incorporated in the PRC with limited liability listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange (Stock code: 1186)
“KCR Group”	KCR and its subsidiaries; and “KCR Group Companies” means any one of them
“KCR Mutual Supply Agreement”	a mutual supply framework agreement between KCR and the Company dated 4 December 2006, under which the Company agreed to supply and procure its subsidiaries to supply to KCR Group certain electrical control systems for large railway maintenance vehicles, whereas KCR agreed to supply and procure its subsidiaries and associates to supply to the Group certain parts and components in relation to large railway maintenance vehicles for a term commencing on the date of Listing and ending on 31 December 2008
“Latest Practicable Date”	25 August 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing”	the listing of the Company’s shares on the Main Board of the Stock Exchange on 20 December 2006
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MOR”	the Ministry of Railways of the PRC

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## DEFINITIONS

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“New Leap”	新力搏交通裝備投資租賃有限公司 (New Leap Transportation Equipment Investment & Leasing Co., Ltd.), a promoter of the Company and a wholly-owned subsidiary of CSR
“Parent Company” or “CSR ZELRI”	南車株洲電力機車研究所有限公司 (CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.), a promoter and the controlling shareholder of the Company, and a wholly-owned subsidiary of CSR
“Original Annual Caps”	the original annual caps for each of the three years ending on 31 December 2008, 2009 and 2010 under the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement respectively
“PRC” or “China”	The People’s Republic of China
“PRC Government”	the government of the PRC, including any provincial, municipal and other regional or local governmental entities and any regulatory authorities in the PRC
“Prospectus”	the prospectus of the Company dated 8 December 2006
“Qishuyan Works”	中國南車集團戚墅堰機車車輛廠 (CSR Qishuyan Locomotive & Rolling Stock Works), a promoter of the Company and a wholly-owned subsidiary of CSRG
“Renewed KCR Mutual Supply Agreement”	a mutual supply framework agreement between KCR and the Company dated 28 April 2008, under which the Company agreed to supply and procure its subsidiaries to supply to the KCR Group certain products (including electrical control systems for large railway maintenance vehicles) and after-sales services, whereas KCR agreed to supply and procure its subsidiaries and associates to supply to the Group certain imported parts and components for the Group’s production of electrical control systems for large railway maintenance vehicles for a term of five years commencing on 1 January 2009 and ending on 31 December 2013
“Revised Annual Caps”	the revised annual caps under the Supplemental KCR Mutual Supply Agreement for each of the three years ending 31 December 2008, 2009 and 2010
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Domestic Share(s) and/or H Share(s)

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## DEFINITIONS

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“Shareholder(s)”	the holder(s) of Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental KCR Mutual Supply Agreement”	a supplemental agreement to the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement between KCR and the Company dated 7 August 2008.
“Waiver”	the waiver granted by the Stock Exchange to the Company on 5 December 2006 from strict compliance with the announcement and/or the independent shareholders’ approval requirement pursuant to Rule 14A.42(3) respectively of the Listing Rules in respect of, among others, KCR Mutual Supply Agreement for the period commencing on the date of Listing and ending on 31 December 2008
“%”	per cent.

*For illustrative purposes of this circular, RMB87.7 = HKD100 save as otherwise stated.*

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## LETTER FROM THE BOARD

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

(Stock Code: 3898)

*Executive Directors:*

Mr. Ding Rongjun (*Chairman*)

Mr. Lu Penghu

*Non-executive Directors:*

Mr. Song Yali

Mr. Liao Bin

Mr. Ma Yunkun

*Independent non-executive Directors:*

Mr. Gao Yucai

Mr. Chan Kam Wing, Clement

Mr. Pao Ping Wing

Mr. Tan Xiao'ao

Ms. Liu Chunru

*Registered office:*

Times Road

Shifeng District

Zhuzhou

Hunan Province

PRC 412001

*Principal Place of Business in Hong Kong:*

Unit 1106, 11th Floor

Jubilee Centre

18 Fenwick Street

Wanchai

Hong Kong

28 August 2008

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS: REVISION OF CAPS**

#### **1. BACKGROUND**

Reference is made to the announcement dated 7 August 2008 issued by the Company in relation to the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps.

The purposes of this circular are to provide you with, among other things, (i) details of the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps; (ii) a letter from CSC Asia containing its advice to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee as advised by CSC Asia to the Independent Shareholders; and (iv) a notice of the EGM to consider and, if thought fit, approve the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps.

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## LETTER FROM THE BOARD

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### 2. REASONS FOR ENTERING INTO THE SUPPLEMENTAL KCR MUTUAL SUPPLY AGREEMENT

Immediately prior to Listing, on 4 December 2006, the Company and KCR entered into the KCR Mutual Supply Agreement for a term commencing on the date of Listing and ending on 31 December 2008, details of which and the respective annual caps were set out in the Prospectus.

On 5 December 2006, the Stock Exchange granted the Waiver to the Company from strict compliance with the announcement and/or the independent shareholders' approval requirement under the Listing Rules in respect of, among others, the KCR Mutual Supply Agreement for the period commencing on the date of Listing and ending on 31 December 2008.

In view of the prospective expiry of the KCR Mutual Supply Agreement and the Waiver, on 28 April 2008, the Company and KCR entered into the Renewed KCR Mutual Supply Agreement for a term of five years commencing on 1 January 2009 and ending on 31 December 2013, details of which were set out in the announcement dated 28 April 2008 and the circular dated 9 May 2008 issued by the Company.

The Renewed KCR Mutual Supply Agreement and the respective annual caps for the five years from 1 January 2009 to 31 December 2013 were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 27 June 2008.

Pursuant to the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement, the Company agreed to supply and procure its subsidiaries to supply to the KCR Group certain products (including electrical control systems for large railway maintenance vehicles) and after-sales services. KCR agreed to supply and procure its subsidiaries and associates to supply to the Group certain imported parts and components for the Group's production of electrical control systems for large railway maintenance vehicles.

Under the "Eleventh Five-Year Plan" issued by the MOR, the production of railway equipment in the PRC will gradually evolve from importing foreign technologies for production to domestic production. In light of such MOR policy, KCR requested a reschedule of the delivery of certain products related to electrical control systems for the new type of tamping machines from 2009, 2010 and 2011 to 2008, 2009 and 2010 respectively pursuant to the request made by KCR in the third quarter of 2008.

Based on the above, the Directors expect that the aggregate annual values of transactions under the KCR Mutual Supply Agreement for the year ending 31 December 2008 and the aggregate annual values of transactions under the Renewed KCR Mutual Supply Agreement for the two years ending 31 December 2009 and 2010 will exceed the respective Original Annual Caps.



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## LETTER FROM THE BOARD

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### 3. SUPPLEMENTAL KCR MUTUAL SUPPLY AGREEMENT

On 7 August 2008, the Company and KCR entered into the Supplemental KCR Mutual Supply Agreement under which the Original Annual Caps were revised upwards to the Revised Annual Caps. Save and except for the Revised Annual Caps, all other terms (including the pricing and payment terms) of the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement remained unchanged under the Supplemental KCR Mutual Supply Agreement and are summarised as follows:

- Pricing basis:           The pricing for the products and services supplied by and/or to the KCR Group will be determined on the following basis in the order of priority:
- the prices prescribed by the PRC Government (if any);
  - the prices not exceeding any pricing guidelines or pricing recommendations set by the PRC Government (if any), where no government-prescribed prices are available;
  - the market prices which are offered to or by independent third parties in the ordinary and usual course of business, where neither government-prescribed prices nor government-recommended prices are available; and
  - the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit margin, where none of the above prices are available or applicable.
- Payment terms:           Payments for the products and services supplied by and/or to the KCR Group will be made upon the occurrence of contractually agreed payment events as specified in the purchase documents to be entered into between the Group Companies and the KCR Group Companies. The payments terms will be on market terms which are not less favourable than those offered to the Group by independent third parties.

The Supplemental KCR Mutual Supply Agreement is conditional upon, among others, the Independent Shareholders' approval in respect thereof.

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## LETTER FROM THE BOARD

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### 4. REVISED ANNUAL CAPS

Set out below are the unaudited aggregate values of transactions incurred under the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement for the six months ended 30 June 2008:

	<b>Six months ended 30 June</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>(RMB millions)</i>		
<b>Aggregate values of transactions incurred under the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement (unaudited)</b>			
1. Amount paid to the KCR Group by the Group for the products provided by the KCR Group	46.6	—	—
2. Amount paid to the Group by the KCR Group for the products provided by the Group	166.6	—	—

Pursuant to the Supplemental KCR Mutual Supply Agreement, the Revised Annual Caps for each of the three years ending 31 December 2008, 2009 and 2010 shall be as follows:

	<b>Year ending 31 December</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>(RMB millions)</i>		
<b>Original Annual Caps</b>			
1. Amount paid to the KCR Group by the Group for the products provided by the KCR Group	74.4	100.0	130.0
2. Amount paid to the Group by the KCR Group for the products provided by the Group	230.4	300.0	400.0
<b>Revised Annual Caps</b>			
1. Amount paid to the KCR Group by the Group for the products provided by the KCR Group	120.0	150.0	150.0
2. Amount paid to the Group by the KCR Group for the products provided by the Group	285.0	355.0	455.0

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## LETTER FROM THE BOARD

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### 5. BASIS OF DETERMINATION OF THE REVISED ANNUAL CAPS

The Original Annual Caps were determined with reference to: (1) the historical transaction amounts under the KCR Mutual Supply Agreement; (2) an estimated annual increase of approximately 30% for the amount payable to the KCR Group by the Group; and (3) an estimated average annual increase of approximately 29% for the amount payable to the Group by the KCR Group. As at the date of this circular, none of the Original Annual Caps that were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 27 June 2008 has been exceeded.

The Revised Annual Caps are determined with reference to the KCR Mutual Supply Agreement, the Renewed KCR Mutual Supply Agreement, the delivery reschedule request by KCR based on the “Eleventh Five-Year Plan” issued by the MOR and the unaudited aggregate values of transactions incurred with the KCR Group for the six months ended 30 June 2008. The Directors anticipate that the respective annual caps under the Renewed KCR Mutual Supply Agreement for the year ending 31 December 2011 onwards will remain unchanged.

### 6. LISTING RULES REQUIREMENTS

#### Information on KCR

KCR is a limited liability company under the laws of the PRC principally engaged in the production of special equipment and accessories for railway, metallic structures and components and railway transportation equipment; export of self-manufactured mechanical and electrical products, self-contained equipment and related techniques; import of raw and ancillary materials, mechanical equipment and instruments, parts and accessories and techniques.

KCR is a promoter of the Company. Mr. Ma Yunkun, a non-executive Director, is the chairman of the board of KCR. KCR is therefore a connected person of the Company under the Listing Rules.

#### Revision of caps

The entering into of the Supplemental KCR Mutual Supply Agreement constitutes a continuing connected transaction for the Company under the Listing Rules. Pursuant to Rule 14A.36 of the Listing Rules, the Company has to re-comply with Rules 14A.35(3) and (4) of the Listing Rules in respect of the Revised Annual Caps. As each of the applicable percentage ratios (other than the profits ratio) in respect of the annual consideration for each of the Revised Annual Caps is more than 2.5% and more than HK\$10 million, the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps are subject to the reporting, announcement and independent shareholders’ approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules.

A meeting of the Board was held on 6 August 2008 at which the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps were reviewed and approved. Mr. Ma Yunkun (a non-executive Director and the chairman of the board of KCR) abstained from the examination of and voting on the Supplemental KCR Mutual Supply Agreement due to conflict of interests. The Board, excluding Mr. Ma Yunkun, consider that the Supplemental KCR Mutual Supply Agreement was

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## LETTER FROM THE BOARD

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entered into in the ordinary and usual course of business of the Group and on normal commercial terms; and that the Revised Annual Caps and the terms of the Supplemental KCR Mutual Supply Agreement are fair and reasonable insofar as the interests of the Company and the Shareholders as a whole are concerned.

The Board believes that the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps will not bring any disadvantage to the Group. The Company will disclose information in relation to the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps in its subsequent published annual report and accounts in accordance with Rule 14A.45 of the Listing Rules.

### **Independent Board Committee and Independent Financial Adviser**

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Gao Yucai, Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Mr. Tan Xiao'ao and Ms. Liu Chunru, has been formed to advise the Independent Shareholders in relation to the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps, taking into account the recommendations on the same by the independent financial adviser.

CSC Asia has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, whether the Revised Annual Caps have been determined on a fair and reasonable basis.

### **7. EGM**

The Directors propose to seek the Independent Shareholders' approval at the EGM for the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps. Notice of the EGM to be held at Times Hotel, Zhuzhou City, Hunan Province, the PRC, on Monday, 13 October 2008 at 9:00 a.m. is set out on pages 25 to 26 of this circular.

For the purposes of the EGM, the register of members of the Company will be closed from Saturday, 13 September 2008 to Monday, 13 October 2008, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged, for holders of H Shares, with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or, for holders of Domestic Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, PRC no later than 4:30 p.m. on Friday, 12 September 2008.

A form of proxy for appointing proxy is despatched with this circular and published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time scheduled for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

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## LETTER FROM THE BOARD

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If you intend to attend the EGM in person or by proxy, you should also complete and return the accompanying reply slip in accordance with the instructions printed thereon on or before Tuesday, 23 September 2008.

### 8. POLL PROCEDURE

The votes at the EGM will be taken by poll. Pursuant to Article 70 of the Articles of Association of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is demanded by: (i) the chairman of the meeting; (ii) at least two Shareholders present in person or by proxy for the time being entitled to vote at the meeting or (iii) any Shareholder or Shareholders present in person or by proxy and representing one-tenth or more of the total voting rights of all Shareholders having the right to vote at the meeting.

### 9. VOTING ARRANGEMENTS

As at the Latest Practicable Date, KCR is interested in 0.90% of the issued share capital of the Company.

KCR and its associates shall abstain from voting at the EGM on resolutions to consider and approve the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps.

As at the Latest Practicable Date, as far as the Company is aware, having made all reasonable enquiries:

- (a) KCR controlled or were entitled to exercise control over the voting rights in respect of its respective Shares;
- (b) (i) there were no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon KCR;
- (ii) there were no obligation on or entitlement of KCR,

whereby KCR had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of its respective Shares to other third parties, either generally or on a case-by-case basis; and

- (c) there were no discrepancies between the beneficial shareholding interest of KCR in the Company as disclosed in this circular and the number of shares in respect of which it will control or will be entitled to exercise control over the voting rights at the EGM.

### 10. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular, the letter from CSC Asia set out on pages 14 to 20 of this circular which contains the recommendation of CSC Asia to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps, and the principal factors and reasons considered by CSC Asia in arriving at its recommendation.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice of CSC Asia and the principal factors and reasons considered by CSC Asia, considers that the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps are on normal commercial terms which are fair and reasonable insofar as the interests of the Company and the Shareholders as a whole are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps at the EGM.

### 11. FURTHER INFORMATION

Further information of the Company is set out in the Appendix to this circular for your information.

Yours faithfully,  
By order of the Board  
**Ding Rongjun**  
*Chairman*

Zhuzhou, China, 28 August 2008

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

28 August 2008

*To the Independent Shareholders*

Dear Sir or Madam,

### **Continuing Connected Transactions: Revision of Caps**

We refer to the circular issued by the Company to the Shareholders of even date (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

Under the Listing Rules, the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps are subject to the approval of the Independent Shareholders at the EGM.

We have been appointed by the Board to consider the terms of the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps are fair and reasonable insofar as the interests of the Company and the Independent Shareholders as a whole are concerned. CSC Asia has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from CSC Asia as set out in the Circular. Having taking into account the principal factors and reasons considered by and the advice of CSC Asia as set out in its letter of advice, we consider that (1) the Supplemental KCR Mutual Supply Agreement was entered into in the ordinary and usual course of business of the Group; and (2) the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps are on normal commercial terms which are fair and reasonable insofar as the interests of the Company and the Independent Shareholders as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps at the upcoming EGM.

Yours faithfully,

For and on behalf of the

Independent Board Committee

**Mr. Gao Yucai**                      **Mr. Chan Kam Wing, Clement**  
**Mr. Pao Ping Wing**                      **Mr. Tan Xiao’ao**  
**Ms. Liu Chunru**

*Independent non-executive Directors*

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## LETTER FROM CSC ASIA

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*The following is the text of a letter of advice from CSC Asia which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps.*



**CSC Asia Limited**  
Units 3204-07, 32/F  
Cosco Tower  
183 Queen's Road Central  
Hong Kong

28 August 2008

*To: The independent board committee and  
the independent shareholders of Zhuzhou CSR Times Electric Co., Ltd.*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS: REVISION OF CAPS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental KCR Mutual Supply Agreements and the proposed Revised Annual Caps, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company to the Shareholders dated 28 August 2008 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

KCR is a promoter of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Supplemental KCR Mutual Supply Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the annual consideration for each of the Revised Annual Caps is more than 2.5% and more than HK\$10 million, the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps are subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval for the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps at the EGM to be conducted by poll. KCR and its respective associates are required to abstain from voting at the EGM.



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## LETTER FROM CSC ASIA

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The Independent Board Committee comprising all of the five independent non-executive Directors namely Mr. Gao Yucai, Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Mr. Tan Xiao'ao and Ms. Liu Chunru has been constituted to make recommendations to the Independent Shareholders as to whether the terms of the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. We, CSC Asia, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

CSC Asia is independent from, and not connected with, the Company or any of its substantial shareholders, directors or chief executive, or any of their respective associates, and is accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders.

### **BASIS OF OUR OPINION**

In formulating our recommendations, we have relied on the information and facts supplied by the Company and the representations of, the Directors and management of the Company. We have assumed that all the information and representations so supplied by the Company and/or the Directors and all information and representations referred to or contained in the Circular, for which the Company and the Directors are solely and wholly responsible, were true, accurate and complete at the time they were made and continue to be so as the date hereof. No representation or warranty, expressed or implied, is made by us on the accuracy of such information or representation. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no material facts the omission of which would make any statements in the Circular misleading.

We consider that we have reviewed sufficient information and documents to reach an informed view to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendations. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Directors and management of the Company. We have not, however, conducted any independent investigation into the businesses or affairs or assets and liabilities or future prospects of the Group, the KCR Group or their respective associates, nor have we carried out any independent verification of information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion regarding the terms of the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps, we have taken into consideration the following principal factors and reasons:

- 1. Background information and reasons for entering into the Supplemental KCR Mutual Supply Agreement**

The Group is principally engaged in the production and sale of train-borne electrical systems and electrical components to train manufacturers in the PRC.

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## LETTER FROM CSC ASIA

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As advised by the Directors, the Group has an established business relationship with the KCR Group for many years, in fact before Listing, in respect of the products and services mutually provided between the parties in the past years and such transactions fall within the ordinary and usual course of business of the Group. Moreover, the Directors are also of the opinion that the KCR Group is familiar with the Group's standards and specifications and has been able to meet and respond to any of the Group's new requirements that the Group may request.

Immediately prior to Listing, on 4 December 2006, the Company and KCR entered into the KCR Mutual Supply Agreement for a term commencing on the date of Listing and ending on 31 December 2008 in respect of mutual supply of products between the Group and the KCR Group, details of which were set out in the Prospectus. On 5 December 2006, the Stock Exchange granted a waiver to the Company from strict compliance with the announcement and the independent shareholders' approval requirements pursuant to Rule 14A.42(3) of the Listing Rules in respect of, among others, the KCR Mutual Supply Agreement for the period commencing on the date of the Listing and ending on 31 December 2008. Taking into account that the KCR Mutual Supply Agreement was going to expire by the end of 2008, on 28 April 2008, the Company and KCR entered into the Renewed KCR Mutual Supply Agreement with a five-year term commencing from 1 January 2009 to 31 December 2013 to regulate the mutual supply of products and services between the Group and the KCR Group, details of which were set out in the Company's announcement dated 28 April 2008 and the Company's circular to the shareholders dated 9 May 2008. The Renewed KCR Mutual Supply Agreement and the relevant annual caps for the five years from 1 January 2009 to 31 December 2013 were approved by independent shareholders of the Company at an extraordinary general meeting of the Company held on 27 June 2008.

Pursuant to the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement (collectively, the "Existing Agreements"), the Company agreed to supply and procure its subsidiaries to supply to the KCR Group certain products (including electrical control systems for large railway maintenance vehicles) and after-sales services and KCR agreed to supply and procure its subsidiaries and associates to supply to the Group certain imported parts and components for the Group's production of electrical control systems for large railway maintenance vehicles.

As advised by the Directors, taking into account of the "Eleventh Five-Year Plan" issued by the MOR that the production of the railway equipment in the PRC will gradually evolve from importing foreign technology production to domestic production, in the third quarter of 2008, KCR requested a reschedule of the delivery of certain products related to the electrical control systems for the new type of tamping machines from 2009, 2010 and 2011 to 2008, 2009 and 2010 respectively. Based on the above, the Directors anticipate that the aggregate transaction values with the KCR Group for each of the three years ending 31 December 2008, 2009 and 2010 will increase and will therefore exceed the respective Original Annual Caps.

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## LETTER FROM CSC ASIA

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In order to continue to maintain the mutual and well-established relationship with the KCR Group, it is important for the Group to accommodate more sales or purchases from the KCR Group. Accordingly, the Directors proposed that the Original Annual Caps be revised upwards to the Revised Annual Caps by entering into the Supplemental KCR Mutual Supply Agreement on 7 August 2008 between the Company and KCR on exactly the same terms as the Existing Agreements except for the Revised Annual Caps for each of the three years ending 31 December 2008, 2009 and 2010.

Taking into account that (i) waiver has been obtained from the Stock Exchange pursuant to the requirements of the Listing Rules in regards to the KCR Mutual Supply Agreement and its relevant Original Annual Caps; (ii) the Renewed KCR Mutual Supply Agreement and its relevant Original Annual Caps have already been approved by the independent shareholders of the Company; (iii) save and except for the revision of the Original Annual Caps as proposed under the Supplemental KCR Mutual Supply Agreement, all other terms of the Existing Agreements will remain unchanged; and (iv) the transactions contemplated under the Existing Agreements and the Supplemental KCR Mutual Supply Agreement have been and will continue to be carried out by the Group in its ordinary and usual course of business and in accordance with the terms and conditions of the Existing Agreements and the Supplemental KCR Mutual Supply Agreement, we are of the view that the entering into of the Supplemental KCR Mutual Supply Agreement is in the interests of the Company and the Shareholders as a whole.

### 2. Revised Annual Caps

Set out below are the actual amounts incurred for the six months ended 30 June 2008:

	<b>Actual amounts incurred for the six months ended 30 June 2008 (unaudited)</b>	<b>Original Annual Caps for the year ending 31 December 2008</b>	<b>Percentage represented by the actual amounts over the respective Original Annual Caps for the year ending 31 December 2008</b>
	<i>(RMB millions)</i>		
1. Amount paid to the KCR Group by the Group for the products provided by the KCR Group	46.6	74.4	62.6%
2. Amount paid to the Group by the KCR Group for the products provided by the Group	166.6	230.4	72.3%

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## LETTER FROM CSC ASIA

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The Original Annual Caps and the Revised Annual Caps for the years ending 31 December 2008, 2009 and 2010 are set out as follows:

	Year ending 31 December		
	2008	2009	2010
	<i>(RMB millions)</i>		
<b>Original Annual Caps</b>			
1. Amount paid to the KCR Group by the Group for the products provided by the KCR Group	74.4	100.0	130.0
2. Amount paid to the Group by the KCR Group for the products provided by the Group	230.4	300.0	400.0
<b>Revised Annual Caps</b>			
1. Amount paid to the KCR Group by the Group for the products provided by the KCR Group	120.0	150.0	150.0
2. Amount paid to the Group by the KCR Group for the products provided by the Group	285.0	355.0	455.0

As set out in the Letter from the Board, the Revised Annual Caps have been determined with reference to the Existing Agreements, the request of KCR based on the “Eleventh Five-Year Plan” issued by the MOR and the actual amount incurred for the six months ended 30 June 2008.

In assessing the reasonableness of the Revised Annual Caps, we have discussed with the Directors and the management of the Company the basis and underlying assumptions for the purpose of setting the Revised Annual Caps and have taken into consideration the factors discussed below.

As aforementioned above, in response to the “Eleventh Five-Year Plan” issued by the MOR that the production of railway equipment in the PRC will gradually evolve from importing foreign technologies for production to domestic production, KCR requested a reschedule of the delivery of certain products related to the electrical control systems for the new type of tamping machines from 2009, 2010 and 2011 to 2008, 2009 and 2010 respectively.

According to the Eleventh Five-Year Plan, the MOR has formulated certain development plans and policies for the PRC railway industry, including the expansion of PRC railway network and the introduction of advanced technology of PRC railway equipment. Under the Eleventh Five-Year Plan, it is estimated that 17,000 km of new railway lines will be constructed by year 2010 and total operational lengths of the PRC railways will be extended to over 90,000 km in year 2010. Moreover, we note that in accordance with the Eleventh Five-Year Plan, one of the objectives is to expedite the modernization of technology of the PRC railway equipment via the import of foreign technology with the goal of gradually evolving from importing foreign technologies for production to domestic production. In view of the expansion of the PRC railway network and the gradual evolution of

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## LETTER FROM CSC ASIA

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technologies, we concur with the view of the Directors that there will be an increase in demand for large railway maintenance vehicles for conducting maintenance works of the PRC railway network to ensure its operational safety and efficiency, and thereby a reschedule of the delivery of relevant products by KCR is necessary.

As advised by the Directors, KCR is the dominant market player which accounted for approximately 80% of the market share in large railway maintenance vehicles market in the PRC in 2006, and the Group is currently the sole supplier to KCR of electrical control systems for the large railway maintenance vehicles in the PRC and the Group has also exclusively procured from/sold to the KCR Group certain products and services contemplated under the Existing Agreements. We further understand from the Directors that the aforementioned tamping machine is one of the various types of large railway maintenance vehicles. In order to accommodate the delivery reschedule request by the PRC's dominant market player in large railway maintenance vehicles, KCR, the Directors anticipate that the aggregate annual values of transactions under the KCR Mutual Supply Agreement for the year ending 31 December 2008 and the aggregate annual values of transactions under the Renewed KCR Mutual Supply Agreement for the two years ending 31 December 2009 and 2010 will exceed the Original Annual Caps. We have enquired into and the Directors have advised that the delivery schedules agreed between the Group and the KCR Group were one of the principal bases for determining the Original Annual Caps, accordingly, we concur with the Directors' view that it is reasonable to set the Revised Annual Caps with reference to the changed delivery schedule.

As set out in the above table, the actual amount incurred for the six months ended 30 June 2008 for the products provided by KCR Group and the products provided by the Group amounted to approximately RMB46.6 million and RMB166.6 million respectively, representing about 62.6% and 72.3% of the relevant Original Annual Caps respectively. As advised by the Company, the Original Annual Caps for the year ending 31 December 2008 were determined back in 2006 and due to continuous improvement and advanced technology of the railway industry, the amount of transaction of the Group with the KCR Group is higher than expected. Given that over 60% of the Original Annual Caps for 2008 have been utilized during the first six months of year 2008, the Directors envisage that the Original Annual Caps will be insufficient for the Group for transacting business with KCR for 2008.

The Company has provided us the existing schedule showing the estimated transaction values of the tamping machines to be delivered to the KCR Group for the two years ending 2009 and 2010 and the new request made by KCR for the change of delivery from 2009 to 2008. As advised by the Directors, given the time required for mastering new technology involved in a product generally takes three years, KCR's request for earlier delivery of the new type of tamping machines from 2009 to 2008 also lead to a subsequent change in delivery schedule for years 2010 and 2011 to years 2009 and 2010, thereby the anticipated transaction values associated with the original scheduled quantity of products to be delivered to KCR for next year will subsequently take place a year earlier. As shown in the table above, the Revised Annual Caps demonstrate increment from the Original Annual Caps in the corresponding year. As advised by the Directors, stemming from the reschedule request from KCR, the corresponding anticipated transaction values which are attributable to the original scheduled delivery are now expected to take place one year forward from years 2009 to 2011 to years 2008 to 2010. Furthermore, such amount of anticipated transaction values which are expected to take place one year earlier are expected to be in an upward trend taking into account that (i) the quantity of products to

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## LETTER FROM CSC ASIA

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be delivered to KCR according to KCR's request in year 2009 is more than those in year 2008; and (ii) the anticipated quantity to be delivered in year 2010 is expected to be more than that in year 2009 in light of the historical growth of transactions with KCR. Accordingly, the Directors have revised upwards from the Original Annual Caps to the Revised Annual Caps for the years ending 31 December 2008, 2009 and 2010.

Based on aforesaid, we consider that the determination of the Revised Annual Caps for the three years ending 31 December 2008, 2009 and 2010 are fair and reasonable insofar as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

### RECOMMENDATION

Having considered the above principal factors and reasons in respect to the terms of Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps, we are of the view that the transactions contemplated under the Supplemental KCR Mutual Supply Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms. We also consider that the terms of the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Shareholders, as well as recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to approve the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps at the EGM.

Yours faithfully,  
For and on behalf of  
**CSC Asia Limited**  
**Winnie Yau**  
*Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### 2.1 Directors, supervisors and chief executive

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange in other ways pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

### 2.2 Substantial Shareholders

As at the Latest Practicable Date, so far as it was known to, or can be ascertained after reasonable enquiry by, the Directors, supervisors or chief executive of the Company, the persons/entities (other than a Director, supervisor or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of substantial shareholder	Number of shares held	Capacity	% of		
			Domestic Share share capital	% of H Share share capital	% of issued share capital
CSR ZELRI	589,585,699 (L)	Beneficial owner	93.86%	—	54.38%
CSR (note 1)	608,966,468 (L)	Interest in controlled entity	96.95%	—	56.16%
CSRG (note 2)	618,347,237 (L)	Interest in controlled entity	98.44%	—	57.03%
The Hamon Investment Group Pte Limited	41,074,000 (L)	Investment manager	—	9.01%	3.79%

Name of substantial shareholder	Number of shares held	Capacity	% of		
			Domestic Share	share % of H Share	% of issued share capital
Mirae Asset Global Investments (Hong Kong) Limited	36,159,000 (L)	Investment manager	—	7.93%	3.33%
UBS AG	27,038,756 (L)	Beneficial owner/interest in controlled entity	—	5.93%	2.49%
	29,017,000 (S)	Beneficial owner/party having secured interests in shares/interest in controlled entity	—	6.36%	2.68%

Note:

- (1) CSR is 100% interested in the registered capital of CSR ZELRI and New Leap, also directly and indirectly interested in 98.37% in the registered capital of CSR Zhuzhou. Therefore, CSR is deemed under the SFO to be interested in the shares held by each of CSR ZELRI, New Leap and CSR Zhuzhou.
- (2) CSR was listed on the Shanghai Stock Exchange and the Stock Exchange on 18 August 2008 and 21 August 2008 respectively. Prior to the listing of CSR, CSRG was directly and indirectly 100% interested in the shares of CSR. Immediately after the completion of the global offering of CSR and assuming no exercise of the over-allotment option, CSRG will beneficially own 58.97% shareholding in CSR. If the over-allotment option is fully exercised, CSRG will own approximately 57.57% of the then total issued shares of CSR. In addition, CSR is directly interested as to 100% in the registered capital of Qishuyan Works. Accordingly, CSRG is deemed under the SFO to be interested in the shares held by each of CSR and Qishuyan Works.

As at the Latest Practicable Date, so far as it was known to, or can be ascertained after reasonable enquiry by, the Directors, supervisors or chief executive of the Company, the persons/entities (other than a Director, supervisor or chief executive of the Company) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Name of subsidiary	Name of shareholder	% of equity interest
Zhuzhou Times Zhuoyue Automotive Electronics Technology Co., Ltd.	Zhuzhou Zhuoyue High Technology Enterprise Company Limited	39%

Save as disclosed above, as at the Latest Practicable Date and so far as it was known to, or can be ascertained after reasonable enquiry by, the Directors, supervisors and chief executive of the Company, there was no other entity who had an interest or short position in the Shares and underlying



Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

As at the Latest Practicable Date, save for Messrs. Ding Rongjun (the chairman of the Board and an executive Director and a vice general manager of the Parent Company), Song Yali (the vice chairman of the Board and a non-executive Director and a vice general manager of the Parent Company), Liao Bin (a non-executive Director and an executive director of the Parent Company) and Ma Yunkun (a non-executive Director and the chairman of the board of KCR), the Directors are not aware of any Director who is a director or employee of the entities which had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors nor supervisors had entered into, or proposed to enter into, any service contract with the Company or any member of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### **4. INTEREST IN CONTRACTS**

No contract, commitment or agreement of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at the date of this circular.

### **5. INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective associates were interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

### **6. INTEREST IN ASSETS**

As at the Latest Practicable Date, none of the Directors or CSC Asia had any interest, direct or indirect, in any asset which since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

### **7. MATERIAL ADVERSE CHANGES**

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

**8. CONSENT AND QUALIFICATION OF EXPERT**

CSC Asia is a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO. Its letter of advice to the Independent Board Committee and the Independent Shareholders dated as of the date of this circular was given for the purpose of incorporation herein.

CSC Asia has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they respectively appear.

As at the Latest Practicable Date, CSC Asia did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, CSC Asia did not have any interest, direct or indirect, in any assets which since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Jones Day in Hong Kong at 29/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to and including Friday, 12 September 2008:

- (a) the KCR Mutual Supply Agreement;
- (b) the Renewed KCR Mutual Supply Agreement;
- (c) the Supplemental KCR Mutual Supply Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular; and
- (e) the letter from CSC Asia, the text of which is set out on pages 14 to 20 of this circular.

**10. MISCELLANEOUS**

The English text of this circular shall prevail over its Chinese text in case of any discrepancies.

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## NOTICE OF EGM

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

### Notice of the Second Extraordinary General Meeting of 2008

**NOTICE IS HEREBY** given that the Second Extraordinary General Meeting of 2008 (the “**EGM**”) of Zhuzhou CSR Times Electric Co., Ltd. (the “**Company**”) will be held at Times Hotel, Zhuzhou City, Hunan Province, the People's Republic of China (the “**PRC**”) on Monday, 13 October 2008 at 9:00 a.m. to consider and, if thought fit, pass with or without amendments, the following resolutions: -

#### AS ORDINARY RESOLUTIONS

**“THAT:**

1. the Supplemental KCR Mutual Supply Agreement dated 7 August 2008 entered into between the Company and KCR (details of which are set out in the Circular), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose, the Revised Annual Caps and the transactions contemplated thereunder;

be and are hereby approved and that the directors of the Company be and are hereby authorised to take any step as they consider necessary, desirable or expedient in connection therewith.”

By order of the Board  
**Ding Rongjun**  
Chairman

Zhuzhou, China, 28 August 2008

**Notes:**

1. The register of members of the Company will be closed from Saturday, 13 September 2008 to Monday, 13 October 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company (for holders of H shares) or the registered office address of the Company (for holders of domestic shares) no later than 4:30 p.m. on Friday, 12 September 2008.
2. Holders of H shares and domestic shares whose names appear on the register of members of the Company at the close of business on Friday, 12 September 2008 are entitled to attend and vote at the EGM and may appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

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## NOTICE OF EGM

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3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited to the H share registrar of the Company (for holders of H shares) or the registered office address of the Company (for holders of domestic shares) not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof.
4. Shareholders who intend to attend the EGM should complete and return the reply slip by hand or by post to the principal place of business of the Company in Hong Kong (for holders of H shares) or to the registered office address of the Company (for holders of domestic shares) on or before Tuesday, 23 September 2008.
5. Voting at the EGM will be conducted by way of poll.
6. The address of the H share registrar of the Company is as follows:

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

7. The registered office address of the Company is as follows:

Times Road  
Shifeng District  
Zhuzhou  
Hunan Province, 412001  
PRC  
Tel: 86 733 849 8028

8. The principal place of business of the Company in Hong Kong is as follows:

Unit 1106 on 11th floor  
Jubilee Centre  
18 Fenwick Street  
Wanchai  
Hong Kong  
Tel: 2189 7268

9. The EGM is expected to take half a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.

*As at the date of this circular, our chairman of the Board and executive Director is Ding Rongjun, our other executive Director is Lu Penghu, our non-executive Directors are Song Yali, Liao Bin and Ma Yunkun, and our independent non-executive Directors are Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing, Tan Xiao'ao and Liu Chunru.*