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

**(Stock Code: 3898)**

## **CONTINUING CONNECTED TRANSACTIONS**

On 28 April 2008, the Company entered into the following agreements: (1) the Renewed CSRG Mutual Supply Agreement with CSRG; and (2) the Renewed KCR Mutual Supply Agreement with Kunming China Railway.

CSRG directly and indirectly holds the entire equity interest in CSR. CSR directly holds the entire equity interest in the Parent Company and New Leap respectively, and directly and indirectly holds 98.37% of the equity interest in CSR Zhuzhou. CSRG also directly holds the entire equity interest in Qishuyan Works. Each of the Parent Company, New Leap, CSR Zhuzhou and Qishuyan Works is a promoter of the Company. The Parent Company is also a promoter and the controlling shareholder of the Company. Kunming China Railway is a promoter of the Company. Each of CSRG and Kunming China Railway is therefore a connected person of the Company under the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) for each of the Renewed Annual Caps is more than 2.5%, each of the Renewed Agreements constitutes a non-exempt continuing connected transaction for the Company and is 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 21 April 2008 at which the Renewed Agreements and the respective Renewed Annual Caps were reviewed and approved. The Board's approval in respect of the Renewed Agreements is conditional upon, among others, the Independent Shareholders' approval in respect thereof.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the Renewed Agreements. In this connection, the Company has appointed CSC Asia Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the terms of the Renewed Agreements.

A circular containing, among other things, (i) further details of the Renewed Agreements; (ii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Renewed Agreements; (iii) the recommendation of the Independent Board Committee regarding the Renewed Agreements to the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the shareholders of the Company.

## **BACKGROUND**

Immediately prior to Listing, the Company entered into the Subsisting Agreements with the Parent Company, CSRG and Kunming China Railway respectively for a term commencing on the date of Listing and ending on 31 December 2008, details of which were set out in the Prospectus.

Pursuant to Rule 14A.42(3) of the Listing Rules, the Company applied for, and the Stock Exchange granted, the Waiver from strict compliance with the announcement and the independent shareholders' approval requirement under the Listing Rules in respect of the Subsisting Agreements for the period commencing on the date of Listing and ending on 31 December 2008.

In view of the prospective expiry of the Subsisting Agreements and the Waiver, on 28 April 2008, the Company entered into the Renewed Agreements with CSRG and Kunming China Railway respectively, details of which are set out below. The Subsisting Agreements shall be terminated upon the Effective Date.

## **RENEWED CSRG MUTUAL SUPPLY AGREEMENT**

Date:	28 April 2008
Parties:	CSRG and the Company
Supply of products:	The Company agreed to supply and procure its subsidiaries to supply to the CSRG Group (including the Parent Group but excluding the Group) certain products (including train-borne electrical systems and electrical components), parts and components and after-sales services, and related facilities for production, testing and research and development purposes.

CSRG agreed to supply and procure its subsidiaries (including the Parent Group but excluding the Group) to supply to the Group certain parts and components and after-sales services for the Group's integration and assembly of train-borne electrical systems and other products, and related facilities for production, testing and research and development purposes.

Term: A term of five (5) years commencing on the Effective Date and ending on 31 December 2013

Pricing basis: The pricing for the products and services supplied by and/or to the CSRG 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 CSRG 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 CSRG 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.

## RENEWED KCR MUTUAL SUPPLY AGREEMENT

- Date: 28 April 2008
- Parties: Kunming China Railway and the Company
- Supply of products: The Company agreed to supply and procure its subsidiaries to supply to the Kunming China Railway Group certain products (including electrical control systems for large railway maintenance vehicles) and after-sales services.
- Kunming China Railway 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.
- Term: A term of five (5) years commencing on the Effective Date and ending on 31 December 2013
- Pricing basis: The pricing for the products and services supplied by and/or to the Kunming China Railway 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 Kunming China Railway 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 Kunming China Railway 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.

## HISTORICAL TRANSACTION RECORDS

Set out below is a summary of the transaction records of the transactions under the Subsisting Agreements for the two years ended 31 December 2006 and 2007:

	<b>Year ended 31 December</b>	
	<b>2006</b>	<b>2007</b>
		<i>(Note)</i>
	<i>(RMB millions)</i>	
<b>ZELRI Mutual Supply Agreement</b>		
1. Amount paid to the Parent Group by the Group for the products provided by the Parent Group	140.7	58.6
2. Amount paid to the Group by the Parent Group for the products provided by the Group	37.9	24.6
<b>CSRG Mutual Supply Agreement</b>		
1. Amount paid to the CSRG Group by the Group for the products provided by the CSRG Group	22.0	19.8
2. Amount paid to the Group by the CSRG Group for the products provided by the Group	260.9	613.1
<b>Subtotal of amount paid to the Parent Group and the CSRG Group</b>	<u>162.7</u>	<u>78.4</u>
<b>Subtotal of amount paid by the Parent Group and the CSRG Group</b>	<u>298.8</u>	<u>637.7</u>
<b>KCR Mutual Supply Agreement</b>		
1. Amount paid to the Kunming China Railway Group by the Group for the products provided by the Kunming China Railway Group	23.9	37.2
2. Amount paid to the Group by the Kunming China Railway Group for the products provided by the Group	108.6	104.6

*Note:*

These amounts are derived from the unaudited management accounts of the Group for the year ended 31 December 2007.

## SUBSISTING ANNUAL CAPS APPROVED BY THE WAIVER

Set out below is a summary of the maximum aggregate annual values for the transactions under the Subsisting Agreements for the three financial years ended 31 December 2006, 2007 and 2008 as approved by the Waiver:

	<b>Year ended 31 December</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<i>(RMB millions)</i>		
<b>ZELRI Mutual Supply Agreement</b>			
1. Amount paid to the Parent Group by the Group for the products provided by the Parent Group	169.3	79.7	87.7
2. Amount paid to the Group by the Parent Group for the products provided by the Group	54.9	55.0	60.0
<b>CSRG Mutual Supply Agreement</b>			
1. Amount paid to the CSRG Group by the Group for the products provided by the CSRG Group	31.0	34.1	37.5
2. Amount paid to the Group by the CSRG Group for the products provided by the Group	450.0	675.1	806.1
<b>Subtotal of amount paid to the Parent Group and the CSRG Group</b>	<u>200.3</u>	<u>113.8</u>	<u>125.2</u>
<b>Subtotal of amount paid by the Parent Group and the CSRG Group</b>	<u>504.9</u>	<u>730.1</u>	<u>866.1</u>
<b>KCR Mutual Supply Agreement</b>			
1. Amount paid to the Kunming China Railway Group by the Group for the products provided by the Kunming China Railway Group	50.0	61.0	74.4
2. Amount paid to the Group by the Kunming China Railway Group for the products provided by the Group	160.0	192.0	230.4

The aggregate annual amounts of the transactions under the Subsisting Agreements for the two financial years ended 31 December 2006 and 2007 did not exceed the respective maximum aggregate annual values as approved by the Waiver. The Board also anticipates that the aggregate annual amounts of the transactions under the

Subsisting Agreements for the financial year ended 31 December 2008 will not exceed the respective maximum aggregate annual values for the year as approved by the Waiver.

Should the aggregate annual amounts of the transactions under any of the Subsisting Agreements for the financial year ended 31 December 2008 exceed the respective maximum aggregate annual values for the year as approved by the Waiver, the Company will publish an announcement to inform its shareholders of the same pursuant to the Listing Rules.

## RENEWED ANNUAL CAPS

The Company expects that the maximum aggregate annual values of the transactions under the Renewed CSR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement (the “**CSRG Caps**” and the “**KCR Caps**”, respectively) in each of the financial years in which such agreements will be in effect will be as follows:

	<b>Year ended 31 December</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>(RMB millions)</i>				
<b>Renewed CSR Mutual Supply Agreement</b>					
1. Amount paid to the CSR Group by the Group for the products provided by the CSR Group	200.0	260.0	340.0	440.0	570.0
2. Amount paid to the Group by the CSR Group for the products provided by the Group	1,400.0	1,820.0	2,366.0	3,075.0	4,000.0
<b>Renewed KCR Mutual Supply Agreement</b>					
1. Amount paid to the Kunming China Railway Group by the Group for the products provided by the Kunming China Railway Group	100.0	130.0	170.0	221.0	287.0
2. Amount paid to the Group by the Kunming China Railway Group for the products provided by the Group	300.0	400.0	550.0	670.0	817.0

## **BASIS OF DETERMINATION OF RENEWED ANNUAL CAPS**

### **CSRG Caps**

The CSRG Caps are determined with reference to the following: (1) the historical transaction amounts under the ZELRI Mutual Supply Agreement and the CSRG Mutual Supply Agreement; (2) the Group's committed supply to a member of the CSRG Group certain train-borne electrical systems in connection with the 200-250km/h electric multiple units ("EMUs") project for a consideration of RMB596.64 million with a supply schedule commenced in the first term of 2008 and expected to end in the first term of 2009 under a sales contract entered into on 26 November 2007; (3) the Group's committed supply to a member of the CSRG Group certain train-borne electrical systems in connection with the 300km/h EMUs project for a consideration of RMB1,030 million with a supply schedule commenced in the fourth term of 2007 and expected to end in the fourth term of 2009 under a sales contract entered into prior to Listing; (4) anticipated supply of electrical systems for six-axle locomotives from 2009 to 2011 from the Group to a member of the CSRG Group; (5) purchase orders for the production of electrical systems from 2008 to 2010 currently under negotiation between the Group and a member of the CSRG Group; (6) an estimated average annual increase of approximately 30% for the amount payable to the CSRG Group by the Group; (7) an estimated annual increase of approximately 30% for the amount payable to the Group by the CSRG Group.

The estimated annual increase of 30% for both the amount payable by and the amount payable to the Group were primarily based on: (1) the anticipated average annual increase rate of the procurement of new rail vehicles by the MOR between 2009 and 2013, which was approximately 30%; (2) the anticipated growth of the PRC railway industry; and (3) the business development potential of the CSRG Group.

As a result of the "Eleventh 5-year Plan" set out by the State government, the MOR has formulated certain development plans and policies for the PRC railway industry. The MOR has therefore substantially increased the government procurement of new rail vehicles since 2006. The Directors believe that this would provide room for business growth both for the Group and the CSRG Group in the relevant period.

Moreover, following the Listing, CSRG, through its directly and indirectly wholly-owned subsidiary, acquired the entire equity interest in the Parent Company (the "**CSRG Reorganisation**"). Subsequent to the Parent Company becoming a wholly-owned subsidiary of CSRG, the Directors anticipate that there will be business expansion of the CSRG Group, leading to an increase in the aggregate annual amounts of mutual supply transactions between the Group and the CSRG Group starting from the year 2009.



## **KCR Caps**

The KCR Caps are determined with reference to the following: (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 Kunming China Railway Group by the Group; and (3) an estimated average annual increase of approximately 29% for the amount payable to the Group by the Kunming China Railway Group.

The estimated annual increase rates of 30% and 29% were primarily based on: (1) the anticipated growth of the PRC railway industry; and (2) Kunming China Railway's committed supply to the MOR certain equipment in connection with a total of 181 maintenance vehicles in the amount of approximately RMB4,739 million to be completed from 2008 to 2010. Kunming China Railway has formed a consortium with the Parent Company (implemented by the Group) and three other companies to manufacture large railway maintenance vehicles, details of which were set out in the Prospectus. As a result of the said consortium, the Company shall provide electrical systems to Kunming China Railway in connection with its commitment with the MOR. In this regard, the Directors anticipate that there will be an increase in the aggregate annual amounts of mutual supply transactions between the Group and the Kunming China Railway Group in the relevant period.

## **REASONS FOR ENTERING INTO THE RENEWED AGREEMENTS**

The Group has been procuring certain parts and components for the manufacture of its products from the CSR Group and the Kunming China Railway Group (and vice versa) for many years. As a result of such long-term business relationships, the CSR Group and the Kunming China Railway Group are all familiar with the Group's standards and specifications, and have been able to respond quickly and in a cost efficient manner to any new requirements that the Group may request. Further, the Group's engagement with and/or purchases from the CSR Group and the Kunming China Railway Group are on terms which are not less favourable than those offered to the Group by independent third parties.

The Group will continue to supply electrical parts and components to the Parent Group for the production of its products and the Parent Group will continue to supply mechanical and electro-mechanical parts and components to the Group for its production of train-borne electrical systems. Given the fact that the Parent Company has become a directly and indirectly wholly-owned subsidiary of CSR subsequent to the CSR Reorganisation, the Company will enter into one single Renewed CSR Mutual Supply Agreement with CSR which shall cover the sales and purchases between the Group and the Parent Group. The ZELRI Mutual Supply Agreement shall be terminated upon the Effective Date.

## **LISTING RULES REQUIREMENTS**

### **Non-exempt Continuing Connected Transactions**

CSRG directly and indirectly holds the entire equity interest in CSR. CSR directly holds the entire equity interest in the Parent Company and New Leap respectively, and directly and indirectly holds 98.37% of the equity interest in CSR Zhuzhou. CSRG also directly holds the entire equity interest in Qishuyan Works. Each of the Parent Company, New Leap, CSR Zhuzhou and Qishuyan Works is a promoter of the Company. The Parent Company is also a promoter and the controlling shareholder of the Company. Kunming China Railway is a promoter of the Company. Each of CSRG and Kunming China Railway is therefore a connected person of the Company under the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) for each of the Renewed Annual Caps is more than 2.5%, each of the Renewed Agreements constitutes a non-exempt continuing connected transaction for the Company and is 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 21 April 2008 at which the Renewed Agreements and the respective Renewed Annual Caps were reviewed and approved. Mr. Ding Rongjun (the chairman of the Board and an executive Director and a vice general manager of the Parent Company), Mr. Liao Bin (a non-executive Director and an executive director and general manager of the Parent Company) and Mr. Song Yali (the vice chairman of the Board and a non-executive Director and a vice general manager of the Parent Company) abstained from the examination of and voting on the Renewed CSRG Mutual Supply Agreement due to conflict of interests. Mr. Ma Yunkun (a non-executive Director and the chairman of the board of Kunming China Railway) abstained from the examination of and voting on the Renewed KCR Mutual Supply Agreement due to conflict of interests.

The Directors, excluding Mr. Ding Rongjun, Mr. Liao Bin, Mr. Song Yali and Mr. Ma Yunkun (as the case may be), consider that the Renewed Agreements were entered into in the ordinary and usual course of business of the Group and the terms thereof are on normal commercial terms which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned. The Board's approval in respect of the Renewed Agreements is conditional upon, among others, the Independent Shareholders' approval in respect thereof.

An Independent Board Committee (which shall consist only of independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the Renewed Agreements were entered into in the ordinary and usual course of business of the Group and the terms thereof are on normal commercial terms which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned, and to advise the Independent Shareholders on how to vote, taking into account the recommendations on the same by the independent financial adviser.

The Company will disclose information in relation to the Renewed Agreements in its subsequent published annual report and accounts in accordance with Rule 14A.45 of the Listing Rules.

### **Justification for a Term Exceeding Three Years**

The Group is principally engaged in the production and sale of train-borne electrical systems and electrical components to train manufacturers in the PRC. According to the MOR's current policy on technology import, the Group has to procure production technologies for its manufacturing process by obtaining technology cooperation or licenses from foreign suppliers. Considerable investment and planning is required on the part of the Group such that the durations of the mutual supply agreements with the domestic suppliers and customers need to be of a reasonable length, normally spanning over four to five years, to justify the capital investment.

Given that the transactions contemplated under each of the Renewed Agreements fall within the core business of the Group, the Directors consider that it is normal business practice within the PRC railway industry and commercially beneficial to both the Group and to the CSR Group or the Kunming China Railway Group (as the case may be) to enter into the Renewed Agreements for a period of five years rather than three years.

The Company has appointed CSC Asia Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders to consider, among others, whether the Renewed Annual Caps have been determined on a fair and reasonable basis, and whether the term of each of the Renewed Agreements being in excess of three years is normal business practice within the PRC railway industry.

## GENERAL

A circular containing, among other things, (i) further details of the Renewed Agreements; (ii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Renewed Agreements; (iii) the recommendation of the Independent Board Committee regarding the Renewed Agreements to the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the shareholders of the Company.

## TERMS USED IN THIS ANNOUNCEMENT

“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.
“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; CSR is directly and indirectly wholly-owned by CSRG and holds the entire equity interest in the Parent Company
“CSR Zhuzhou”	南車株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Co., Ltd.), formerly known as 中國南車集團株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Company, Ltd.), held as to 69.01% by CSR, as to 16.31% by the Parent Company, as to 13.05% by New Leap and as to 1.63% by 株洲聯誠集團有限責任公司 (Zhuzhou Lince Group 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), a PRC State-owned enterprise which is principally engaged in the areas of research and development, manufacturing, sales, refurbishment and leasing of rolling stock, including locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key related components as well as other business that utilize proprietary rolling stock technologies.

“CSRG Group”	CSRG and its subsidiaries (including the Parent Group); and “CSRG Group Companies” means any one of them
“CSRG Mutual Supply Agreement”	a mutual supply agreement between CSRG and the Company dated 4 December 2006, under which the Company agreed to supply and procure its subsidiaries to supply to the CSRG Group train-borne electrical systems and electrical components, whereas CSRG agreed to supply and procure its subsidiaries to supply to the Group certain parts and components (including motors) for the Group’s production of train-borne electrical systems for a term commencing on the date of Listing and ending on 31 December 2008
“Director(s)”	the director(s) of the Company
“Effective Date”	1 January 2009
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of, among other things, approving the Renewed Agreements as well as the Renewed Annual Caps by the Independent Shareholders, and the notice of which will be set out in a circular to be despatched to shareholders of the Company
“Group”	the Company and its subsidiaries; and “Group Companies” means any one of them
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board (which shall consist only of independent non-executive Directors) to be formed to advise the Independent Shareholders in relation to the Renewed Agreements
“Independent Shareholders”	shareholders of the Company who and their beneficial owners are independent of and are not connected with the connected persons (within the meanings of the Listing Rules) of the Company in relation to the Renewed Agreements (as the case may be)

“KCR Mutual Supply Agreement”	a mutual supply agreement between Kunming China Railway and the Company dated 4 December 2006, under which the Company agreed to supply and procure its subsidiaries to supply to Kunming China Railway Group certain electrical control systems for large railway maintenance vehicles, whereas Kunming China Railway 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
“Kunming China Railway” or “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 under the laws of the PRC which is 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; a promoter of the Company and a wholly-owned subsidiary of China Railway Construction Corporation Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 1186)
“Kunming China Railway Group”	Kunming China Railway and its subsidiaries; and “Kunming China Railway Group Companies” means any one of them
“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

“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.), formerly known as 新力搏交通裝備投資發展有限公司 (New Leap Communication Equipment Invest Development Co., Ltd.); a promoter of the Company and a wholly-owned subsidiary of CSR
“Parent Company” or “ZELRI”	南車株洲電力機車研究所有限公司 (CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.), previously known as 中國南車集團株洲電力機車研究所 (CSR Zhuzhou Electric Locomotive Research Institute), a limited liability company under the laws of the PRC which is principally engaged in the research and development of electric locomotives and related products; a promoter and the controlling shareholder of the Company, and a wholly-owned subsidiary of CSR
“Parent Group”	the Parent Company and its subsidiaries (excluding the Group); and “Parent Group Companies” means any one of them (excluding the Group Companies)
“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 Agreements”	the Renewed CSRG Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement
“Renewed Annual Caps”	the CSRG Caps and the KCR Caps
“Renewed CSRG Supply Agreement”	a mutual supply agreement between CSRG and the Company dated 28 April 2008
“Renewed KCR Mutual Supply Agreement”	a mutual supply agreement between Kunming China Railway and the Company dated 28 April 2008

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsisting Agreements”	the ZELRI Mutual Supply Agreement, the CSRG Mutual Supply Agreement and the KCR Mutual Supply Agreement
“Waiver”	the waiver from strict compliance with the announcement and the independent shareholders’ approval requirement under Rule 14A.47 and Rule 14A.48 respectively of the Listing Rules in respect of the ZELRI Mutual Supply Agreement, the CSRG Mutual Supply Agreement and the KCR Mutual Supply Agreement for the period commencing on the date of Listing and ending on 31 December 2008
“ZELRI Mutual Supply Agreement”	a mutual supply agreement between the Parent Company and the Company dated 4 December 2006, under which the Company agreed to supply and procure its subsidiaries to supply to the Parent Company certain electrical parts and components (including power semiconductors, sensors, PCB assemblies, control system components and converters and related components) for the production of the Parent Company’s products, whereas the Parent Company agreed to supply and procure its subsidiaries to supply to the Group certain mechanical and electro-mechanical parts and components (including reactors and heat sinks) for the production of the Group’s train-borne electrical systems for a term commencing on the date of Listing and ending on 31 December 2008

*For illustrative purposes of this announcement, RMB89.7 = HK\$100 save as otherwise stated.*

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

Zhuzhou, China, 28 April 2008

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