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



## **ANNOUNCEMENT ON QUARTERLY REVIEW ON CONTINUING CONNECTED TRANSACTIONS**

The Group has entered into various supply and purchase agreements with the Parent Group and CSRG Group. Details of such transactions were set out in the Prospectus. Such transactions between the Group and the Parent Group or CSRG Group (as the case may be) constitute continuing connected transactions of the Company under the Listing Rules. In order to protect the interests of the Company's independent shareholders, the Company has adopted a series of corporate governance measures including, but not limited to, the review by the independent non-executive Directors on a quarterly basis of the terms of such supply and purchase arrangements and the disclosure of their view in respect of such transactions to the Company's shareholders by way of an announcement.

The independent non-executive Directors considered that, for the second quarter ended 30 June 2008, the relevant transactions were entered into in the ordinary and usual course of business; were either on normal commercial terms or on terms no less favourable than terms available from independent third parties; were conducted in accordance with the Group's pricing policies and the terms of the relevant agreements governing such transactions that were fair and reasonable and in the interests of the Company's shareholders and the Company as a whole; and were within the annual cap amounts of 2008 set out in the Prospectus.

The Group has entered into various supply and purchase agreements with CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (“**Parent Company**”), China South Locomotive & Rolling Stock Industry (Group) Corporation (“**CSRG**”) and their respective subsidiaries (“**Parent Group**” and “**CSRG Group**” respectively), including (1) a general services agreement between the Parent Company and the Company dated 4 December 2006; (2) a mutual supply agreement

between the Parent Company and the Company dated 4 December 2006; and (3) a mutual supply agreement between CSRG and the Company dated 4 December 2006. Details of such transactions were set out in the Prospectus.

The above transactions between the Group and the Parent Group or CSRG Group (as the case may be) constitute continuing connected transactions of the Company under the Listing Rules, and are subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35(3) and 14A.35(4) of the Listing Rules. The Company has applied for, the Stock Exchange has granted, a waiver from strict compliance with the relevant announcement and independent shareholders' approval requirements. In order to protect the interests of the Company's independent shareholders, the Company has adopted a series of corporate governance measures including, but not limited to, the review by the independent non-executive Directors on a quarterly basis of the terms of such supply and purchase arrangements and the disclosure of their view in respect of such transactions to the Company's shareholders by way of an announcement.

The independent non-executive Directors considered that, for the second quarter ended 30 June 2008, the relevant transactions:

- (1) were entered into in the ordinary and usual course of business;
- (2) were either on normal commercial terms, or if there were insufficient comparable transactions to form the basis of whether they were on normal commercial terms, on terms no less favourable than terms available from independent third parties;
- (3) were conducted in accordance with the Group's pricing policies and the terms of the relevant agreements governing such transactions that were fair and reasonable and in the interests of the Company's shareholders and the Company as a whole; and
- (4) were within the annual cap amounts of 2008 set out in the Prospectus.

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

Zhuzhou, China, 2 September 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 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 Chun Yu.*