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ANNOUNCEMENT

TERMINATION OF ENGAGEMENT OF PROTIVITI SHANGHAI CO., LTD.

Reference is made to the descriptions in the Prospectus of the Company in relation to the engagement of Protiviti Shanghai Co., Ltd. to perform yearly review of the Company's internal control systems. The Board hereby announces that the Company has decided not to continue with the engagement of Protiviti and dispense with yearly internal control reviews for the financial year 2008 and beyond.

Reference is made to the descriptions in the prospectus of Zhuzhou CSR Times Electric Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") dated 8 December 2006 (the "**Prospectus**") in relation to the Company's engagement of Protiviti Shanghai Co., Ltd. ("**Protiviti**"), independent international risk consultants, to perform yearly review of the Company's internal control systems.

As described in the Prospectus, the Company engaged Protiviti to review and improve the Group's then internal control systems in May 2005 prior to the listing of the Company's shares (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited. By March 2006, the Group was satisfied that all procedural measures recommended by Protiviti had been completely and effectively implemented. Protiviti was also engaged to perform various process-level and entity-level tests of controls between April and June 2006 and between June and August 2006 respectively. The results of such tests of controls showed that all measures in the procedural manuals had been effectively and completely implemented and all major internal control matters had been properly addressed. Further details of Protiviti's engagements were set out in the sub-section headed "Special Event" under the section headed "Business" in the Prospectus.

Following the Listing, in January 2007, the Company engaged Protiviti to perform an annual review (the “**Review**”) of the Group’s internal control systems on the recommendation of the Joint Sponsors for ongoing good corporate governance. A working group (the “**Working Group**”) was set up to conduct the Review. The Review covered various aspects of the Group’s internal control procedures, including sales and collection of trade receivables, purchases and settlement of trade payables, inventory control, financial clearance and reporting, liquidity control, fixed assets, connected transactions and investment. Since there had been changes of the internal structure and personnel of the Group since the Listing, the Working Group re-examined the business operations of the Group and prepared revised procedural manuals for the Group. The Working Group also examined the internal control measures at the process-level and the entity-level and confirmed that the Group’s internal control systems had been effectively implemented. The Review was completed in May 2008.

The Company considers that the Group’s internal controls are adequate through the effective implementation of the following measures:

- (a) The board of directors of the Company (the “**Board**”) has set up the audit committee and the risk management committee to supervise the internal control and risk management measures of the Group respectively. The Company also has its internal auditing department to monitor the implementation and enforcement of the procedural manuals.
- (b) The Company has engaged a PRC accounting firm to perform auditing and risk assessment services for each business unit of the Group since 2006.
- (c) The Company has engaged a management consultancy firm to set up the enterprise resource planning (ERP) system to enhance its control in the sales, purchases, manufacturing, inventory and financial management.
- (d) The Company has engaged professionals to provide training on risk management to its internal control, accounting, financial, investment and legal personnel, thereby raising their awareness of risk management.

In view of the implementation of the aforesaid measures, the Company considers that the Group’s internal control systems are effective and that the further engagement of Protiviti to perform yearly internal control review will no longer be necessary. The Board hereby announces that the Company has decided not to continue with the engagement of Protiviti and dispense with yearly internal control reviews for the financial year 2008 and beyond.

The Company will continue to adhere to the procedural manuals to ensure the effective implementation of all internal control measures. The Board will conduct reviews of the effectiveness of the internal control system of the Group at least annually and report to the Company's shareholders in the Corporate Governance Report in accordance with the requirements under the Rules Governing the Listing of Securities on the Stock Exchange.

By order of the Board
Ding Rongjun
Chairman

Zhuzhou, China, 22 December 2008

As at the date of this notice 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.