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

**(Stock Code: 3898)**

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

The Group has entered into various supply and purchase agreements with the Parent Group and the CSRG Group. Details of such transactions were set out in the Prospectus. Such transactions between the Group and the Parent Group or the 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 fourth quarter ended 31 December 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, except for the 2008 Exceeded Caps.

Reference is made to the prospectus dated 8 December 2006 (the “**Prospectus**”) issued by Zhuzhou CSR Times Electric Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”).

The Group has entered into various supply and purchase agreements with CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (the “**Parent Company**”), China South Locomotive & Rolling Stock Industry (Group) Corporation (“**CSRG**”) and their respective subsidiaries (the “**Parent Group**” and the “**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 (the “**ZELRI Mutual Supply Agreement**”); and (3) a mutual supply agreement between CSRG and the Company dated 4 December 2006 (the “**CSRG Mutual Supply Agreement**”). Details of such transactions were set out in the Prospectus.

The above transactions between the Group and the Parent Group or the CSRG Group (as the case may be) constitute continuing connected transactions of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (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, and on 5 December 2006 the Stock Exchange has granted, a waiver (the “**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 of the Company (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 fourth quarter ended 31 December 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, except for the aggregate annual purchase amount of the transactions under the ZELRI Mutual Supply Agreement and the aggregate annual sales amount of the transactions under the CSRG Mutual Supply Agreement for the year ended 31 December 2008 (collectively the “**2008 Exceeded Caps**”) which exceeded the respective approved annual caps for the year ended 31 December 2008 (collectively the “**2008 Approved Caps**”) as specified in the Waiver.

Pursuant to Rule 14A.36(1) of the Listing Rules, the Company should re-comply with the reporting, announcement and independent shareholders’ approval requirements for the 2008 Exceeded Caps. An announcement containing, among other things, the reasons for exceeding the 2008 Approved Caps was published by the Company on 14 April 2009 (the “**Announcement**”). A circular containing, among other things, details of transactions under the ZELRI Mutual Supply Agreement and the CSRG Mutual Supply Agreement for the year ended 31 December 2008 will be despatched to the shareholders of the Company in due course and approval will be sought from the independent shareholders of the Company to approve and ratify the 2008 Exceeded Caps.

The Independent Non-executive Directors noted that the Company became aware of the 2008 Exceeded Caps in March 2009. The Independent Non-executive Directors considered that the failure for the Company to re-comply with the requirements of Listing Rules on a timely basis, which was inadvertent and regretful, is an isolated event. The Independent Non-executive Directors noted that the Company will take steps as disclosed in the Announcement to tighten its compliance system in order to prevent recurrence of similar event.

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

Zhuzhou, China, 22 April 2009

*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 Chunru.*