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株洲南车时代电气股份有限公司

ZHUZHOU CSR TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)

REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS WITH CSRG GROUP

Reference is made to the announcements of the Company dated 28 April 2008 and 14 April 2009 and the circulars to the shareholders of the Company dated 9 May 2008 and 5 May 2009 which contain, among others, particulars of the CSRG Renewed Mutual Supply Agreement and the CSRG First Supplemental Mutual Supply Agreement. The CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement) and the CSRG Caps for the five years from 1 January 2009 to 31 December 2013 were approved by Independent Shareholders on 23 June 2009.

In view of the developments in the PRC railway industry, the Directors consider that the anticipated aggregate annual values of transactions under the CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement) for the three years from 1 January 2011 to 31 December 2013 are expected to exceed the CSRG Caps. On 25 March 2011, the Company entered into the CSRG Second Supplemental Mutual Supply Agreement with CSRG to revise the CSRG Caps for the three years from 1 January 2011 to 31 December 2013 and the scope of products and services provided under the CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement).

Listing Rules Requirements

The Parent Company is the controlling shareholder of the Company. CSRG directly and indirectly holds approximately 55.07% equity interest in CSR. CSR directly holds the entire equity interest in the Parent Company. CSRG is therefore a connected person of the Company under the Listing Rules. As the CSRG Caps for the three years from 1 January 2011 to 31 December 2013 are expected to be exceeded, pursuant to Rule 14A.36 of the Listing Rules, the Company is required

to re-comply with Rules 14A.35(3) and (4) of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) for the New CSRG Caps is more than 25% and the annual consideration is more than HK\$10,000,000, the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG 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 25 March 2011 at which the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps were reviewed and approved. The CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps are 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 CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps. In this connection, the Company has appointed Celestial Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps.

A circular containing, among other things, (i) details of the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps; (ii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps; (iii) the recommendation of the Independent Board Committee regarding the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps to the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the shareholders of the Company no later than 18 April 2011.

BACKGROUND

Reference is made to the announcements of the Company dated 28 April 2008 and 14 April 2009 and the circulars to the shareholders of the Company dated 9 May 2008 and 5 May 2009 which contain, among others, particulars of the CSRG Renewed Mutual Supply Agreement and the CSRG First Supplemental Mutual Supply Agreement. The CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement) and the CSRG Caps for the five years from 1 January 2009 to 31 December 2013 were approved by Independent Shareholders on 23 June 2009.

CONTINUING CONNECTED TRANSACTIONS WITH CSRG GROUP

Historical Transaction Records with CSRG Group

Set out below is a summary of the transaction records of the transactions under the CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement) for the two years ended 31 December 2009 and 2010:

	Year ended 31 December	
	2009	2010
	<i>(RMB millions)</i>	
CSRG Renewed Mutual Supply Agreement		
(as supplemented by the CSRG First		
Supplemental Mutual Supply Agreement)		
1. Amount paid to the CSRG Group by the Group for the products and services provided by the CSRG Group	181.19	520
2. Amount paid to the Group by the CSRG Group for the products and services provided by the Group	1,687.96	3,716

Reasons for Revision of CSRG Caps

Having taken into account of the projected growth in the relevant transactions under the CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement), it is expected that the aggregate annual values of the transactions under the CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement) for the three years from 1 January 2011 to 31 December 2013 will exceed the CSRG Caps.

Accordingly, on 25 March 2011, the Company entered into the CSRG Second Supplemental Mutual Supply Agreement with CSRG to revise the CSRG Caps for each of the three years ending 31 December 2011, 2012 and 2013 as follows:

		Year ending 31 December		
		2011	2012	2013
		(RMB millions)		
CSRG Caps				
1.	Amount to be paid to the CSRG Group by the Group for products and services provided by the CSRG Group	900	1,100	1,300
2.	Amount to be paid to the Group by the CSRG Group for products and services provided by the Group	5,000	6,000	7,000
New CSRG Caps				
1.	Amount to be paid to the CSRG Group by the Group for products and services provided by the CSRG Group	1,500	2,500	3,500
2.	Amount to be paid to the Group by the CSRG Group for products and services provided by the Group	6,500	9,500	12,500

The New CSRG Caps are determined with reference to the following: (1) during the “Twelve Five” period, a large number of new railways such as the Beijing-Shanghai High-speed Railway will successively be put into operation, and investment in railways will be more towards procurement of locomotive equipment. As such, locomotives and electric multiple units electrical system related products of the Company will be benefited from this round of procurement peak; (2) the expected growth of railway industry in the PRC; (3) the business development potential of the CSRG Group; (4) the business development plan of the Group; (5) the historical transaction amounts under the CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement) as shown in the section headed “Historical Transaction Records with CSRG Group”; (6) a sales contract and supply schedule regarding the 7,200 kilowatt electric locomotives

entered into between the Group and a member of the CSRG Group; (7) a sales contract and supply schedule regarding the 300km/h electric multiple units entered into between the Group and a member of the CSRG Group in 2010; and (8) the anticipated demand for city railways.

As at the date of this announcement, the 2011 Approved CSRG Caps have not been exceeded.

Principal Terms of CSRG Second Supplemental Mutual Supply Agreement

Pursuant to the CSRG Second Supplemental Mutual Supply Agreement, the parties agreed to revise the scope of products and services provided under the CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement). 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 electrical systems and electrical components), parts and components, technical services and after-sales services, and facilities for related research and development, production and testing 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, technical services and after-sales services for the Group's integration and assembly of electrical systems and other related products, and facilities for related research and development, production and testing purposes.

Save and except for the New CSRG Caps and the revised scope of products and services as stated in this announcement, the principal terms of the CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement) (including the pricing and payment terms) which have been set out in the announcements of the Company dated 28 April 2008 and 14 April 2009 remain unchanged under the CSRG Second Supplemental Mutual Supply Agreement and are summarised as follows:

Pricing basis : The pricing for the products and/or services supplied by and/or to the CSRG Group will be determined on the following basis in the order of priority:

- (a) the prices prescribed by the PRC Government (if any);

- (b) the prices not exceeding any pricing guidelines or pricing recommendations set by the PRC Government (if any), where no government-prescribed prices are available;
- (c) 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
- (d) the agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profit margin (which is determined by reference to the nature of products and/or services, current market price of the similar products and/or services and the Group's forecasted demand and increase in the market price of such products and/or services in the remaining term), where none of the above prices are available or applicable.

Payment terms : Payments for the products and/or services supplied by and/or to the CSRG Group will be settled by way of cash or such other means as agreed by the parties 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.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Revision of CSRG Caps

The Parent Company is the controlling shareholder of the Company. CSRG directly and indirectly holds approximately 55.07% equity interest in CSR. CSR directly holds the entire equity interest in the Parent Company. CSRG is therefore a connected person of the Company under the Listing Rules.

As the CSRG Caps for the three years from 1 January 2011 to 31 December 2013 are expected to be exceeded, pursuant to Rule 14A.36 of the Listing Rules, the Company is required to re-comply with Rules 14A.35(3) and (4) of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) for the New CSRG Caps is more than 25% and the annual consideration is more than HK\$10,000,000, the CSRG Second Supplemental Mutual Supply Agreements and the New CSRG 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.

LISTING RULES REQUIREMENTS

A meeting of the Board was held on 25 March 2011 at which the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps were reviewed and approved. At the said meeting of the Board, Mr. Ding Rongjun (the chairman of the Board, an executive Director and a general manager of the Parent Company) and Mr. Deng Huijin (a non-executive Director and a deputy general manager of the Parent Company) were abstained from the examination of and voting on the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps due to conflict of interests.

The Directors, excluding Mr. Ding Rongjun and Mr. Deng Huijin and the independent non-executive Directors, consider that the CSRG Second Supplemental Mutual Supply Agreement were entered into in the ordinary and usual course of business of the Group and the terms thereof and the New CSRG Caps are on normal commercial terms or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties which are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned. The CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps are 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 CSRG Second Supplemental Mutual Supply Agreement were entered into in the ordinary and usual course of business of the Group and the terms thereof and the New CSRG Caps are on normal commercial terms or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties 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 has appointed Celestial Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps.

The advice from the independent non-executive Directors (i.e. members of the Independent Board Committee) will be set out in the circular, after receiving advice from the independent financial adviser.

The Company will disclose information in relation to the CSRG Second Supplemental Mutual Supply Agreement in its subsequent published annual report and accounts in accordance with Rule 14A.45 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) details of the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps; (ii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps; (iii) the recommendation of the Independent Board Committee regarding the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps to the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the shareholders of the Company no later than 18 April 2011.

DEFINITIONS

“2011 Approved CSRG Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement) for the year ending 31 December 2011 approved by the then Independent Shareholders on 23 June 2009
“Board”	the board of Directors
“Company”	Zhuzhou CSR Times Electric Co., Ltd. (株洲南車時代電氣股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange. The Group is the leading train-borne electrical system provider and integrator for the railway industry in the PRC
“CSR”	CSR Corporation Limited (formerly known as China South Locomotive & Rolling Stock Corporation Limited) (中國南車股份有限公司), a joint stock company incorporated in the PRC with limited liability, the A shares and the H shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange respectively; CSR is directly and indirectly held as to approximately 55.07% by CSRG and holds the entire equity interest in the Parent Company

“CSRG”	中國南車集團公司 (CSR Group) (formerly known as 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, multiple units, rapid transit vehicles and key related components as well as other business that utilize proprietary rolling stock technologies; the controlling shareholder of CSR
“CSRG Caps”	the maximum aggregate annual purchase and sales amounts in respect of the transactions under the CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement) for a term of five years commencing from 1 January 2009 to 31 December 2013 approved by the then Independent Shareholders on 23 June 2009
“CSRG First Supplemental Mutual Supply Agreement”	a supplemental agreement to the CSRG Renewed Mutual Supply Agreement entered into between CSRG and the Company on 14 April 2009
“CSRG Group”	CSRG and its subsidiaries (including the Parent Group but excluding the Group) and “CSRG Group Company” means any of them
“CSRG Renewed Mutual Supply Agreement”	a mutual supply framework agreement entered into between CSRG and the Company dated 28 April 2008
“CSRG Second Supplemental Mutual Supply Agreement”	a supplemental agreement to the CSRG Renewed Mutual Supply Agreement (as supplemented by the CSRG First Supplemental Mutual Supply Agreement) entered into between CSRG and the Company on 25 March 2011
“Director(s)”	director(s) of the Company

“EGM”	an extraordinary general meeting to be convened by the Company on the date to be announced, or any adjournment thereof to consider and approve, among others, the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps
“Group”	the Company and its subsidiaries and “Group Company” means any of them
“Independent Board Committee”	the independent committee of the Board (which shall consist only of independent non-executive Directors) formed to advise the Independent Shareholders in relation to the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps
“Independent Shareholders”	shareholders of the Company other than those who are required by the Listing Rules to abstain from voting on the resolution to approve the CSRG Second Supplemental Mutual Supply Agreement and the New CSRG Caps
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MOR”	Ministry of Railways of the PRC
“New CSRG Caps”	the revised maximum aggregate annual purchase and sales amounts in respect of the transactions under the CSRG Second Supplemental Mutual Supply Agreement for a term of three years commencing from 1 January 2011 to 31 December 2013
“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.), a limited liability company established under the laws of the PRC which is principally engaged in the research and development of electric locomotives and related products; the controlling shareholder of the Company, and a wholly-owned subsidiary of CSR
“Parent Group”	the Parent Company and its subsidiaries (excluding the Group)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

By order of the Board

Ding Rongjun

Chairman

Changsha, China, 25 March 2011

As at the date of this announcement, our chairman of the Board and executive director is Ding Rongjun, our vice chairman of the Board and non-executive director is Deng Huijin, our other executive director is Li Donglin, our non-executive directors are Yan Wu 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.