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(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3898)

**PROPOSED CHANGES IN THE COMPANY'S (1) LEGAL STATUS;
(2) BUSINESS SCOPE; AND
(3) ARTICLES OF ASSOCIATION**

The H shares of the Company were successfully listed on the Main Board of the Stock Exchange on 20 December 2006. As a result, the Company is eligible to alter its legal status from a joint stock company with limited liability to a foreign investment joint stock company with limited liability so as to enjoy various preferential treatment. The Board proposes such alteration of the legal status of the Company. The Board further proposes to expand the business scope of the Company to include construction and design of safety precaution works. In line with the proposed changes in the legal status and business scope of the Company, the Board proposes to make corresponding amendments to the Articles.

The Board considers that the above proposed changes are in the interests of the Company and its shareholders as a whole. Such proposed changes will be considered at the EGM to be held on Monday, 10 September 2007. Please refer to the notice of EGM by the Company of even date for further information.

(1) PROPOSED CHANGE IN LEGAL STATUS

The H shares of Zhuzhou CSR Times Electric Co., Ltd. (“**Company**”) were successfully listed on the Main Board of the Stock Exchange on 20 December 2006. As a result, the Company is eligible to alter its legal status from a joint stock company with limited liability to a foreign investment joint stock company with limited liability so as to enjoy various preferential treatment. Subject to the relevant laws and regulations of the People's Republic of China (“**PRC**”) from time to time, a foreign-invested enterprise is entitled to, among other things, the following:

- (a) enjoy reduced tax rates, duty-free importation or tax refunds for imports of equipment, machinery, components and other related materials; imports of various materials for production of export sales; and exports of products manufactured by the foreign-invested enterprise;
- (b) maintain foreign exchange bank accounts with designated banks to retain its foreign exchange earnings; and
- (c) determine its own salary levels and total wages payable to its employees and is not subject to the national restriction on total salary payments.

In light of the above benefits, the board of directors of the Company (“**Board**”) hereby proposes to alter the legal status of the Company from a joint stock company with limited liability to a foreign investment joint stock company with limited liability.

(2) PROPOSED CHANGE IN BUSINESS SCOPE

The Board further proposes to expand the business scope of the Company to include construction and design of safety precaution works in order to cater for the Company’s development in the market for intelligent transportation systems (“**ITS**”). ITS is a nationwide initiative to add information and communications technology to transport infrastructure and vehicles. Supported by national policy, the ITS market is in a growing stage in the PRC. The Company’s efforts in developing various control systems, including train network control systems, safety monitoring systems and intelligent traffic lights control systems, provide sufficient technological background for its expansion into the ITS industry.

Taken into account the Company’s relevant technological background and the development prospects of ITS in China, the Board is of the view that the Company is prepared to step into this new market. As of the date of this announcement, the Company has not set up a detailed plan for its expansion into the ITS business in terms of capital expenditure or other commitment. The Company will formulate a detailed investment plan upon obtaining shareholders’ approval for the proposed change in business scope.

(3) PROPOSED CHANGES IN THE ARTICLES

In line with the above proposed changes in the legal status and business scope of the Company, the Board proposes to make the following amendments to the Articles of Association of the Company (“**Articles**”):

- (i) Add a new paragraph 3 to the existing Article 5 of the Articles which provides that:

“The legal status of the Company is a foreign investment joint stock company with limited liability.”

- (ii) Delete the entirety of paragraph 2 of the existing Article 11 of the Articles which provides that:

“The main business scope of the Company include: research, development, production, sale of track transportation traction converter equipment, train network communication products, industrial automation facilities, safety monitoring equipment, monitoring technology and products, high-power electrical and electronic appliances, printed circuit boards, compound connectors and related electric and electronic products, control computer products and software; sale of computer network wireless equipment; self-operation and acting as agent for the import and export business of commodities and technology (apart from those prohibited and limited by national laws and regulations); provision of related technological development, services, training and computer network system integration, computer software development services.”

and replace it with the following:

“The main business scope of the Company include: research, development, production, sale of track transportation traction converter equipment, train network communication products, industrial automation facilities, safety monitoring equipment, monitoring technology and products, high-power electrical and electronic appliances, printed circuit boards, compound connectors and related electric and electronic products, control computer products and software; sale of computer network wireless equipment; construction and design of safety precaution works; self-operation and acting as agent for the import and export business of commodities and technology (apart from those prohibited and limited by national laws and

regulations); provision of related technological development, services, training and computer network system integration, computer software development services.”

The Board consider that the above proposed changes are in the interests of the Company and its shareholders as a whole. The Board recommends the shareholders of the Company to vote in favour of each of the above proposed changes. Such proposed changes will be considered at the First Extraordinary General Meeting of 2007 (“EGM”) of the Company to be held at Times Hotel, Zhuzhou City, Hunan Province, the PRC on Monday, 10 September 2007 at 9:00 a.m. Please refer to the notice of EGM by the Company of even date for further information.

Upon approval of the above proposed changes by the shareholders of the Company at the EGM, the Company will apply to the Ministry of Commerce of the PRC for alteration of its legal status from a joint stock company with limited liability to a foreign investment joint stock company with limited liability and for approval of the Articles. No government approval is required for the proposed changes in the Company’s business scope.

By order of the Board
Liao Bin
Chairman

26 July 2007

As at the date of this announcement, our chairman of the Board and non-executive director is Liao Bin, our executive directors are Ding Rongjun and Lu Penghu, our other non-executive directors are Tian Lei 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.