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

(Stock Code: 3898)

CONTINUING CONNECTED TRANSACTIONS: REVISION OF CAP

On 4 December 2006, the Company and Kunming China Railway entered into the KCR Mutual Supply Agreement which is a framework agreement for certain continuing connected transactions conducted between the Group and Kunming China Railway Group for a term of 3 years commencing on the date of Listing and ending on 31 December 2008. On 28 April 2008, the Company entered into the Renewed KCR Mutual Supply Agreement for a term of five years commencing on 1 January 2009 and ending on 31 December 2013. Reference is made to the Company's prospectus dated 8 December 2006 which contained particulars on the annual caps for the 3 years from the date of Listing to 31 December 2008. Reference is also made to the Company's announcement dated 28 April 2008 as well as the circular to the shareholders of the Company dated 9 May 2008 which contained particulars of the Renewed KCR Mutual Supply Agreement.

The anticipated aggregate annual values of transactions under the KCR Mutual Supply Agreement for the year ending 31 December 2008 and the anticipated aggregate annual values of transactions under the Renewed KCR Mutual Supply Agreement for the two years ending 31 December 2009 and 2010 are expected to exceed the Original Annual Caps for the years ending 31 December 2008, 2009 and 2010. Such an anticipated increase was a result of the requests from Kunming China Railway made in the third quarter of 2008 to deliver certain products one year earlier than the original schedule. Accordingly, the directors of the Company proposed to revise the Original Annual Caps. On 7 August 2008, the Company and Kunming China Railway entered into a Supplemental Mutual Supply Agreement to increase the annual cap amounts on the continuing connected transactions for the three years ending 31 December 2008, 2009 and 2010. Other than the annual cap amounts, the terms of the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement (including the basis to determine the consideration and the settlement terms) remain unchanged.

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 each of the Revised Annual Caps is more than 2.5%, the Supplemental KCR Mutual Supply Agreement and the Revised 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 6 August 2008 at which the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps were reviewed and approved. The Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps is conditional upon, among others, the Independent Shareholders' approval in respect thereof.

An Independent Board Committee will be established to advise the Independent Shareholders in relation to the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps. In this connection, the Company has appointed CSC Asia Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among others, the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps.

A circular containing, among other things, (i) further details of the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps; (ii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the shareholders of the Company.

BACKGROUND

On 4 December 2006, the Company and Kunming China Railway entered into the KCR Mutual Supply Agreement which is a framework agreement for certain continuing connected transactions conducted between the Group and Kunming China Railway Group for a term of 3 years commencing on the date of Listing and ending on 31 December 2008. On 28 April 2008, the Company entered into the Renewed KCR Mutual Supply Agreement for a term of five years commencing on 1 January 2009 and ending on 31 December 2013.

Reference is made to the Company's prospectus dated 8 December 2006 which contained particulars on the annual caps for the 3 years from the date of Listing to 31 December 2008 and the waiver from strict compliance with the announcement and the independent shareholders' approval requirements under the Listing Rules in

respect of the KCR Mutual Supply Agreement. Reference is also made to the announcement of the Company made on 28 April 2008 and the circular to the shareholders of the Company dated 9 May 2008 which contained certain particulars of the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement. The Renewed KCR Mutual Supply Agreement and the annual caps for the 5 years from 1 January 2009 to 31 December 2013 were approved by Independent Shareholders on 27 June 2008.

Pursuant to the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement, the Company agreed to supply and procure its subsidiaries to supply to the Kunming China Railway Group certain products (including electrical control systems for large railway maintenance vehicles) and after-sales services. Kunming China Railway agreed to supply and procure its subsidiaries and associates to supply to the Group certain imported parts and components for the Group's production of electrical control systems for large railway maintenance vehicles.

The Original Annual Caps were determined with reference to the following: (1) the historical transaction amounts under the KCR Mutual Supply Agreement; (2) an estimated annual increase of approximately 30% for the amount payable to the Kunming China Railway Group by the Group; and (3) an estimated average annual increase of approximately 29% for the amount payable to the Group by the Kunming China Railway Group.

REVISION OF ANNUAL CAPS

In light of the "Eleventh Five-Year Plan" issued by the MOR that the production of railway equipment in the PRC will gradually evolve from importing foreign technologies for production to domestic production, Kunming China Railway in the third quarter of 2008 requested the delivery time for certain products related to the electrical control systems for the new type of tamping machines be changed from 2009, 2010 and 2011 to 2008, 2009 and 2010 respectively.

In view of the above, the anticipated aggregate annual values of transactions under the KCR Mutual Supply Agreement for the year ending 31 December 2008 and the anticipated aggregate annual values of transactions under the Renewed KCR Mutual Supply Agreement for the two years ending 31 December 2009 and 2010 are expected

to exceed the Original Annual Caps. Accordingly, the Company entered into a Supplemental KCR Mutual Supply Agreement on 7 August 2008 which would revise the Original Annual Caps for each of the three years ending 31 December 2008, 2009 and 2010 as follows:

	Year ending 31 December 2008	Year ending 31 December 2009	Year ending 31 December 2010
	<i>(RMB millions)</i>		
Original Annual Caps			
1. Amount paid to the KCR Group by the Group for the products provided by the KCR Group	74.4	100	130
2. Amount paid to the Group by the KCR Group for the products provided by the Group	230	300	400
Actual amounts incurred for the period from 1 January to 30 June 2008 (unaudited)			
1. Amount paid to the KCR Group by the Group for the products provided by the KCR Group	46.6		
2. Amount paid to the Group by the KCR Group for the products provided by the Group	166.6		
Revised Annual Caps			
1. Amount paid to the KCR Group by the Group for the products provided by the KCR Group	120	150	150
2. Amount paid to the Group by the KCR Group for the products provided by the Group	285	355	455

The Revised Annual Caps are determined with reference to the existing KCR Mutual Supply Agreement, Renewed KCR Mutual Supply Agreement, the request of Kunming China Railway based on the “Eleventh Five-Year Plan” issued by MOR and the actual amount incurred for the six month period as at 30 June 2008. The original annual caps for the year ending 31 December 2011 onwards are expected to remain

unchanged. Other than the Revised Annual Cap, the terms of the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement which are set out in the announcement of the Company dated 28 April 2008 remain unchanged and are summarised as follows:

Pricing basis: The pricing for the products and services supplied by and/or to the Kunming China Railway Group will be determined on the following basis in the order of priority: wthe prices prescribed by the PRC Government (if any); pthe prices not exceeding any pricing guidelines or pricing recommendations set by the PRC Government (if any), where no government prescribed prices are available; sthe 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 pthe agreed prices based on the actual or reasonable cost incurred thereof plus a reasonable profitmargin, where none of the above prices are available or applicable.

Payment terms: Payments for the products and services supplied by and/or to the Kunming China Railway Group will be made upon the occurrence of contractually agreed payment events as specified in the purchase documents to be entered into between the Group Companies and the Kunming China Railway 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.

REQUIREMENTS OF LISTING RULES

Kunming China Railway is a promoter of the Company and is therefore a connected person of the Company under the Listing Rules.

As the Original Annual Caps 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. Since each of the applicable percentage ratios (other than the profits ratio) for each of the Revised Annual Caps is more than 2.5%, the Supplemental KCR Mutual Supply Agreement and the Revised 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 6 August 2008 at which the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps were reviewed and approved. Mr. Ma Yunkun (a non-executive Director and the chairman of the board of Kunming China Railway) abstained from the examination of and voting on the Supplemental KCR Mutual Supply Agreement due to conflict of interests. The Board, excluding Mr. Ma Yunkun, consider the Revised Cap and terms of the Supplemental Mutual Supply Agreement are on normal commercial terms. The Board, excluding Mr. Ma Yunkun, also consider that the Supplemental KCR Mutual Supply Agreement was entered into in the ordinary and usual course of business of the Group and the terms of the KCR Mutual Supply Agreement are fair and reasonable insofar as the interests of the Company and its shareholders as a whole are concerned. The Supplemental KCR Mutual Supply Agreement is conditional upon, among others, the Independent Shareholders' approval in respect thereof.

An Independent Board Committee (which shall consist only of independent non-executive Directors) will be established to advise the Independent Shareholders as to whether the Supplemental KCR Agreements and the Revised Annual Caps 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 will disclose information in relation to the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps 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) further details of the Supplemental KCR Mutual Supply Agreement; (ii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the shareholders of the Company as soon as practicable.

TERMS USED IN THIS ANNOUNCEMENT

“Board”	the board of Directors
“Company”	株洲南車時代電氣股份有限公司 (Zhuzhou CSR Times Electric Co., Ltd.), a joint stock company incorporated in the PRC with limited liability. The Group is the leading train-borne electrical system provider and integrator for the PRC railway industry
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of, among others, approving the Supplemental KCR Mutual Supply Agreement as well as the Revised Annual Caps by the Independent Shareholders, and the notice of which will be set out in a circular to be despatched to shareholders of the Company
“Group”	the Company and its subsidiaries; and “Group Companies” means any one of them
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board (which shall consist only of independent non-executive Directors) to be formed to advise the Independent Shareholders in relation to the Supplemental KCR Mutual Supply Agreement and the Revised Annual Caps
“Independent Shareholders”	shareholders of the Company who and their beneficial owners are independent of and are not connected with the connected persons (within the meanings of the Listing Rules) of the Company in relation to the Supplemental KCR Mutual Supply Agreement

“KCR Mutual Supply Agreement”	a mutual supply framework agreement between KCR and the Company dated 4 December 2006, under which the Company agreed to supply and procure its subsidiaries to supply to Kunming China Railway Group certain electrical control systems for large railway maintenance vehicles, whereas Kunming China Railway agreed to supply to the Group certain parts and components in relation to large railway maintenance vehicles for a term commencing on the date of Listing and ending on 31 December 2008
“Kunming China Railway” or “KCR”	昆明中鐵大型樣路機械集團有限公司 (Kunming China Railway Large Road Maintenance Machinery Co., Ltd.), a limited liability company incorporated under the laws of the PRC; a promoter of the Company and a wholly-owned subsidiary of China Railway Construction Corporation Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 1186)
“Kunming China Railway Group”	Kunming China Railway and its subsidiaries; and “Kunming China Railway Group Companies” means any one of them
“Listing”	the listing of the Company’s shares on the Main Board of the Stock Exchange on 20 December 2006
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MOR”	the Ministry of Railways of the PRC
“Original Annual Caps”	the original annual caps for each of the three years ending on 31 December 2008, 2009 and 2010 under the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement respectively
“PRC” or “China”	The People’s Republic of China
“Revised Annual Caps”	the revised annual caps under the Supplemental KCR Mutual Supply Agreement for each of the three years ending 31 December 2008, 2009 and 2010

“Renewed KCR Mutual Supply Agreement”	a mutual supply agreement between Kunming China Railway and the Company dated 28 April 2008, under which the Company agreed to supply and procure its subsidiaries to supply to Kunming China Railway Group certain electrical control systems for large railway maintenance vehicles, whereas Kunming China Railway agreed to supply and procure its subsidiaries and associates to supply to the Group certain parts and components in relation to large railway maintenance vehicles for a term of 5 years commencing from 1 January 2009 and ending on 31 December 2013
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental KCR Mutual Supply Agreement”	a supplemental agreement of the KCR Mutual Supply Agreement and the Renewed KCR Mutual Supply Agreement, entered into on 7 August 2008 between Kunming China Railway and the Company.

By order of the Board
Ding Rongjun
Chairman

Zhuzhou, China, 7 August 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 Liao Bin, Song Yali 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.