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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)

**PROPOSED CHANGE IN AUDITORS AND
PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION
AND PROPOSED AMENDMENTS TO THE RELEVANT
INTERNAL RULES**

Proposed change in auditors

The Board proposes, subject to the approval by the Shareholders by way of an ordinary resolution at the EGM, to terminate the appointment of E&Y as the international auditors of the Company and appoint E&Y Hua Ming as the sole auditors of the Company, in light of the acceptance of Mainland accounting and auditing standards and Mainland audit firms by the Stock Exchange.

Proposed amendments to the Articles of Association

The Board proposes to amend the Articles to, among others, adopt the China Accounting Standards for Business Enterprises and align with certain changes in the Listing Rules. The proposed amendments to the Articles are subject to the approval of the Shareholders by way of a special resolution at the EGM and the approval of or registration or filing with the relevant PRC government authorities.

Proposed amendments to the Relevant Internal Rules

The Board further proposes to amend the Relevant Internal Rules to, among others, align with certain changes in the Listing Rules and bring them in line with the Company's updated position. The proposed amendments to the Relevant Internal Rules are subject to approval by the Shareholders by way of ordinary resolutions at the EGM.

A circular containing, among other things, further details of the proposed change in auditors, proposed amendments to the Articles and proposed amendments to the Relevant Internal Rules, together with a notice of EGM will be despatched to the Shareholders as soon as practicable.

PROPOSED CHANGE IN AUDITORS

Reference is made to the announcement of the Company dated 10 June 2011 regarding, among others, the approval by the Shareholders at the annual general meeting held on 10 June 2011 of the re-appointment of the then retiring auditors as the auditors of Company until the conclusion of the next annual general meeting of the Company.

The Board proposes, subject to the approval by the Shareholders by way of an ordinary resolution at the EGM, to terminate the appointment of E&Y as the international auditors of the Company and appoint E&Y Hua Ming as the sole auditors of the Company, in light of the acceptance of Mainland accounting and auditing standards and Mainland audit firms by the Stock Exchange.

Pursuant to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” issued by the Stock Exchange in December 2010 and the related amendments to the Listing Rules, commencing from 15 December 2010, Mainland incorporated issuers listed on the Stock Exchange are allowed to prepare their financial statements using Mainland accounting standards, and Mainland accounting firms that have been approved (the “**Approved Mainland Accounting Firms**”) by the Ministry of Finance of the PRC and the China Securities Regulatory Commission are eligible to provide auditing services to Mainland incorporated companies listed in Hong Kong using Mainland auditing standards.

At present, E&Y Hua Ming and E&Y are acting as the Company’s PRC and international auditors respectively. To enhance efficiency and reduce the cost of the Company, the Board proposes, subject to the approval by the Shareholders at the EGM, to terminate the appointment of E&Y as the Company’s international auditors while E&Y Hua Ming, being one of the Approved Mainland Accounting Firms, will become the sole auditors of the Company to audit the Company’s financial statements for the year ending 31 December 2011 prepared in accordance with China Accounting Standards for Business Enterprises and to undertake all such activities as

required to be performed by international auditors under the Listing Rules (including but not limited to the preliminary announcement on annual results and annual review of continuing connected transactions) and to hold office until the conclusion of the next annual general meeting of the Company.

E&Y has confirmed in writing that there were no circumstances connected with the proposed termination of appointment that it considered should be brought to the attention of the Shareholders or creditors of the Company. The Board is not aware of any matter regarding the proposed termination of appointment that needs to be brought to the attention of the Shareholders. The Board and the audit committee of the Company confirmed that there were no disagreement or unresolved matters between the Company and E&Y regarding the proposed termination of appointment.

The Board is of the view that there will not be any material financial impact on the adoption and preparation of its financial statements under China Accounting Standards for Business Enterprises.

The Board would like to express its appreciation for the professional services and support of E&Y provided to the Company in the past years.

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

The Board announces that a special resolution will be proposed at the EGM to amend the Articles to, among others, adopt the China Accounting Standards for Business Enterprises and align with certain changes in the Listing Rules.

In view of the provisions of Rule 2.07A of the Listing Rules relating to the use of electronic means or website for communication with shareholders and the acceptance of Mainland accounting and auditing standards and Mainland audit firms by the Stock Exchange and the related amendments to the Listing Rules, amendments to the Articles are proposed. Certain amendments to the Articles are also proposed to bring them in line with the Company's updated position.

The proposed amendments to the Articles are subject to the approval of the Shareholders by way of a special resolution at the EGM and the approval of or registration or filing with the relevant PRC government authorities.

PROPOSED AMENDMENTS TO THE RELEVANT INTERNAL RULES

The Board further announces that ordinary resolutions will be proposed at the EGM to amend the Relevant Internal Rules to, among others, align with certain changes in the Listing Rules and bring them in line with the Company's updated position. The proposed amendments to the Relevant Internal Rules are subject to approval by the Shareholders by way of ordinary resolutions at the EGM.

A circular containing, among other things, further details of the proposed change in auditors, proposed amendments to the Articles and proposed amendments to the Relevant Internal Rules, together with a notice of EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“Articles” or “Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors of the Company
“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
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened by the Company on the date to be announced or any adjournment thereof to consider and approve, among others, the proposed change in auditors and the proposed amendments to the Articles
“E&Y”	Ernst & Young
“E&Y Hua Ming”	Ernst & Young Hua Ming
“Group”	the Company and its subsidiaries
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange

“PRC”	the People’s Republic of China
“Relevant Internal Rules”	(a) the Rules of Procedures for General Meetings of the Company, (b) the Rules of Procedures for Board Meetings of the Company, and (c) the Rules of Procedures for Meetings of Supervisory Committee of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Ding Rongjun
Chairman

Zhuzhou, China, 20 October 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 and Liu Chunru.