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 People's Republic of China with limited liability)
(Stock Code: 3898)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The board of directors (the "Board") of Zhuzhou CSR Times Electric Co., Ltd. (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006, together with the comparative figures in 2005, set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	Notes	**2006**	2005
		RMB'000	RMB'000
REVENUE	3	**1,255,926**	997,976
Cost of sales		**(640,377)**	(542,314)
Gross profit		**615,549**	455,662
Other revenue and gains	3	**64,473**	18,530
Selling and distribution costs		**(118,657)**	(87,295)
Administrative expenses		**(243,742)**	(154,795)
Other operating revenue/(expenses), net		**(610)**	273
Finance costs	5	**(14,352)**	(13,819)
Share of loss of an associate		**(80)**	—
PROFIT BEFORE TAX	4	**302,581**	218,556
Income tax expense	6	**(313)**	(639)
PROFIT FOR THE YEAR		**302,268**	217,917
Attributable to:			
Equity holders of the parent		**296,771**	211,733
Minority interests		**5,497**	6,184
		302,268	217,917
DIVIDENDS	7	**204,403**	119,852
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**RMB0.44**	RMB0.33

CONSOLIDATED BALANCE SHEET

31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**367,884**	303,003
Prepaid land lease payments		**32,792**	21,840
Intangible assets		**14,930**	14,128
Interest in an associate		**1,920**	980
Available-for-sale financial assets		**1,200**	1,606
Total non-current assets		**418,726**	341,557
CURRENT ASSETS			
Inventories		**357,157**	223,878
Trade receivables	9	**508,153**	509,419
Notes receivable		**143,853**	59,037
Prepayments, deposits and other receivables		**96,088**	182,380
Pledged deposits		**2,969**	—
Cash and cash equivalents		**2,261,310**	165,126
Total current assets		**3,369,530**	1,139,840
CURRENT LIABILITIES			
Trade payables	10	**230,312**	190,895
Notes payable		**98,672**	17,280
Other payables and accruals		**209,698**	161,249
Provision for warranties		**36,898**	31,898
Interest-bearing bank and other borrowings		**364,537**	252,521
Dividend payable	7(i)	**—**	171,328
Tax payable		**129**	19
Total current liabilities		**940,246**	825,190
NET CURRENT ASSETS		**2,429,284**	314,650
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,848,010**	656,207
NET ASSETS		**2,848,010**	656,207
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**1,084,256**	669,612
Reserves		**1,725,465**	(39,446)
Proposed final dividend	7(iii)	**36,865**	—
		2,846,586	630,166
Minority interests		**1,424**	26,041
TOTAL EQUITY		**2,848,010**	656,207

NOTES TO FINANCIAL STATEMENTS

1. GROUP REORGANISATION AND CORPORATE INFORMATION

The Company was established in the People's Republic of China (the "PRC") on 26 September 2005 as a joint stock company with limited liability as a result of a group reorganisation (the "Reorganisation") of CSR Zhuzhou Electric Locomotive Research Institute ("ZELRI") under the Company Law of the PRC.

Pursuant to the Reorganisation with an effective date of 30 September 2004, ZELRI, as the principal promoter of the Company, injected its assets, liabilities and businesses relating to the manufacture and sale of train-borne electrical systems and electrical components (the "Relevant Businesses") into the Company as capital contribution for subscribing approximately 94.06% of the equity interest in the Company. The Relevant Businesses at the effective date of the Reorganisation include the following:

(a) Various business divisions of ZELRI, which engaged in the manufacture and sale of train-borne electrical systems and electrical components together with their related assets and liabilities that included property, plant and equipment, cash, inventories, debtors, creditors and borrowings, except for (i) certain property, plant and equipment for basic research and development purposes, administration purposes or not related to the operations of the Relevant Businesses; (ii) certain prepayments and non-trade payable balances which were not and will not be related to the operations of the Relevant Businesses; (iii) inventories which will not be used in the operations of the Group; and (iv) certain cash balances;

(b) ZELRI's 100% equity interest in a subsidiary, Ningbo CSR Times Sensor Technology Company Ltd. ("Ningbo Company"), which is engaged in the manufacture and sale of sensors and vacuum sanitary units; and

(c) ZELRI's 90% equity interest in a subsidiary, Zhuzhou Times Electronics Technology Co., Ltd. ("Times Electronics"), which is engaged in the manufacture and sale of the electrical control systems of large railway maintenance vehicles.

The net asset value of the Relevant Businesses injected into the Company was RMB629,811,637, as appraised by a PRC valuer.

Upon its establishment, the Company issued approximately 629,811,637 ordinary shares of RMB1.00 each to ZELRI, credited as fully paid, as consideration for the Relevant Businesses injected by ZELRI into the Company. CSR Zhuzhou Electric Locomotive Company, Ltd., CSR Qishuyan Locomotive & Rolling Stock Works ("CSR Qishuyan"), New Leap Communication Equipment Invest Development Co., Ltd. ("New Leap") and China Railway Large Maintenance Machinery Co., Kunming ("Kunming China Railway"), the other promoters of the Company (collectively the "Other Promoters"), injected cash into the Company in an aggregate amount of RMB39,800,000 as consideration for the Company's paid-up capital of an aggregate of 39,800,000 shares of RMB1.00 each. As a result, 94.06% and 5.94% of the share capital of the Company were owned by ZELRI and the Other Promoters, respectively.

On 20 December 2006, the Company issued 360,560,000 new H shares to the public at a price of Hong Kong Dollars ("HK$") 5.30 per share (equivalent to approximately RMB5.330 per share), and were listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, 36,056,000 H shares converted from certain domestic shares held by ZELRI, CSR Qishuyan and New Leap were transferred to the PRC National Council for the Social Security Fund.

On 28 December 2006, as a result of the full exercise of the over-allotment option detailed in the Company's prospectus dated 8 December 2006 (the "Over-allotment Option"), an additional 54,084,000 new H shares were issued to the public at a price of HK$5.30 per share (equivalent to approximately RMB5.327 per share) and were listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, 5,408,000 H shares converted from certain domestic shares held by ZELRI, CSR Qishuyan and New Leap were transferred to the PRC National Council for the Social Security Fund.

The registered office of the Company is located at Times Road, Shifeng District, Zhuzhou City, Hunan Province, PRC.

1. GROUP REORGANISATION AND CORPORATE INFORMATION *(continued)*

The Company and its subsidiaries are principally engaged in the sale and manufacture of train-borne electrical systems and electrical components.

In the opinion of the directors, the holding company of the Group is ZELRI and the ultimate holding company of the Group is China Southern Locomotive & Rolling Stock Industry (Group) Corporation ("CSR"), which are established in the PRC.

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards("IAS") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance (the "Companies Ordinance"). They have been prepared under the historical cost convention, except for certain financial assets as further explained below.

As ZELRI controlled the Relevant Businesses before the Reorganisation and continues to have control over the Group after the Reorganisation, the Reorganisation has been accounted for as a reorganisation of entities under common control in a manner similar to a pooling of interests. As a result, the financial statements have been prepared on the basis as if the Relevant Businesses had been injected into the Company at the beginning of the comparative year ended 31 December 2005. Accordingly, the assets and liabilities comprising the Relevant Businesses injected into the Company have been stated at historical amounts.

The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The result of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group had control. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. This method involves allocating the cost of a business combination to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

1.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IFRICs, that have been issued but are not yet effective, in the financial statements:

•	IAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
•	IAS 23 (Revised)	Borrowing costs
•	IFRS 7	Financial Instruments: Disclosures
•	IFRS 8	Operating Segments
•	IFRIC - Int 7	Applying the Restatement Approach under IAS 29 Financial Reporting in *Hyperinflationary Economies*
•	IFRIC - Int 8	Scope of IFRS 2
•	IFRIC - Int 9	Reassessment of Embedded Derivatives
•	IFRIC - Int 10	Interim Financial Reporting and Impairment
•	IFRIC - Int 11	IFRS 2 - Group and Treasury Share Transaction
•	IFRIC - Int 12	Service Concession Agreements

The IAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

IAS 23 (Revised) shall be applied for annual periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying assets. The choice of immediately recognise such cost as an expense is eliminated.

IFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

IFRS 8 shall be applied for annual periods beginning on or after 1 January 2009 and will replace the existing IAS 14 "Segment Reporting". IFRS 8 requires an entity to adopt the "management approach" to report on the financial performance of its operating segments. Generally, the information to be reported would be that used internally for the purpose of evaluating segment performance and deciding resources allocation to operating segments. Such information may be different from what is used for preparing the income statement and balance sheet. IFRS 8 therefore requires explanations of the basis on how the segment information is prepared and reconciled to the income statement and balance sheet.

IFRIC – Int 7, IFRIC – Int 8, IFRIC – Int 9, IFRIC – Int 10, IFRIC – Int 11 and IFRIC – Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group has commenced its assessment of the impact of these standards and interpretation but is not yet in a position to state whether these standards and interpretation would have a material impact on its result of operations and financial position.

2. SEGMENT INFORMATION

Segment information is required by IAS 14 *Segment Reporting* to be presented by way of two segment formats: (i) on a primary segment reporting basis, which the Group has determined to be by business segment; and (ii) on a secondary segment reporting basis, which the Group has determined to be by geographical segment.

The Group is principally engaged in the manufacture and sale of electrical systems and components relating to locomotive and rolling stock. All of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single business segment. In addition, the Group's revenue, expenses, profit, assets and liabilities and capital expenditures are principally attributable to a single geographical region, which is the PRC. Therefore, no analysis in business or geographical segment is presented.

3. **REVENUE, OTHER REVENUE AND GAINS**

Revenue on sale of goods

Revenue represents the net invoiced value of goods sold, net of discounts and returns.

An analysis of the Group's revenue, other revenue and gains is as follows:

	Notes	**2006**	2005
		RMB'000	RMB'000
Revenue:			
Sale of goods		**1,266,909**	1,005,780
Less: Sales tax and surcharge		**(10,983)**	(7,804)
		1,255,926	997,976
Other revenue and gains:			
Interest income		**25,048**	1,238
Profit from sale of raw materials		**2,246**	3,345
Gross rental income		**2,359**	—
Exchange gains, net		**—**	4,212
Excess of the acquirers' additional interests in the carrying value of the acquirees' net assets over the cost of acquisition of additional interests in subsidiaries	(i)	**7,952**	—
Value-added tax refund	(ii)	**15,499**	6,969
Technical service income		**2,780**	1,320
Others		**8,589**	1,446
Total		**64,473**	18,530

(i) Acquisition of additional interests in subsidiaries

In June 2006, the Company acquired a further 10% equity interest in Times Electronics, a then 90%-owned subsidiary, at a consideration of RMB9,150,000. In addition, the Company agreed that the seller should be entitled to a 10% of the net profit of Times Electronics for the six months ended 30 June 2006, which amounted to RMB4,005,000. The Group's additional interest in the carrying value of the net assets of Times Electronics arising from such acquisition of 10% equity interest from Times Electronics' minority shareholder amounted to RMB20,569,000 and the excess of such carrying value over the cost of acquisition attributable to the Group (includes net profit of Times Electronics entitled by the seller) of RMB7,414,000 was credited to the Group's consolidated income statement for the year ended 31 December 2006. The cash flows used in such investment activities for the year ended 31 December 2006 amounted to RMB13,155,000.

In December 2006, Times Electronics acquired a further 15% equity interest in Zhuzhou Times Guangchuang Converter Technology Co., Ltd. ("Times Guangchuang"), a then 70%-owned subsidiary of Times Electronics, at a consideration of RMB892,000 in cash. Thereafter, its equity interest in Times Guangchuang increased from 70% to 85%. Times Electronics' additional interest in the carrying value of the net assets of Times Guangchuang arising from the acquisition of 15% equity interest from Times Guangchuang's minority shareholders amounted to RMB1,430,000, and the excess of the carrying value over the cost of acquisition attributable to Times Electronics was of RMB538,000 was recognized in the Group's consolidated income statement for the year ended 31 December 2006.

3. **REVENUE, OTHER REVENUE AND GAINS** *(continued)*

(ii) Value-added tax refund

Sales of goods are generally subject to the value-added tax ("VAT") at a rate of 17%. Pursuant to the "Notice on the Taxation Policy Issues relating to Encouraging the Development of the Software Industry and Integrated Circuit Industry" issued by State Administration of Taxation and General Administration of Custom, the Group is entitled to a refund of VAT paid in excess of 3% in respect of sale of certain products during the years ended 31 December 2005 and 2006.

4. **PROFIT BEFORE TAX**

The Group's profit before tax from operating activities is arrived at after charging/(crediting):

	Notes	**2006**	2005
		RMB'000	RMB'000
Cost of inventories sold		**640,377**	542,314
Staff costs (including directors' and supervisors' emoluments)	(i)	**139,462**	117,888
Auditors' remuneration		**3,600**	159
Depreciation of items of property, plant and equipment		**33,764**	25,335
Amortisation of prepaid land lease payments		**556**	564
Amortisation of intangible assets		**2,192**	2,345
Minimum lease payments under operating leases in respect of:			
Land and buildings		**457**	127
Plant and equipment		**9,115**	9,000
Provision for obsolete inventories		**12,297**	11,883
Exchange losses/(gains), net		**1,442**	(4,212)
Research and development costs		**95,982**	52,388
Less: staff cost included above		**(39,259)**	(25,904)
depreciation and amortization included above		**(3,133)**	(4,675)
Research and development costs net of staff cost, depreciation and amortisation		**53,590**	21,809
Losses/(gains) on disposal of items of property, plant and equipment, net		**(53)**	199
Provision for doubtful debts on trade and other receivables, net		**17,520**	4,318
Write-off of an available-for-sale financial asset		**306**	—
Loss on disposal of an associate		**277**	—
Provision for warranties		**33,273**	32,403
Interest income		**(25,048)**	(1,238)
Gross rental income		**(2,359)**	—

4. PROFIT BEFORE TAX *(continued)*

(i) Staff cost

	2006	2005
	RMB'000	RMB'000
Wages, salaries and bonus	**104,728**	93,872
Contribution to government-operated pension scheme	**8,862**	6,734
Contribution to pension annuity plan	**3,713**	—
Welfare and other expenses	**22,159**	17,282
Total	**139,462**	117,888

In 2006, the Group implemented a new pension annuity plan. Pursuant to the new pension annuity plan, the Group is required to contribute a fixed percentage of salaries to the annuity plan and has no further payment obligation to the pension annuity plan once the contributions have been made.

5. FINANCE COSTS

	2006	2005
	RMB'000	RMB'000
Interest paid on bank and other borrowings repayable within one year	**14,352**	13,819

6. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on the profits arising in or derived from jurisdictions in which members of the Group are domiciled and operate.

PRC corporate income tax ("CIT") has been provided based on the taxable income as reported in the statutory accounts of the relevant companies comprising the Group, which are prepared in accordance with PRC Enterprise Accounting System ("PRC GAAP"), as adjusted for income and expense items which are not assessable or deductible for income tax purpose. The income tax rates for the Company and its subsidiaries are as follows:

(i) Pursuant to the approvals of relevant tax authorities, ZELRI, as a scientific research organization enterprise, is exempted from PRC enterprise income tax from 1 October 2000 to 30 September 2007. Therefore, no PRC income tax was provided for the profits arising from the Relevant Businesses operated by ZELRI, which is included in those financial statements for the period prior to the establishment of the Company on 26 September 2005.

Pursuant to the Reorganisation, the Company was established to take over the Relevant Businesses from ZELRI, and in accordance with relevant tax regulations and an approval from the local tax authorities, the Company is exempted from corporate income tax for two years commencing from 1 October 2005. Accordingly, no PRC income tax has been provided for by the Company during the year.

6. **INCOME TAX EXPENSE** *(continued)*

(ii) Times Electronics and Times Guangchuang are enterprises established in Zhuzhou Hi-technology Development Zone and are subject to PRC enterprise income tax at a rate of 15%. As approved by the local tax authorities, Times Electronics is entitled to an exemption from PRC corporate income tax from 1 April 2005 to 31 December 2006. Times Electronics is subject to a tax rate of 15% for the three month period ended 31 March 2005, and no provision for income tax of Times Electronics was made after 1 April 2005.

As approved by the local tax authorities, Times Guangchuang, as a software development enterprise, is entitled to a 50% reduction of PRC enterprise income tax for the three years starting from 1 January 2004. Accordingly, PRC corporate income tax of Times Guangchuang for the years ended 31 December 2005 and 2006 were provided at a reduced rate of 7.5%.

(iii) As approved by the relevant tax authorities, Ningbo Company, as a scientific research reorganization enterprise, is exempted from PRC enterprise income tax from 2002 to 2005. In addition, pursuant to relevant tax regulations and the approval from the relevant tax authorities, the PRC income tax exemption granted to Ningbo Company is further extended to the year ended 31 December 2006 and year ending 31 December 2007. Therefore, no provision for PRC income tax of Ningbo Company was made during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the PRC, based on the existing legislation, interpretations and practices in respect thereof.

	2006	2005
	RMB'000	RMB'000
Current taxation - PRC corporate income tax	**313**	639

A reconciliation of income tax exposure applicable to profit before tax at the statutory income tax rate in the PRC to income tax exposure at the Group's effective income tax rate are as follows:

	2006		2005	
	RMB'000	**%**	RMB'000	%
Profit before tax	**302,581**		218,556	
Standard tax rate applied to profit before tax	**99,852**	**33.0**	72,123	33.0
Reconciling items:				
Expenses not deductible for income tax purposes	**3,984**	**1.3**	1,640	0.7
Income not subject to income tax	**(7,769)**	**(2.6)**	(1,110)	(0.5)
Effect of tax incentive	**(1,235)**	**(0.4)**	(78)	(0.0)
Tax exemptions	**(94,519)**	**(31.2)**	(71,936)	(32.9)
Total tax charge for the year	**313**	**0.1**	639	0.3

7. DIVIDENDS

	2006	2005
	RMB'000	RMB'000
Pre-incorporation profit distribution (i)	**—**	119,852
Special dividend (ii)	**167,538**	—
Proposed final – RMB0.034 per ordinary share (iii)	**36,865**	—
	204,403	119,852

(i) In accordance with the "Provisional Regulation Relating to Corporate Reorganisation of Enterprises and Related Management of state-owned Capital and Financial Treatment" notice issued by the Ministry of Finance (財政部關於印發《企業公司制改建有關國有資本管理與財務處理的暫行規定》的通知), the Company is required to make a distribution to ZELRI which represents an amount equal to the net profit attributable to shareholders, as determined based on PRC GAAP, generated during the period from 30 September 2004 (effective date of the Reorganisation) to 26 September 2005 (the date of incorporation of the Company) by the Relevant Businesses to ZELRI. Accordingly, pre-incorporation profits of RMB51,476,000 and RMB119,852,000 were distributable to ZELRI during the year ended 31 December 2004 and the year ended 31 December 2005, respectively.

(ii) In November 2006, as approved by the shareholders' meeting of the Company, a special dividend of RMB167,538,000 which represents an amount equal to the net profit earned during the period from 26 September 2005 to 30 June 2006, as determined based on the lower of the Company's PRC GAAP and IFRS after-tax profits after allowance for the transfer to the statutory common reserve fund of an amount of RMB14,278,000, was declared to be payable to the shareholders of the Company before the issue of H shares.

(iii) The proposed final dividend for the year ended 31 December 2006 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

	2006	2005
	RMB'000	RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	**296,771**	211,733
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**682,058,366**	640,388,623

The Company's weighted average number of domestic shares in issue used in the basic earning per share calculation for the year ended 31 December 2005 is determined on the assumption that the 629,811,637 domestic shares of RMB1.00 each issued as a result of the Reorganisation had been in issue during the year and as adjusted to add the 39,800,000 domestic shares of RMB1.00 each issued to the Other Promoters upon the establishment of the Company on 26 September 2005. Further details of the Reorganisation are set out in note 1.

No diluted earnings per share have been disclosed as no diluting events existed during the years ended 31 December 2005 and 2006.

9. TRADE RECEIVABLES

The Group generally stipulates payment upon delivery in sales contracts entered into with customers. However, in the opinion of the directors, the Group has effectively granted an average credit period of around six months to its customers after taking into account the practice of the industry in which the Group conducts its businesses.

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables from:				
CSR and its subsidiaries				
(other than the Group)	**89,208**	133,555	**67,450**	118,705
Subsidiaries	**—**	—	**23,874**	2,417
Third parties	**453,983**	394,160	**368,608**	279,982
	543,191	527,715	**459,932**	401,104
Less: Provision for				
impairment of receivables	**(35,038)**	(18,296)	**(26,702)**	(14,112)
	508,153	509,419	**433,230**	386,992

An age analysis of trade receivables, net of provision for impairment of receivables, is as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**477,330**	480,199	**412,909**	367,367
Over 1 year but within 2 years	**31,899**	30,485	**19,423**	21,086
Over 2 years but within 3 years	**17,728**	12,111	**15,345**	8,947
Over 3 years	**16,234**	4,920	**12,255**	3,704
	543,191	527,715	**459,932**	401,104
Less: Provision for				
impairment of receivables	**(35,038)**	(18,296)	**(26,702)**	(14,112)
	508,153	509,419	**433,230**	386,992

The amounts due from CSR and its subsidiaries included in the Group's and the Company's trade receivables, and the amounts due from subsidiaries included in the Company's trade receivables are unsecured, interest-free and repayable on demand.

10. TRADE PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables to:				
CSR and its subsidiaries (other than the Group)	**57,562**	23,481	**56,170**	8,293
Subsidiaries	**—**	—	**56,210**	30,198
Third parties	**172,750**	167,414	**140,938**	126,090
	230,312	190,895	**253,318**	164,581

The amounts due to CSR and its subsidiaries included in the Group's and the Company's trade payables, and the amounts due to subsidiaries included in the Company's trade payables are unsecured, interest-free and repayable on demand. The normal credit period for trade payable is three months.

An age analysis of trade payables is as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**170,674**	153,039	**195,646**	135,653
Over 3 months but within 1 year	**43,475**	33,875	**42,348**	26,064
Over 1 year but within 2 years	**15,142**	3,199	**14,534**	2,728
Over 2 years but within 3 years	**657**	203	**692**	136
Over 3 years	**364**	579	**98**	—
	230,312	190,895	**253,318**	164,581

BUSINESS REVIEW

2006 was the first year in the Eleventh Five Year Plan period of the PRC, as well as a significant year in the history of the development of the Company. The Company saw remarkable achievements in research and development, production, sales, fund raising from a successful initial public offering and corporate governance.

The Group's turnover in 2006 amounted to RMB1,255,926,000 (2005: RMB997,976,000), an increase of 25.8% over the previous year. Profit attributable to equity holders of parent was RMB296,771,000 (2005: RMB211,733,000), an increase of 40.2% over the previous year. Earnings per share was RMB0.44 (2005: RMB0.33). The Company ranks 40th on the list of the PRC's top 100 software companies.

According to market reports, 2006 was the last year in which the Ministry of Railways purchased direct current locomotives in bulk. Meanwhile, the Company began to deliver its power electrical system products for 200 km/hr high speed trains. During the year, the Company was awarded a number of procurement contracts, including contract to provide products for 300 km/hr high speed train electrical systems, contract to provide products for Line 2 of the Beijing Metro and contract to provide products for the Shenyang Metro Line. Annual sales of converters and control systems increased by approximately 37.4% compared with 2005. At the end of 2005, the Ministry of Railways stipulated that all train operation safety equipment of the LKJ93 model across the country should be replaced by the LKJ 2000 model prior to the sixth round of nationwide train speed increase. As a result, the Company's sales of train operation safety equipment increased substantially and the total amount was approximately 35.7% higher than that in 2005. However, sales of large railway maintenance vehicles declined by approximately 16.3% compared with 2005.

DEVELOPMENT PROSPECTS

The Company's long term objective is to consolidate its leading position in the PRC railway train-borne electrical system market, and to become an internationally renowned train-borne electrical system supplier and integrator. To achieve this objective, the Company will leverage from its core technologies, speed up its process of localisation of overseas technologies, continue its expansion in the domestic market, develop its overseas markets and further strengthen its core competitive advantages.

2007 will be a year of challenges and opportunities. Foreign competitors with advanced technologies and management experience have gained a foothold in the PRC market. The open market conditions create intensified competition, placing pressures on the operation of the Company. We anticipate that the Ministry of Railways will mainly concentrate on procuring alternating current locomotives and EMUs after 2006. The market demand for direct current locomotives will decline in 2007. The market for train operation safety equipment products will also dwindle. However, the rapid development of the China's economy and the rapid growth of the railway and urban rail industries will present the Company with great development opportunities. In 2007, the Company will start to deliver products for projects involving 300km/hr high-speed trains, and complete the delivery of products for projects involving 200km/hr high-speed trains. The market for large railway maintenance vehicles will also come into a new phase of expansion.

In 2007, the Company proposes to adopt the following strategies to realise opportunities and to overcome the challenges that lie ahead of us.

- To accelerate construction of key projects as well as enhancing our professional manufacturing and testing capabilities. In 2007, the Company will speed up construction of its research and development base in Beijing, complete the planning and design of its testing systems, complete construction of its manufacturing base, completing construction of production lines and optimize production processes for the manufacturing of converters, control systems, ATP, compound busbars, vacuum sanitary units and sensors. The Company will also fortify its capabilities in research and development, manufacturing and testing through integration of available resources, so as to enhance the core competitiveness of the Company.

- Continue to focus on technological innovation to reinforce our competitiveness within the market place. The Company will complete the development of high power electric locomotive converter and control system products and undertake to supply electric system products for high power electric locomotives and diesel locomotives. The Company will complete localization of key parts and components for electric systems for high speed train projects, mass production of ATP products and development of LKJ05 type train safety equipment.

- Continue to exploit potential of its existing markets, achieve breakthrough in the non-railway markets, while expanding our market shares in relation to power semiconductor components and vacuum sanitary units. The Company will strengthen its development in overseas markets and establish its European representative office.

- Continue to enhance the Company's corporate governance, and set up a management system that satisfies international capital market requirements. The Company will set up effective risk management mechanisms, and establish systems for technology innovation and construction project management.

- To explore opportunities for integration of upstream and downstream industries and resources.

The Company is fully confident of its future. The Group will continue its impressive growth in 2007 with the upgrading of its core technologies, enhancement of its ability to commercialise core technologies and expansion of its after-sales networks. The Company will persevere to create greater value, and share the fruits of its steady development with all its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

	2006 **(RMB million)**	2005 (RMB million)
Train power converters, auxiliary power supply equipment and control systems	**494.2**	359.6
Train operation safety equipment	**369.7**	272.5
Electrical control systems for large railway maintenance vehicles	**124.7**	148.9
Train-borne electrical systems	**988.6**	781.0
Power semiconductor devices	**96.1**	90.1
Sensors and related products	**89.0**	57.0
Others	**82.2**	69.9
Electric components	**267.3**	217.0
Total turnover	**1,255.9**	998.0

Turnover increased by RMB257.9 million from RMB998.0 million for the year ended 31 December 2005 to RMB1,255.9 million for the year ended 31 December 2006. Increase in turnover was mainly due to the growth in the sales of power converters, control system and train operation safety equipment. Of these, growth in the sales of power converters and control system was mainly due to the increase in the sales of 200 km/h EMUs, while growth in the sales of train operation safety equipment was mainly due to new regulatory policies introduced by the Ministry of Railways at the end of 2005 to install LKJ2000 type train operation safety equipment on all trains operating in the PRC.

Cost of sales

Cost of sales increased 18.1% from RMB542.3 million for the year ended 31 December 2005 to RMB640.4 million for the year ended 31 December 2006, which was mainly due to increase in the Group's turnover.

Gross profit

Based on the above factors, the Group's gross profit increased 35.1% from RMB455.7 million for the year ended 31 December 2005 to RMB615.5 million for the year ended 31 December 2006. The Group's gross profit margin rose from 45.7% for the year ended 31 December 2005 to 49.0% for the year ended 31 December 2006, which was mainly due to changes in its product structure.

Other incomes and revenue

Other incomes and revenue of the Group increased 248.6% from RMB18.5 million for the year ended 31 December 2005 to RMB64.5 million for the year ended 31 December 2006. The increase in other incomes and revenue was mainly due to interest income earned in connection with the Company's initial public offering.

Selling and distribution costs

The Group's selling and distribution costs increased 36.0% from RMB87.3 million (representing 8.7% of the turnover for the whole year) for the year ended 31 December 2005 to RMB118.7 million (representing 9.5% of the turnover for the whole year) for the year ended 31 December 2006. Increase in the selling and distribution costs was mainly due to the overall growth in the Group's business.

Administration expenses

The Group's administration expenses increased 57.4% from RMB154.8 million for the year ended 31 December 2005 to RMB243.7 million for the year ended 31 December 2006, which was mainly due to the increase in expenditures in research and development.

Profit from operations

The Group's profit from operations increased 36.4% from RMB232.4 million for the year ended 31 December 2005 to RMB317.0 million for the year ended 31 December 2006, which was mainly due to increases in turnover and interest income. The Group's profit margins from operations for the years ended 31 December 2005 and 2006 were 23.3% and 25.2% respectively.

Finance costs

Finance costs increased 4.3% from RMB13.8 million for the year ended 31 December 2005 to RMB14.4 million for the year ended 31 December 2006, which was mainly due to the increase in the Group's borrowings and the overall increase in the interest rates in 2005 to 2006. For the year ended 31 December 2006, the Group's bank loans carried annual interest rates ranging from 5.02% to 7.50%, while for the year ended 31 December 2005, the interest rates ranged from 4.19% to 6.19%.

Profit before tax

Based on the above factors, the Group's profit before tax increased 38.4% from RMB218.6 million for the year ended 31 December 2005 to RMB302.6 million for the year ended 31 December 2006.

Income tax expenses

The Group's income tax expenses decreased from RMB639,000 for the year ended 31 December 2005 to RMB313,000 for the year ended 31 December 2006. Income tax expenses in 2005 were mainly income taxes incurred by Times Electronics and Times Guangchuang. Income tax expenses in 2006 were mainly income taxes incurred by Times Guangchuang and which were recognized during the twelve months ended 31 December 2006. The Company, Ningbo Company and Times Electronics are exempt from PRC enterprise income tax up to 30 September 2007.

The Group's effective tax rates for the years ended 31 December 2005 and 2006 were 0.3% and 0.1% respectively.

Minority interests

Minority interests decreased from RMB6.2 million for the year ended 31 December 2005 to RMB5.5 million for the year ended 31 December 2006. This was mainly due to the Group's acquisition of an additional 10% interest in Times Electronics in June 2006, after which Times Electronics became a wholly owned subsidiary of the Group, while the Group recognized the minority interests of Times Electronics only for the six months ended 30 June 2006.

Net profit attributable to equity holders of the parent

The Group's net profit attributable to equity holders of the parent increased from RMB211.7 million for the year ended 31 December 2005 to RMB296.8 million for the year ended 31 December 2006. The Group's net profit margins for the years ended 31 December 2005 and 2006 were 21.2% and 24.1% respectively.

Liquidity

The Group's working capital were mainly sourced from cash derived from operations and short-term loans. The Group's cash and cash equivalents increased substantially during the year, which was mainly due to the receipt of proceeds from the Group's initial public offering on the Stock Exchange of Hong Kong on 20 December 2006. All the Directors considered that the Group has sufficient liquidity to meet the Group's present requirements for funds.

Contingent liabilities

The Group was not involved in any existing material litigation, and so far as the Group is aware, the Group has no pending or potential material litigation.

PROPOSED DISTRIBUTION OF FINAL DIVIDENDS

The Board has proposed distribution of a final dividend of RMB36,864,692 for the year ended 31 December 2006 to shareholders whose names are listed on the register of members as at 15 May 2007. The proposed distribution of dividends is subject to the approval by shareholders at the forthcoming Annual General Meeting, and will be paid on or after 15 July 2007 (about one month after the shareholders' meeting).

CLOSURE OF REGISTER

The register of the members of the Company will be temporarily closed from 16 May 2007 to 15 June 2007 (both days inclusive), during which no transfer of shares will be registered. In order to be entitled for the final dividends, all instrument of transfers together with the relevant share certificates must be delivered to the Company's H Shares registrar and transfer office Computershare Hong Kong Investor Services at Shops 1712-16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of holders of H Shares) before 4:30 p. m. on 15 May 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The H Shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong on 20 December 2006. During the year, there was no purchase, redemption or sale of any listed securities of the Company by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

During the reporting period, the Company had not adopted a code of practice not lower than the one set out in Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules regarding securities transactions by its Directors. The main reason why the Company did not adopt this Model Code was the fact that its listing took place on 20 December 2006, and none of its securities was in circulation in the market prior to that date. Even though it had not formally instituted a code of practice, the Company made specific enquiries to its Directors about whether they had complied with the Model Code in their securities transactions. The Company confirms that all its Directors complied with the standards for securities transactions by Directors set out in the Model Code during the reporting period. In order to comply with the Listing Rules, it was resolved at the Ninth Meeting of the first term of the Board of Directors held on 23 April 2007 that the Model Code be adopted as its code of practice for securities transactions by Directors.

For the reporting period ended 31 December 2006, the Company has adopted the principles contained in the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 to the Listing Rules. Except for a deviation from clause A.5.4 of the CG Code (Standard code which must be complied with in securities transactions of Directors), the Company has complied with all other provisions of the CG Code.

REVIEW BY THE AUDIT COMMITTEE

The Company's annual results for the year ended 31 December 2006 and this results announcement have been reviewed and confirmed by the audit committee.

By Order of the Board
Zhuzhou CSR Times Electric Co., Ltd.
Liao Bin
Chairman

23 April 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.

Please also refer to the published version of this announcement in The Standard.