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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board of directors (the "Board") of Zhuzhou CSR Times Electric Co., Ltd. (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 which have been prepared in accordance with International Financial Reporting Standards, set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as follows:

Condensed Consolidated Income Statement

		For the six months ended 30 June	
		2007	2006
		(Unaudited)	*(Audited)*
	Notes	***RMB'000***	*RMB'000*
REVENUE	3	**718,705**	633,927
Cost of sales		**(419,818)**	(326,466)
Gross profit		**298,887**	307,461
Other revenue and gains	3	**43,582**	21,478
Selling and distribution costs		**(48,410)**	(56,504)
Administrative expenses		**(138,249)**	(106,268)
Other operating expenses, net		**(29)**	(306)
Finance costs	5	**(3,794)**	(7,320)
Share of profit of a jointly-controlled entity		**1,728**	—
PROFIT BEFORE TAX	4	**153,715**	158,541
Tax	6	**7,191**	(244)
PROFIT FOR THE PERIOD		**160,906**	158,297
Attributable to:			
Equity holders of the parent		**161,127**	153,274
Minority interests		**(221)**	5,023
		160,906	158,297
Dividend	7	**Nil**	167,538
Earnings per share attributable to ordinary equity holders of the parent	8		
Basic		**RMB 0.15**	RMB 0.23
Diluted		**N/A**	N/A

Condensed Consolidated Balance Sheet

	Notes	**As at 30 June 2007** *(Unaudited)* *RMB'000*	As at 31 December 2006 *(Audited)* *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**436,259**	367,884
Prepaid land lease payments		**32,440**	32,792
Intangible assets		**13,919**	14,930
Interest in an associate		**—**	1,920
Interest in a jointly-controlled entity		**65,244**	—
Available-for-sale financial assets		**400**	1,200
Deferred tax assets		**7,283**	—
Total non-current assets		**555,545**	418,726
CURRENT ASSETS			
Inventories		**334,474**	357,157
Trade receivables	9	**620,481**	508,153
Notes receivable		**220,113**	143,853
Prepayments, deposits and other receivables		**79,036**	96,088
Pledged deposits		**835**	2,969
Cash and cash equivalents		**1,746,866**	2,261,310
Total current assets		**3,001,805**	3,369,530
CURRENT LIABILITIES			
Trade payables	10	**314,117**	230,312
Notes payable		**19,350**	98,672
Other payables and accruals		**134,964**	209,698
Provision for warranties		**49,614**	36,898
Interest-bearing bank and other borrowings		**27,416**	364,537
Dividend payable		**36,782**	—
Tax payable		**92**	129
Total current liabilities		**582,335**	940,246
NET CURRENT ASSETS		**2,419,470**	2,429,284
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,975,015**	2,848,010
NET ASSETS		**2,975,015**	2,848,010
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**1,084,256**	1,084,256
Reserves		**1,886,675**	1,725,465
Proposed dividend		**—**	36,865
		2,970,931	2,846,586
Minority interests		**4,084**	1,424
TOTAL EQUITY		**2,975,015**	2,848,010

Notes to Condensed Consolidated Interim Financial Statements

1.1 Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") No.34 "Interim Financial Reporting" and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules"). International Financial Reporting Standards ("IFRSs") comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards and Interpretations of the Standing Interpretations Committee approved by the International Accounting Standards Committee that remain in effect. The condensed consolidated interim financial statements have been prepared under the historical cost convention.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2006.

1.2 Significant accounting policies

The accounting policies for preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of the following new and revised IFRSs, which also include IASs and interpretations, that affect the Group and are adopted the first time for the current period's financial statements:

- IAS 1 Amendment — Capital Disclosures
- IFRS 7 — Financial Instruments: Disclosures
- 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

The above accounting standards and interpretations had no material impact on the preparation of the unaudited condensed consolidated balance sheet and condensed income statement.

The Group has not early applied the new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations are unlikely to have significant impact on the Group's results and financial position.

2. SEGMENT INFORMATION

Segment information is required by IAS No.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 operating activities 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:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Revenue:		
Sale of goods	**723,167**	638,447
Less: Sales tax and surcharge	**(4,462)**	(4,520)
	718,705	633,927
Other revenue and gains:		
Interest income	**16,287**	296
Profit from sale of raw materials	**1,432**	1,349
Gross rental income	**942**	1,189
Exchange gains, net	**—**	309
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	**—**	7,414
Value-added tax refund	**8,925**	9,464
Technical service income	**1,126**	427
Technological grants	**13,936**	—
Others	**934**	1,030
Total	**43,582**	21,478

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Cost of inventories sold	**419,818**	326,466
Depreciation of items of property, plant and equipment	**20,194**	15,844
Exchange losses/(gains), net	**18,721**	(309)
Amortisation of lease payments	**351**	133
Amortisation of intangible assets	**1,683**	841
Provision for obsolete inventories	**1,018**	5,552
Provision for impairment of receivables, net	**8,235**	7,482

5. FINANCE COSTS

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Interest paid on bank and other borrowings repayable within five years	**3,794**	7,320

6. TAX

The Group is subject to income tax on an entity basis on 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 accounting principles generally accepted in the PRC ("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 CIT from 1 October 2000 to 30 September 2007.

Pursuant to the reorganisation of the Group, the Company was established to take over the relevant businesses from ZELRI, and in accordance with the relevant tax regulations and the approval of the local tax authorities, the Company is exempted from CIT for two years starting from 1 October 2005. Accordingly, no CIT has been provided for by the Company during the period.

The Company is a registered enterprise in the Zhuzhou Hi-technology Development Zone of PRC and is subject to CIT at a tax rate of 15% from 1 October 2007.

(ii) The subsidiaries of the Company, Times Electronics and Times Guangchuang are enterprises established in Zhuzhou Hi-technology Development Zone and are subject to CIT at a rate of 15%. After being approved by the local tax authorities, Times Electronics is exempted from CIT from 1 April 2005 to 30 September 2007.

As approved by the local tax authorities, Times Guangchuang, as a software development enterprise, is entitled to CIT at a rate of 15% from 1 January 2007. Accordingly, CIT of Times Guangchuang for the six months ended 30 June 2007 was provided at a rate of 15%.

(iii) As approved by the relevant tax authorities, Ningbo Company, as a scientific research reorganization enterprise, is exempted from CIT for the two years ending 31 December 2007. Therefore, no provision for CIT of Ningbo Company was made during the period.

Major components of the corporate tax expenses are as follows:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Current - CIT	**92**	244
Deferred	**(7,283)**	—
Total tax charge / (credit) for the period	**(7,191)**	244

7. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2007.

In November 2006, after being approved at the general meeting of the Company, a special dividend amounting to RMB167,538,000 (equivalent to the amount of net profit earned from 26 September 2005 to 30 June 2006, as determined based on the lower of the profit after tax calculated in accordance with PRC GAAP and IFRSs, after deducting the amount of RMB14,278,000 transferred to the statutory reserve) was declared and paid to shareholders of the Company prior to the issue of H shares.

8. EARNINGS PER SHARE

The basic earnings per share was based on the net profit attributable to ordinary equity holders of the parent and the weighted average number of the ordinary shares issued during the period.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**161,127**	153,274

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	*(Audited)*
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,084,255,637**	669,611,637

No diluted earnings per share have been disclosed as no diluting events existed during the six months period ended 30 June 2007 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 conducted its businesses.

	As at 30 June 2007	As at 31 December 2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Trade receivables from:		
CSR and its subsidiaries (other than the Group)	**170,295**	89,208
Jointly-controlled entity	**69**	—
Third parties	**493,390**	453,983
	663,754	543,191
Less: Provision for impairment of receivables	**(43,273)**	(35,038)
	620,481	508,153

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

	As at 30 June 2007 (Unaudited) RMB'000	As at 31 December 2006 (Audited) RMB'000
Within 1 year	**583,800**	477,330
Over 1 year but within 2 years	**46,386**	31,899
Over 2 years but within 3 years	**10,427**	17,728
Over 3 years	**23,141**	16,234
	663,754	543,191
Less: Provision for impairment of receivables	**(43,273)**	(35,038)
	620,481	508,153

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

10. TRADE PAYABLES

	As at 30 June 2007 (Unaudited) RMB'000	As at 31 December 2006 (Audited) RMB'000
Trade payables to:		
CSR and its subsidiaries (other than the Group)	**18,138**	57,562
Jointly-controlled entity	**118,622**	—
Third parties	**177,357**	172,750
	314,117	230,312

An aging analysis of trade payables is as follows:

	As at 30 June 2007	As at 31 December 2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within 3 months	**212,366**	170,674
Over 3 months but within 1 year	**96,167**	43,475
Over 1 year but within 2 years	**5,388**	15,142
Over 2 years but within 3 years	**172**	657
Over 3 years	**24**	364
	314,117	230,312

RESULTS IN BRIEF

The revenue of the Group for the six months ended 30 June 2007 amounted to RMB 718,705,000 (for the six months ended 30 June 2006: RMB 633,927,000), representing an increase of 13.4% over the same period last year. Profit attributable to equity holders of parent amounted to RMB161,127,000 (for the six months ended 30 June 2006: RMB 153,274,000), representing an increase of 5.1% over the same period of last year. Basic earnings per share amounted to RMB0.15 (for the six months ended 30 June 2006: RMB0.23).

Business Review

Review for the six months ended 30 June 2007

Starting from 2007, the Ministry of Railways will mainly focus on procuring EMUs, AC driven electric locomotives and diesel locomotives.

In April 2007, the Ministry of Railways introduced the sixth round of train speed increase and 200 km/h EMUs were put into operation for the first time. During this round of speed increase, electrical control system for 200 km/h EMUs manufactured by the Company performed well, and represented 70% of the total 200 km/h EMUs supplied and used in China.

Outlook for the second half year

In the second half of the year the Company anticipates the following developments:

— Delivery of electrical systems related products for 300 km/h EMUs will begin.

— The Company anticipates to obtain new orders for electrical systems for 200 km/h EMUs.

— The Company anticipates market breakthrough in relation to products for high power AC driven electric locomotive and diesel locomotive.

— The Company anticipates market breakthrough in relation to its self-developed electric system products for A/C based urban rail vehicles, and expects to supply the first self-developed electric driven system to be used in China's urban rail network.

— The Company will continue to focus on the acquisition of foreign technology and its localization.

— The Company anticipates the completion of its specialised manufacturing base, and will have in place dedicated manufacturing facilities for converters, control systems, and train operation safety equipment related products, thus resulting in substantial increase in the Company's production capacity.

The Company is fully confident of its future. The Company will strive to create greater value, and share the fruits of its steady development with all its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the Group's unaudited condensed consolidated interim financial statements and the notes thereon.

Revenue

	For the six months ended	
	30 June 2007	30 June 2006
	(RMB million)	*(RMB million)*
Train power converts, auxiliary power supply equipment and control system	**444.8**	265.6
Train operation safety equipment	**110.1**	179.9
Electrical control systems for large railway maintenance vehicles	**59.0**	83.5
Train-borne electrical systems	**613.9**	529.0
Power semiconductor devices	**56.4**	49.5
Sensors and related products	**27.3**	29.6
Others	**21.1**	25.8
Electric components	**104.8**	104.9
Total revenue	**718.7**	633.9

Revenue increased by RMB84.8 million from RMB633.9 million for the six months ended 30 June 2006 to RMB718.7 million for the six months ended 30 June 2007. Increase in revenue was mainly due to the increase in the sale of 200 km/h EMU products.

Cost of sales

Cost of sales increased by 28.6% from RMB326.5million for the six months ended 30 June 2006 to RMB419.8 million for the six months ended 30 June 2007. Increase in cost of sales was mainly due to the increase in the Group's revenue and 200km/h EMU products comprising of a certain proportion of imported components that resulted in a relatively higher cost.

Gross profit

Due to the change in sales of product mix, the Group's gross profit decreased by 2.8% from RMB307.5 million for the six months ended 30 June 2006 to RMB 298.9 million for the six months ended 30 June 2007.

Other revenue and gains

Other revenue and gains increased by 102.9% from RMB21.5 million for the six months ended 30 June 2006 to RMB43.6 million for the six months ended 30 June 2007. The increase in other revenue and gains was mainly due to the interest income arising from the IPO proceeds of the Company and the receipt of the subsidy from the State for technology projects.

Selling and distribution costs

Selling and distribution costs decreased by 14.3% from RMB56.5 million for the six months ended 30 June 2006 to RMB48.4 million for the six months ended 30 June 2007. Decrease in selling and distribution costs was mainly due to adopting comprehensive budgetary control resulting in an effective control of selling and distribution cost and changes in the Group's sales mix comprising higher contract value for 200 km/h projects with relative lower selling and distribution costs for the period.

Administrative expenses

Administrative expenses increased by 30.1% from RMB106.3 million for the six months ended 30 June 2006 to RMB138.2 million for the six months ended 30 June 2007. This was mainly due to the increase in research and development costs as a result of undertaking additional new research and development projects and one-off exchange loss as a result of the remittance of the IPO proceeds into PRC against an appreciating RMB.

Finance costs

Finance costs decreased by 48.2% from RMB7.3 million for the six months ended 30 June 2006 to RMB3.8 million for the six months ended 30 June 2007. This was mainly due to the decrease in the Group's borrowings, resulting in a decrease in interest expenses.

Income tax

The deferred tax of the Group was calculated based on deductible temporary differences such as accruals and its applicable tax rate during the period it realized.

Commitments

The capital commitments made by the Group increased by 97.9% from RMB 38.2 million as at 31 December 2006 to RMB 75.6 million as at 30 June 2007. Increase in capital commitment was due to the increase of investment made by the Group for the construction of a specialised manufacturing base in 2007.

Investments

In March 2007 the Company completed its acquisition of 50% interests in Zhuzhou Shiling Transportation Equipment, Ltd. ("Shiling") for a cash consideration of RMB 63,515,000, which equals to 50% of the net asset value of Shiling as at 31 December 2006. As a result of the said acquisition, Shiling becomes a jointly-controlled entity of the Company.

The Company has established a wholly-owned subsidiary Beijing CSR Times Information Technology Co., Ltd., in Beijing, with an investment amount of RMB29,000,000. This company mainly specialises in the development of train operation safety equipment and railway network information projects.

Certain individual shareholders of Times Zhuoyue Automotive Electronics Technology Co., Ltd. ("Times Zhuoyue") entrusted the Company to exercise the rights of operation and adminstration on their behalf. Since then, the Company obtained actual controlling right over the financial and operating policy of Times Zhuoyue. Times Zhuoyue was changed from an associate to a subsidiary.

Use of IPO Proceeds

The IPO proceeds received by the Company was utilized in accordance with the items disclosed in the Company's prospectus.

Gearing Ratio

The percentage of the Group's total borrowings to total assets as at 31 December 2006 was 9.6% and 0.8% as at 30 June 2007. The decrease was due to the settlement of a major portion of interest-bearing bank loans.

Contingent liabilities

The Group was not involved in any material litigations, and so far as the Group is aware, there are also no pending or potential material litigations involving the Group.

Market risks

The Group was subject to market risks, including interest risks, foreign exchange risks and risk of inflation during the daily course of its business.

Corporate Governance

1. ***Compliance with the "Code of Corporate Governance Practices"***

   The Company is committed to maintaining a high level of corporate governance. During the reporting period, the Company has complied with all the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong, except for the adoption of a code of conduct for securities transactions by the Directors as described in the paragraph headed "Securities transactions by directors".

2. ***Securities transactions by Directors***

   In compliance with the requirement of 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules be adopted as the code of conduct for directors' securities transactions. Prior to that, the Company has not adopted any code of conduct on terms no less exacting than those set out in the Model Code. The main reason being that the listing of the Company's shares took place on 20 December 2006 and none of the Company's securities was in circulation in the market before that date. Notwithstanding that, having made specific inquiries to the directors, all the directors confirmed that they have complied with the relevant standards in the Model Code during the reporting period.

Purchase, redemption and sale of listed securities of the Company

During the reporting period, there was no purchase, redemption or sale of any listed securities of the Company by the Company or any of its subsidiaries.

Distribution of dividends

1. ***Distribution plan and implementation of 2006 final dividends***

   Having been considered and passed at the 2006 shareholders' annual general meeting, the Company has distributed a cash dividend of RMB0.034 per share as final dividend for 2006 to all shareholders based on the Company's total share capital of 1,084,255,637 shares as at 15 May 2007. Implementation of the dividend distribution plan has been completed before 17 July 2007. Due to exchange rate, the actual dividend distributed amounted to RMB36.78 million.

2. ***2007 interim profit distribution plan***

The Board did not recommend distribution of interim dividend for the six months ended 30 June 2007.

Connected transactions

During the reporting period, the Company has strictly complied with the relevant requirements in respect of connected transactions under Chapter 14A of the Listing Rules, and has established a set of mechanism to protect minority interests. The auditors of the Company has provided quarterly reports to the independent non-executive Directors on all transactions conducted between the Company and the Parent Group/CSR Group/Kunming China Railway. In addition, independent non-executive Directors have conducted quarterly reviews on the terms of supply and purchase contracts entered into between the Group and the Parent Group or CSR Group or Kunming China Railway, and the opinions regarding such transactions were disclosed to shareholders by way of announcements.

Employees, remunerations and training

As at 30 June 2007, the Company had 2,715 employees, of which 939 were R&D personnel.

The remuneration package of the employees of the Company comprises monthly salaries, special incentives, performance incentives, statutory and company welfare. The Company participated in basic pension insurance, basic medical insurance, personal injury insurance, maternity insurance and unemployment insurance pursuant to the statutory requirements, and has set up housing common reserve fund and corporate annual fund for the employees. In enhancing the strategic remuneration plan, the Company has further increased investment in human resources, put more concerns on the planning of staff benefits matching it with the career development of the staff, thereby making the remuneration system to be more fair and competitive.

The Company has put much emphasis on staff training, and has organised a number of special trainings during the reporting period. In the second half of this year, the Company will further strengthen its efforts in trainings and will complete the training programs of the annual training plan, so as to satisfy the demands of the Company for high caliber human resources in its progress of development.

Review by the audit committee

The Group's unaudited interim results for the six months ended 30 June 2007 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

28 August 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.