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 2007

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 2007, together with the comparative figures in 2006, set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as follows.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	**2007** *RMB'000*	2006 *RMB'000*
REVENUE	4	**1,541,804**	1,255,926
Cost of sales		**(865,480)**	(640,377)
Gross profit		**676,324**	615,549
Other revenue and gains	4	**85,229**	64,473
Selling and distribution costs		**(120,042)**	(118,657)
Administrative expenses		**(277,225)**	(224,780)
Other operating expenses, net		**(31,707)**	(19,572)
PROFIT FROM OPERATIONS		**332,579**	317,013
Finance costs	6	**(3,169)**	(14,352)
Share of loss of an associate		**—**	(80)
Share of profit of a jointly-controlled entity		**15,501**	—
PROFIT BEFORE TAX	5	**344,911**	302,581
Tax	7	**2,566**	(313)
PROFIT FOR THE YEAR		**347,477**	302,268
Attributable to:			
Equity holders of the parent		**347,389**	296,771
Minority interests		**88**	5,497
		347,477	302,268
DIVIDENDS	8	**157,217**	204,403
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (basic)	9	**RMB0.32**	RMB0.44

CONSOLIDATED BALANCE SHEET
31 December 2007

	Notes	**2007** *RMB'000*	2006 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**590,972**	367,884
Prepaid land lease payments		**75,501**	32,792
Intangible assets		**15,625**	14,930
Interest in a jointly-controlled entity		**79,016**	—
Interest in an associate		**—**	1,920
Available-for-sale financial assets		**400**	1,200
Goodwill		**1,940**	—
Deferred tax assets		**6,956**	—
Total non-current assets		**770,410**	418,726
CURRENT ASSETS			
Inventories		**439,521**	357,157
Trade receivables	10	**501,680**	508,153
Notes receivable		**258,200**	143,853
Prepayments, deposits and other receivables		**164,482**	96,088
Pledged deposits		**7**	2,969
Cash and cash equivalents		**1,510,603**	2,261,310
Total current assets		**2,874,493**	3,369,530
CURRENT LIABILITIES			
Trade payables	11	**221,680**	230,312
Notes payable		**48,172**	98,672
Other payables and accruals		**149,155**	209,698
Provision for warranties		**45,646**	36,898
Interest-bearing bank and other borrowings		**—**	364,537
Deferred government grants		**14,211**	—
Tax payable		**4,589**	129
Total current liabilities		**483,453**	940,246
NET CURRENT ASSETS		**2,391,040**	2,429,284
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,161,450**	2,848,010
NET ASSETS		**3,161,450**	2,848,010

	Notes	**2007** *RMB'000*	2006 *RMB'000*
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**1,084,256**	1,084,256
Reserves		**1,915,720**	1,725,465
Proposed final dividend		**157,217**	36,865
		3,157,193	2,846,586
Minority interests		**4,257**	1,424
TOTAL EQUITY		**3,161,450**	2,848,010

NOTES TO FINANCIAL STATEMENTS

1. 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 under the Company Law of the PRC.

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

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 CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (formerly CSR Zhuzhou Electric Locomotive Research Institute, "ZELRI") and the ultimate holding company of the Group is China South Locomotive & Rolling Stock Industry (Group) Corporation ("CSRG"), which are established in the PRC.

2.1 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 ("IFRICs") 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.

The Company was established in September 2005 as part of the restructuring of ZELRI (the "Reorganisation") and pursuant to the Reorganisation, ZELRI transferred its assets, liabilities and businesses relating to the manufacture and sale of train-borne electrical systems and electrical components (the "Relevant Businesses") to the Company as a capital contribution, and the Company issued certain shares to ZELRI credited as fully paid as consideration.

As ZELRI controlled the Relevant Businesses before the Reorganisation and continues to have control over the Company and its subsidiaries (collectively the "Group") after the Reorganisation, the Reorganisation has been accounted for as a reorganisation of entities under common control in a manner similar to pooling of interests. As a result, the Group's financial statements have been prepared on the basis as if the Relevant Businesses had been transferred to the Company by ZELRI from the earliest date presented or since the date when the Relevant Businesses first came under common control. Accordingly, the assets and liabilities comprising the Relevant Businesses transferred to the Company and carried forward to the years ended 31 December 2006 and 2007 have been stated at historical amounts in the Company's and the Group's financial statements.

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 2007. The results 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.

Except for reorganisation under common control which has been accounted for as a combination of business under common control in a manner similar to a pooling of interests, the acquisition of subsidiaries has been accounted for using the purchase method of accounting.

The pooling-of-interests method of accounting involves incorporating the financial statement items of the combining entities or business in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The purchase method of accounting 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. Acquisition of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The principal accounting policies used in the preparation of these financial statements are consistent with those used in the annual audited financial statements for the year ended 31 December 2006, except that the Group has adopted the following new and amended IFRSs and International Financial Reporting Interpretations ("IFRICs") during the year. Adoption of these new and amended standards and interpretations did not have any material effect on these financial statements of the Group. They did however give rise to additional disclosures.

IAS 1 (Amendment)	Presentation of Financial Statements: 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 principal effects of these changes are as follows:

(a) Amendment to IAS 1 *Presentation of Financial Statements - Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in the financial statements.

(b) IFRS 7 *Financial Instruments: Disclosures*

This 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. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(c) IFRIC — Int 7 Applying the Restatement Approach under IAS 29 *Financial Reporting In Hyperinflationary Economies*

The main requirements of the Interpretation are:

In the period in which the economy of an entity's functional currency becomes hyperinflationary, the entity shall apply the requirements of IAS 29 as though the economy had always been hyperinflationary. The effect of this requirement is that restatements of non-monetary items carried at historical cost are made from the dates at which those items were first recognised; for other non-monetary items the restatements are made from the dates at which revised current values for those items were established. The interpretation also addresses the accounting for deferred tax. IFRIC 7 is effective for annual periods beginning on or after 1 March 2006. As the Group did not operate in the economy, where the functional currencies were hyperinflationary, the interpretation has had no effect on these financial statements.

(d) IFRIC — Int 8 *Scope of IFRS 2*

This interpretation requires IFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Group did not have such arrangement during the year, the interpretation has had no effect on these financial statements.

(e) IFRIC — Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no effect on these financial statements.

(f) IFRIC — Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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

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

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IFRS 3 (Revised)	Business Combinations
IAS 1 (Amendment)	Presentation of Financial Statements: Puttable Financial Instruments
IAS 32 (Amendment)	Financial Instruments Presentation: Puttable Financial Instruments
IFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations
IFRS 8	Operating Segments
IFRIC — Int 11	IFRS 2 — Group and Treasury Share Transaction
IFRIC — Int 12	Service Concession Arrangements
IFRIC — Int 13	Customer Loyalty Programmes
IFRIC — Int 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IAS 1 (Revised) shall be applied for annual periods beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements and expects to adopt IAS 1 (Revised) from 1 January 2009.

IAS 23 (Revised) shall be applied for annual periods beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. As the Group's current accounting policy for borrowing costs aligns with the requirements of the revised standards, IAS 23 (Revised) is unlikely to have any impact on the Group. The Group expects to adopt IAS 23 (Revised) from 1 January 2009.

IAS 27 (Revised) shall be applied for annual periods beginning on or after 1 July 2009. The standard has been revised to require that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests. The Group expects to adopt IAS 27 (Revised) from 1 January 2010.

IFRS 3 (Revised) shall be applied for annual periods beginning on or after 1 July 2009. The standard introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The changes introduced by IFRS 3 must be applied prospectively and will affect future acquisitions and transactions with minority interests. The Group expects to adopt IFRS 3 (Revised) from 1 January 2010.

IAS 1 (Amendment) shall be applied for annual periods beginning on or after 1 January 2009. The amendment requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect the amendment to impact the financial statements of the Group.

IAS 32 (Amendment) shall be applied for annual periods beginning on or after 1 January 2009. The amendment requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The Group does not expect the amendment to impact the financial statements of the Group.

IFRS 2 (Amendment) shall be applied for annual periods beginning on or after 1 January 2009. The Standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

IFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires disclosure of information about the Group’s operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. As disclosed in the financial statements, no analysis in business or geographical segment is presented. Therefore IFRS 8 is unlikely to have any significant financial impact on the Group. The Group expects to adopt IFRS 8 from 1 January 2009.

IFRIC — Int 11 requires arrangements whereby an employee is granted rights to the Group’s equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC — Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

IFRIC — Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. IFRIC — Int 12 also addresses how an operator shall apply existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

IFRIC — Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

IFRIC — Int 14 addresses how to assess the limit under IAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, IFRIC — Int 13 and IFRIC — Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

IFRIC — Int 11, IFRIC — Int 12, IFRIC — Int 13, and IFRIC — Int 14 shall be applied for annual periods beginning on or after 1 March 2007, 1 January 2008, 1 July 2008 and 1 January 2008, respectively. The Group expects to adopt IFRIC — Int 11, IFRIC — Int 12, and IFRIC — Int 14 from 1 January 2008 and IFRIC — Int 13 from 1 January 2009.

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

3. SEGMENT INFORMATION

Segment information is 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 by business or geographical segment is presented.

4. 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	**2007** *RMB'000*	2006 *RMB'000*
Revenue:			
Sale of goods		**1,554,841**	1,266,909
Less: Sales taxes and surcharges		**(13,037)**	(10,983)
		1,541,804	1,255,926
Other revenue and gains:			
Interest income		**29,204**	25,048
Profit from sale of raw materials		**242**	2,246
Gross rental income		**2,126**	2,359
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)	**25,570**	15,499
Technical service income		**4,849**	2,780
Government grants	(iii)	**19,638**	1,495
Others		**3,600**	7,094
Total		**85,229**	64,473

(i) **Acquisition of additional interests in subsidiaries**

In June 2006, the Company acquired a further 10% equity interest in Zhuzhou Times Electronics Technology Co., Ltd. ("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 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 the acquisition of a 10% equity interest from Times Electronics' minority shareholder amounted to RMB20,569,000 and the excess of the carrying value over the cost of acquisition attributable to the Group (including the 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 the 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 Electronic's additional interest in the carrying value of the net assets of Times Guangchuang arising from the acquisition of the 15% equity interest from Times Guangchuang' minority shareholders amounted to RMB1,430,000, and the excess of the carrying value over the cost of acquisition attributable to Times Electronics of RMB538,000 was recognised in the Group's consolidated income statement for the year ended 31 December 2006.

(ii) **Value-added tax refund**

Sales of goods are generally subject to 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 the 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 2006 and 2007.

(iii) **Government grants**

Government grants have been received for certain research and development projects. There are no unfulfilled conditions or contingencies attaching to these grants.

5 PROFIT BEFORE TAX

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

	Notes	**2007** *RMB'000*	2006 *RMB'000*
Cost of inventories sold		**865,480**	640,377
Staff costs (including directors' and supervisors' emoluments)	(i)	**165,912**	139,462
Auditors' remuneration		**4,820**	3,600
Depreciation of items of property, plant and equipment		**46,039**	33,764
Amortisation of lease prepayments		**838**	556
Amortisation of intangible assets		**3,230**	2,192
Minimum lease payments under operating leases in respect of:			
Land and buildings		**1,636**	457
Plant and equipment		**6,841**	9,115
Provision for obsolete inventories		**4,848**	12,297
Exchange losses net		**19,659**	1,442
Research and development costs		**116,583**	95,982
Less: staff costs included above		**(42,673)**	(39,259)
Depreciation and amortisation included above		**(10,545)**	(3,133)
Research and development costs net of staff cost, depreciation and amortisation		**63,365**	53,590
Losses/(gains) on disposal of items of property, plant and equipment, net		**419**	(53)
Provision for impairment of trade and other receivables, net		**10,584**	17,520
Write-off of an available-for-sale financial asset		**—**	306
Loss on disposal of an associate		**—**	277
Provision for warranties		**32,206**	33,273
Interest income		**(29,204)**	(25,048)
Gross rental income		**(2,126)**	(2,359)

(i) **Staff costs**

	2007	2006
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**119,139**	104,728
Contribution to government-operated pension schemes	**15,115**	8,862
Contribution to a pension annuity plan	**4,366**	3,713
Welfare and other expenses	**27,292**	22,159
Total	**165,912**	139,462

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.

6. FINANCE COSTS

	2007	2006
	RMB'000	*RMB'000*
Interest paid on bank and other borrowings repayable within one year	**3,169**	14,352

7. 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 applicable PRC accounting standards 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 a notice issued by the Ministry of Finance and State Tax Bureau and approval documents issued by relevant local tax authorities in respect of the extension of the implementation period of tax policy for transformed scientific research entities, the Company is exempt from CIT from its establishment date up to 30 September 2007. Thereafter, the Company is subject to a tax rate of 15% for one year starting from 1 October 2007. However, upon the implementation of new CIT Law effective on 1 January 2008, the directors are in process of clarification with relevant tax authorities of whether the CIT rate of 15% will be applicable to the Company from 1 January 2008 to 30 September 2008.

(ii) Times Electronics and Times Guangchuang are enterprises established in Zhuzhou Hi-technology Development Zone and are subject to CIT at a rate of 15%. As approved by the local tax authorities, Times Electronics is entitled to an exemption from CIT from 1 April 2005 to 30 September 2007 and no provision for income tax of Times Electronics was made up to 30 September 2007. Thereafter, Times Electronics is subject to CIT at a rate of 15% for one year starting from 1 October 2007 according to the approval from relevant tax authorities. However, upon the implementation of new CIT Law effective on 1 January 2008, the directors are in process of clarification with relevant tax authorities of whether the CIT rate of 15% will be applicable to Times Electronics from 1 January 2008 to 30 September 2008. From 1 January 2004, Times Guangchuang, as a software development enterprise, is entitled to a 50% reduction of PRC enterprise income tax for 2004 to 2006. Accordingly, Times Guangchuang is subject to reduced tax rate of 7.5% until 31 December 2006. Thereafter, Times Guangchuang, as a Hi-technology enterprise, is subject to CIT at the rate of 15% during the year ended 31 December 2007.

(iii) As approved by the relevant tax authorities, Ningbo CSR Times Sensor Technology Company Ltd. ("Ningbo Company"), as a scientific research organisation enterprise, is exempt from CIT from 2002 to 2005. In addition, pursuant to relevant tax regulations and the approval from the relevant tax authorities, the CIT exemption granted to Ningbo Company is further extended to the years ended 31 December 2006 and 31 December 2007. Therefore, no provision for CIT 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 existing legislation, interpretations and practices.

	2007	2006
	RMB'000	*RMB'000*
Current income tax — PRC corporate income tax	**4,390**	313
Deferred income tax credit	**(6,956)**	—
Income tax (credit)/charge for the year	**(2,566)**	313

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:

	2007		2006	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**344,911**		302,581	
Standard tax rate applied to profit before tax	**113,821**	**33.0**	99,852	33.0
Reconciling items:				
Profits and losses attributable to jointly-controlled entities and associates	**(2,325)**	**(0.7)**	—	—
Expenses not deductible for income tax purposes	**10,061**	**2.9**	3,984	1.3
Income not subject to income tax	**(21,881)**	**(6.3)**	(7,769)	(2.6)
Effect of tax incentive	**(31,044)**	**(9.0)**	(1,235)	(0.4)
Tax exemptions	**(72,548)**	**(21.0)**	(94,519)	(31.2)
Tax losses not recognised	**1,350**	**0.4**	—	—
Total tax charge for the year	**(2,566)**	**(0.7)**	313	0.1

8. DIVIDENDS

	2007	2006
	RMB'000	*RMB'000*
Special dividend (i)	**—**	167,538
Proposed final — RMB0.145 (2006: RMB0.034) per ordinary share (ii)	**157,217**	36,865
	157,217	204,403

(i) In November 2006, as approved at 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 generally accepted accounting principles ("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.

(ii) The proposed final dividend for the year ended 31 December 2006 has been approved by the Company's shareholders at the annual general meeting in June 2007. While the proposed final dividend for the year ended 31 December 2007 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

	2007	2006
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**347,389**	296,771
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,084,255,637**	682,058,366

No diluted earnings per share have been disclosed as no diluting events existed during the years ended 31 December 2007 and 2006.

10. 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 business.

	The Group		**The Company**	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables from:				
CSRG and its subsidiaries (other than the Group)	**69,742**	89,208	**63,551**	67,450
Subsidiaries	**—**	—	**112,125**	23,874
Jointly-controlled entity	**27**	22	**4**	—
Third parties	**477,216**	453,961	**279,377**	368,608
	546,985	543,191	**455,057**	459,932
Less: Provision for impairment of receivables	**(45,305)**	(35,038)	**(33,469)**	(26,702)
	501,680	508,153	**421,588**	433,230

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

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**441,964**	477,330	**375,771**	412,909
Over 1 year but within 2 years	**59,104**	31,899	**46,432**	19,423
Over 2 years but within 3 years	**17,559**	17,728	**9,444**	15,345
Over 3 years	**28,358**	16,234	**23,410**	12,255
	546,985	543,191	**455,057**	459,932
Less: Provision for impairment of receivables	**(45,305)**	(35,038)	**(33,469)**	(26,702)
	501,680	508,153	**421,588**	433,230

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

The movements in provision for impairment of trade receivables are as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**35,038**	18,296	**26,702**	14,112
Impairment losses recognised	**10,242**	16,762	**6,857**	12,610
Amount written off as uncollectible	**(21)**	(20)	**(18)**	(20)
Impairment losses reversed	**(72)**	—	**(72)**	—
Acquisition of a subsidiary	**118**	—	**—**	—
	45,305	35,038	**33,469**	26,702

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB6,882,161 (2006: RMB4,572,477) with a carrying amount of RMB10,224,610 (2006: RMB4,572,477). The individually impaired trade receivables relate to customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group does not hold collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**352,484**	413,248	**296,646**	334,774
Less than 6 months past due	**—**	—	**—**	—
6 months to 1 year past due	**—**	—	**—**	—
	352,484	413,248	**296,646**	334,774

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

11. TRADE PAYABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables to:				
CSRG and its subsidiaries (other than the Group)	**11,756**	57,562	**9,622**	56,170
Subsidiaries	**—**	—	**102,155**	56,210
Jointly-controlled entity	**15,459**	42,296	**15,459**	42,296
Third parties	**194,465**	130,454	**144,934**	98,642
	221,680	230,312	**272,170**	253,318

The amounts due to CSRG 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 payables is three months.

An aged analysis of the trade payables is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 3 months	**187,725**	170,674	**238,275**	195,646
Over 3 months but within 1 year	**24,894**	43,475	**26,413**	42,348
Over 1 year but within 2 years	**7,046**	15,142	**6,300**	14,534
Over 2 years but within 3 years	**1,287**	657	**750**	692
Over 3 years	**728**	364	**432**	98
	221,680	230,312	**272,170**	253,318

Business Review

The Group's turnover in 2007 was RMB1,541.8 million (2006: RMB1,255.9 million), an increase of 22.8% from the previous year. Profit attributable to equity holders of the Parent Company was RMB347.4 million (2006: RMB296.8 million), an increase of 17.1% over the previous year. Earnings per share was RMB0.32 (2006: RMB0.44).

2007 was a year of rapid development, project breakthroughs and management enhancement for the Group. The first electric multiple unit (the "EMU") project was completed successfully, assuring the successful implementation of the sixth round of nationwide train speed increase. We were able to have access to high power A/C locomotive related technologies. We also achieved breakthroughs in the urban rail market.

Outlook

2008 will be a critical year for the long term development of the Group. We will adopt the following strategies to capture new opportunities and to overcome challenges. We aim to enhance our localisation capabilities through technology acquisitions and innovations. We will further develop our technology integration capabilities and improve on product reliability. Our manufacturing capabilities will be upgraded. We aim to increase the market share of our existing products and continue to explore non-railway, overseas and other new markets. We aim to realise greater integration in our business flow, and achieve breakthrough via merger and acquisition of upstream and downstream industries and resources. Our corporate management and control standards will be strengthened with the aim of establishing a management system that meets international capital market standards.

The Group is confident of its future. Our long term objective is to consolidate our leading position in the PRC railway train-borne electrical systems market and to become an internationally renowned train-borne electrical system supplier and integrator. Using our capital platform, we aim to build a solid business foundation and to create greater value for our shareholders. We look forward to sharing fruits of our endeavour with you.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

	2007	2006
	(RMB million)	*(RMB million)*
Train power converters, auxiliary power supply equipment and control systems	**812.6**	494.2
Train operation safety equipment	**293.3**	369.7
Electrical control systems for large railway maintenance vehicles	**141.4**	124.7
Train-borne electrical systems	**1,247.3**	988.6
Power semiconductor devices	**122.9**	96.1
Sensors and related products	**63.6**	89.0
Others	**108.0**	82.2
Electric components	**294.5**	267.3
Total revenue	**1,541.8**	1,255.9

Revenue increased by RMB285.9 million from RMB1,255.9 million for the year ended 31 December 2006 to RMB1,541.8 million for the year ended 31 December 2007. Revenue of RMB108 million from other products in 2007 consisted of revenue of RMB56.5 million from busbar and printed circuit board and revenue of RMB51.5 million from overseas export. The increase in revenue was mainly due to increase in revenue from the sale of train power converters, auxiliary power supply equipment and control systems. The increased in sales of 200 km/h EMU products led to an increase in the Group's revenue. On the other hand, product upgrades and replacement for train operation safety equipment in accordance to new regulatory policies by the Ministry of Railway had mostly been completed by 2006 and no such similar large scale replacement in 2007 resulted in a reduction in the Group's revenue for this category.

Cost of sales

Cost of sales increased by 35.1% to RMB865.5 million for the year ended 31 December 2007 from RMB640.4 million for the year ended 31 December 2006. The increase in cost of sales was mainly due to the growth in the Group's revenue and the use of imported components in certain 200 km/h EMU products lead to relatively higher cost.

Gross profit

Based on the above factors, the Group's gross profit increased by 9.9% to RMB676.3 million for the year ended 31 December 2007 from RMB615.5 million for the year ended 31 December 2006. The Group's gross profit margin decreased from 49.0% for the year ended 31 December 2006 to 43.9% for the year ended 31 December 2007.

Other revenue and gains

Other revenue and gains of the Group increased by 32.1% to RMB85.2 million for the year ended 31 December 2007 from RMB64.5 million for the year ended 31 December 2006. The increase in other revenue and gains was mainly due to the receipt of government grants in respect of the "State Technology Support Project" to the Group and the increase in value-added tax refund.

Selling and distribution costs

Selling and distribution costs of the Group increased by 1.1% to RMB120 million (representing 7.8% of the Group's revenue for the whole year) for the year ended 31 December 2007 from RMB118.7 million (representing 9.5% of revenue for the whole year) for the year ended 31 December 2006. The selling and distribution costs were basically in line with those in 2006, however, changes in the Group's product mix resulted in a slight decline in selling and distribution costs as a percentage of the Group's full year revenue.

Administration expenses

The Group's administration expenses increased by 23.3% to RMB277.2 million for the year ended 31 December 2007 from RMB224.8 million for the year ended 31 December 2006. The increase in administration expenses was mainly due to growth in business operation and increase in expenditure in research and development.

Profit from operations

The Group's profit from operations increased by 4.9% to RMB332.6 million for the year ended 31 December 2007 from RMB317 million for the year ended 31 December 2006, which was mainly due to increase in revenue. The Group's operating profit margins for the years ended 31 December 2006 and 2007 were 25.2% and 21.6% respectively.

Finance costs

Finance costs decreased by 77.8% to RMB3.2 million for the year ended 31 December 2007 from RMB14.4 million for the year ended 31 December 2006. The reduction in finance costs was mainly due to the Group's repayment of outstanding loans resulting in decrease in the interest expenses incurred for the current year.

Profit before tax

Based on the above factors, the Group's profit before tax increased by 14.0% to RMB344.9 million for the year ended 31 December 2007 from RMB302.6 million for the year ended 31 December 2006.

Income tax expenses

The Group's income tax expenses decreased from RMB0.3 million for the year ended 31 December 2006 to RMB-2.6 million for the year ended 31 December 2007. The Group's income tax expenses comprised effective income tax of RMB4.4 million and deferred tax credit of RMB7 million. The effective income tax of expenses of RMB0.3 million in 2006 were mainly income tax amounts recognized by Times Guangchuang for the twelve months ended 31 December 2006. The effective income tax expenses of RMB4.4 million in 2007 were mainly the PRC corporate income tax amounts recognized by the Company and Times Electronics for the three months from 1 October 2007 to 31 December 2007 at the corporate income tax rate of 15% and Times Guangchuang for the twelve months ended 31 December 2007 at the corporate income tax rate of 15%. The Group's deferred tax credit of RMB7 million were based on the temporary timing difference in expected deductible expenses calculated in accordance with the applicable tax rates during different periods.

The effective tax rates of the Group for the years ended 31 December 2006 and 2007 were 0.1% and -0.7% respectively.

Net profit attributable to equity holders of the Parent Company

The Group's net profit attributable to equity holders of the Parent Company increased from RMB296.8 million for the year ended 31 December 2006 to RMB347.4 million for the year ended 31 December 2007. The Group's net profit margins for the years ended 31 December 2006 and 2007 were 23.6% and 22.5% respectively.

Minority interests

Minority interests decreased from RMB5.5 million for the year ended 31 December 2006 to RMB0.1 million for the year ended 31 December 2007. The reduction was mainly due to the Group's acquisition of 10% interest in Times Electronics in June 2006, after which Times Electronics became a wholly owned subsidiary of the Group. The Group recognized the minority interests of Times Electronics for the six months ended 30 June 2006.

Liquidity

Cash flows and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. The Group's cash and cash equivalents decreased during the year which was mainly due to the use of IPO proceeds in accordance with the uses disclosed in the prospectus. The Board of Directors has confirmed that the Group has sufficient liquidity to meet its present requirements for liquid funds.

Contingent liabilities

The Group is not involved in any material litigation, and to the best of the Group's knowledge, there is no pending or potential material litigation in which the Group is involved.

PROPOSED DISTRIBUTION OF FINAL DIVIDENDS

The Board of Directors of the Company proposed distribution of a cash dividend of RMB0.145 per share (including applicable tax) for the year. The proposed dividend to be distributed is subject to the approval of the shareholders at the annual general meeting to be held on 27 June 2008.

The dividends is payable to shareholders whose names appear on the register of members at the close of business on 27 May 2008.

CLOSURE OF REGISTER

The register of the members of the Company will be temporarily closed from 28 May 2008 to 27 June 2008 (both days inclusive), during which no transfer of shares will be registered. In order to be entitled for the final dividends, all instruments of transfer together with the relevant share certificates must be delivered to the Company's H Shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 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 27 May 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

The Company has always been dedicated to improving the quality of its management, and to maximizing long-term shareholder value by increasing the Group's accountability and transparency through strict implementation of corporate governance.

I *Corporate Governance Practices*

The Company places great emphasis on the authority, dependability and prudence of its corporate governance. For the reporting period ended 31 December 2007, in addition to adoption of the code of conduct regarding securities transaction of the directors of the Company as set out in the section headed "Securities Transactions by Directors", the Company has adopted all the relevant provisions contained in CG Code set out in Appendix 14 of the Listing Rules and has complied with all other provisions of the CG Code.

The Board of Directors makes every effort to comply with the CG Code in order to protect and enhance shareholder interest. As the Company continues to grow, in order to ensure compliance with relevant regulations and standards, the Company will monitor and, when necessary, revise its corporate governance policy on an ongoing basis.

In accordance with relevant laws and regulations, the Company has set up a structure in which corporate mechanism such as shareholders' general meetings, the Board of Directors, special committees under the Board of Directors, the Supervisory Committee and powers of the management check and balance each other. The division of responsibilities between the shareholders' general meeting, the Board of Directors, special committees under the Board of Directors, the Supervisory Committee and the management are distinct, and each of them is assigned with clearly defined responsibilities. The Company will continue to perfect its corporate governance mechanism, exercise discipline in the fulfilment of corporate duties, and strengthen the disclosure of information concerning its operations.

II ***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 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 is 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 Directors confirmed that they have complied with the relevant standards in the Model Code during the reporting period.

REVIEW BY THE AUDIT COMMITTEE

The Company's annual results for the year ended 31 December 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.
Ding Rongjun
Chairman

21 April 2008

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