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ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010 which have been prepared in accordance with the International Financial Reporting Standards, set out as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi):

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010	2009
	<i>Notes</i>	<i>(Unaudited)</i> RMB'000	<i>(Unaudited)</i> RMB'000
REVENUE	4	2,651,916	1,313,960
Cost of sales		(1,563,019)	(832,446)
Gross profit		1,088,897	481,514
Other income and gains	4	21,982	39,263
Selling and distribution costs		(160,624)	(71,084)
Administrative expenses		(316,723)	(175,004)
Other expenses		(31,535)	(26,380)
PROFIT FROM OPERATIONS		601,997	248,309
Finance costs	5	(3,389)	(5,459)
Share of profits and losses of:			
A jointly-controlled entity		4,713	4,071
Associates		6,313	(883)
PROFIT BEFORE TAX	6	609,634	246,038
Income tax expense	7	(91,561)	(37,381)
PROFIT FOR THE PERIOD		518,073	208,657
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		(15,595)	16,230
Income tax effect		—	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(15,595)	16,230
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		502,478	224,887

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(continued)

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Notes	RMB'000	RMB'000
Profit attributable to:		
Owners of the parent	515,598	206,841
Non-controlling interests	2,475	1,816
	<u>518,073</u>	<u>208,657</u>
Total comprehensive income attributable to:		
Owners of the parent	502,988	220,561
Non-controlling interests	(510)	4,326
	<u>502,478</u>	<u>224,887</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
	9	
- Basic and diluted	<u>RMB0.48</u>	<u>RMB0.19</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

		30 June 2010 <i>(Unaudited)</i> RMB'000	31 December 2009 <i>(Audited)</i> RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,376,821	1,312,741
Prepaid land lease payments		101,532	102,490
Goodwill		49,186	52,874
Other intangible assets		91,380	94,670
Interest in a jointly-controlled entity		101,805	97,091
Interests in associates		26,105	19,793
Available-for-sale investments		400	400
Deferred tax assets		33,626	20,828
Total non-current assets		1,780,855	1,700,887
CURRENT ASSETS			
Inventories		972,930	888,925
Trade receivables	11	1,522,072	742,255
Bills receivable		779,225	691,190
Prepayments, deposits and other receivables		263,147	210,081
Pledged deposits		10,174	28,811
Cash and cash equivalents		1,092,915	1,138,562
Total current assets		4,640,463	3,699,824
CURRENT LIABILITIES			
Trade payables	12	901,051	718,381
Bills payable		226,214	162,780
Other payables and accruals		780,661	322,278
Provision for warranties		162,699	93,360
Interest-bearing bank and other borrowings		10,957	120,800
Government grants		21,037	4,656
Tax payable		93,965	48,304
Total current liabilities		2,196,584	1,470,559
NET CURRENT ASSETS		2,443,879	2,229,265
TOTAL ASSETS LESS CURRENT LIABILITIES		4,224,734	3,930,152

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2010

		30 June	31 December
		2010	2009
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		2,697	3,330
Government grants		38,241	37,242
Deferred tax liabilities		14,114	10,961
		<hr/>	<hr/>
Total non-current liabilities		55,052	51,533
		<hr/>	<hr/>
NET ASSETS		4,169,682	3,878,619
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		1,084,256	1,084,256
Reserves		2,987,745	2,484,757
Proposed final dividend	8	—	211,430
		<hr/>	<hr/>
		4,072,001	3,780,443
		<hr/>	<hr/>
Non-controlling interests		97,681	98,176
		<hr/>	<hr/>
TOTAL EQUITY		4,169,682	3,878,619
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. CORPORATE INFORMATION

Zhuzhou CSR Times Electric Co., Ltd. (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 (collectively the “Group”) 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. (“CSR ZELRI”) and the ultimate holding company of the Group is CSR Group (formerly known as China South Locomotive & Rolling Stock Industry (Group) Corporation, “CSRG”), which are established in the PRC.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Listing Rules”).

The interim condensed consolidated 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 annual financial statements for the year ended 31 December 2009.

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

(a) *IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions*

The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

(b) IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise 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 by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

(c) IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position nor performance of the Group.

(d) IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position nor performance of the Group.

(e) Improvements to IFRSs (issued May 2008)

In May 2008, the Board issued its first omnibus of amendments to its standards. All amendments issued are effective for the Group as at 31 December 2009, apart from the following:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and had no impact on the financial position nor financial performance of the Group.

(f) *Improvements to IFRSs (issued April 2009)*

In April 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IFRS 8 Operating Segment Information: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The adoption of this amendment had no impact on the Group's operating segment disclosure.

IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in future upon cash settlement.

IAS 36 Impairment of Assets: The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 2	<i>Share-based Payment</i>
IFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
IAS 1	<i>Presentation of Financial Statements</i>
IAS 17	<i>Leases</i>
IAS 38	<i>Intangible Assets</i>
IAS 39	<i>Financial Instruments: Recognition and Measurement</i>
IFRIC 9	<i>Reassessment of Embedded Derivatives</i>
IFRIC 16	<i>Hedge of a Net Investment in a Foreign Operation</i>

2.3 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 interim condensed consolidated financial statements.

IFRS 1 Amendment	<i>Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters</i> ²
IFRS 9	<i>Financial Instruments</i> ⁴
IAS 24 (Revised)	<i>Related Party Disclosures</i> ³
IAS 32 Amendment	<i>Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
IFRIC 14 Amendments	<i>Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement</i> ³
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²
Improvements to IFRSs (May 2010)	<i>Amendments to a number of IFRSs</i>

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on manufacture and sale of electrical systems and components relating to locomotive and rolling stock. Therefore, no analysis by operating segment is presented.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowance for returns and trade discounts, and excludes sale taxes.

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue:		
Sale of goods	<u>2,651,916</u>	<u>1,313,960</u>
Other income and gains:		
Interest income	4,177	8,179
Investment income from financial instruments	580	3,023
Profit from sale of scrap materials	1,005	782
Gross rental income	2,318	1,545
Value-added tax refund	6,178	12,893
Technical service income	2,696	4,174
Government grants	1,429	5,194
Gain on disposal of items of property, plant and equipment	37	—
Others	<u>3,562</u>	<u>3,473</u>
Total	<u>21,982</u>	<u>39,263</u>

5. FINANCE COSTS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank and other borrowings	<u>3,389</u>	<u>5,459</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	1,563,019	832,446
Staff costs (including directors' and supervisors' remuneration)	259,918	146,980
Depreciation of items of property, plant and equipment	49,463	36,802
Amortisation of prepaid land lease prepayments	958	1,159
Amortisation of other intangible assets	8,129	7,380
Research and development costs	120,667	64,938
Less: staff costs included above	(61,649)	(34,816)
development costs capitalised	(1,027)	(1,418)
Research and development costs net of staff costs and development costs capitalised	57,991	28,704
(Gain)/Loss on disposal of items of property, plant and equipment	(37)	264
Exchange losses, net	14,156	6,089
Provision for obsolete inventories	21,201	2,669
Impairment of trade and other receivables	17,181	19,686
Provision for warranties	91,479	23,791
Interest income	(4,177)	(8,179)
Gross rental income	(2,318)	(1,545)

7. INCOME TAX EXPENSE

The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2010 <i>(Unaudited)</i> RMB'000	2009 <i>(Unaudited)</i> RMB'000
Current income tax - Mainland China	101,587	38,512
- Elsewhere	16	948
Deferred	(10,042)	(2,079)
Income tax charge for the period	<u>91,561</u>	<u>37,381</u>

Pursuant to the relevant laws and regulations in the PRC, the statutory corporate income tax rates of 15% to 25% were applied to the Company and PRC subsidiaries for six months ended 30 June 2010 and 2009.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the two periods ended 30 June 2010 and 2009.

8. DIVIDENDS

On 18 June 2010, a dividend of RMB19.5 cents per ordinary share amounting to RMB211,430,000 in aggregate (six months ended 30 June 2009: RMB15.5 cents per ordinary share amounting to RMB168,060,000 in aggregate for the 2008 final dividend) was approved as the final dividend for 2009.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>515,598</u>	<u>206,841</u>
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>1,084,255,637</u>	<u>1,084,255,637</u>

The diluted earnings per share amounts are the same as the respective basic earnings per share amounts as no diluting events existed during the periods ended 30 June 2010 and 2009.

10. PROPERTY, PLANT AND EQUIPMENT

During six months ended 30 June 2010, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB123,290,000 (six months ended 30 June 2009: RMB198,260,000). In addition, during the same period, property, plant and equipment with aggregate net carrying value of approximately RMB918,000 (six months ended 30 June 2009: RMB410,000) were disposed of which resulted in a net gain on disposal of approximately RMB37,000 (six months ended 30 June 2009: net loss on disposal of approximately RMB264,000) and recorded as other income and gains.

11. 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.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision for impairment of receivables, is as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within 1 year	1,457,127	711,169
Over 1 year but within 2 years	58,361	27,710
Over 2 years but within 3 years	6,414	3,376
Over 3 years	170	—
	<u>1,522,072</u>	<u>742,255</u>
	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Trade receivables from:		
CSRG and its subsidiaries (other than the Group)	729,879	174,308
Jointly-controlled entity	539	111
Third parties	791,654	567,836
	<u>1,522,072</u>	<u>742,255</u>

The amounts due from the jointly-controlled entity, CSRG and its subsidiaries included in the Group's trade receivables are unsecured, interest-free and repayable on similar credit terms to those offered to the major customers of the Group.

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within 3 months	502,476	541,086
Over 3 months but within 1 year	379,661	153,077
Over 1 year but within 2 years	16,877	22,562
Over 2 years but within 3 years	849	872
Over 3 years	1,188	784
	901,051	718,381

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Trade payables to:		
CSRG and its subsidiaries (other than the Group)	46,809	27,758
Jointly-controlled entity	103,437	63,176
Third parties	750,805	627,447
	901,051	718,381

The normal credit period for trade payables is three months. The amounts due to the jointly-controlled entity, CSRG and its subsidiaries included in the Group's trade payables are unsecured, interest-free and repayable on similar credit terms to those offered by major suppliers of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Group and the notes related thereto set out in this interim financial report.

The revenue of the Group for the six months ended 30 June 2010 amounted to RMB2,651,961,000 (for the six months ended 30 June 2009: RMB1,313,960,000), representing an increase of 101.8% over the same period of last year. Profit before tax amounted to RMB609,634,000 (for the six months ended 30 June 2009: RMB246,038,000), representing an increase of 147.8% over the same period of last year. Profit attributable to owners of the parent amounted to RMB515,598,000 (for the six months ended 30 June 2009: RMB206,841,000), representing an increase of 149.3% over the same period of last year. Basic earnings per share on a non-dilutive basis amounted to RMB0.48 (for the six months ended 30 June 2009: RMB0.19).

BUSINESS REVIEW AND OUTLOOK

In the first half of 2010, the business of the Company made progress mainly in the following areas:

1. We continued to deliver electric system products for new 7200kW high-power electric locomotives by batch;
2. Electric components such as traction converters for new generation high-speed electric multiple units passed FAI (first article inspection), which made us ready to deliver electric system products by batch;
3. The electric-drive products for which we own the intellectual property were fully applied in metropolitan rails; and
4. The Company established a semi-conductor research and development centre in the first half of the year and a 6-inch IGBT chip production line commenced operation; our solar grid converter passed the “Golden Sun” (金太陽) product certification;

In the second half of 2010, the Group's business will focus on the following area:

1. We will deliver electric systems for 7200kW high-power electric locomotives by batch in the second half of the year; and will deliver electric system products for 9600kW high-power electric locomotives and 6500 horse-power high-power diesel locomotives too;
2. We will begin delivering electric systems for new generation 350km/h electric multiple units, and will be in readiness to provide service for the operation of 350km/h electric multiple units; and
3. We will increase our marketing efforts to expand the metropolitan rail products segment and strengthen our research and development and marketing efforts in our new business areas.

Revenue

	For the six months ended 30 June	
	2010	2009
	<i>(RMB million) (RMB million)</i>	
Train power converters, auxiliary power supply equipment and control systems	1,774.8	691.7
Including: Locomotives	1,224.2	290.3
Electric multiple units	461.3	309.6
Metropolitan rail transportation equipment	89.3	91.8
Train operation safety equipment	205.5	103.4
Railway maintenance vehicles related products	286.0	213.9
	<hr/>	<hr/>
Train-borne electrical systems	2,266.3	1,009.0
	<hr/>	<hr/>
Power semiconductor components	278.7	221.7
Sensors and related products	47.5	34.9
Others products	59.4	48.4
	<hr/>	<hr/>
Electric components	385.6	305.0
	<hr/>	<hr/>
Total revenue	2,651.9	1,314.0
	<hr/> <hr/>	<hr/> <hr/>

Revenue increased by 101.8% from RMB1,314.0 million for the six months ended 30 June 2009 to RMB2,651.9 million for the six months ended 30 June 2010. Faster growth was seen in revenue of the Group in the first half of 2010. The Group recorded the strongest growth of RMB1,083.1 million in revenue of train power converters, auxiliary power supply equipment and control systems. Such increase was mainly due to the delivery of electric systems for 7200 kW locomotives. The second strongest growth of RMB102.1 million was recorded in train operation safety equipment.

Cost of sales

Cost of sales increased by 87.8% from RMB832.4 million for the six months ended 30 June 2009 to RMB1,563.0 million for the six months ended 30 June 2010. The increase in cost of sales was mainly due to the combined effect of the growth in the Group's revenue and the change in sales structure.

Gross profit

Due to the above reason, the Group's gross profit increased by 126.1% from RMB481.5 million for the six months ended 30 June 2009 to RMB1,088.9 million for the six months ended 30 June 2010, while gross profit margin increased from 36.6% for the six months ended 30 June 2009 to 41.1% for the six months ended 30 June 2010. The change in gross profit margin was mainly due to the change in product structure and the economies of scale of our products.

Other income and gains

Other income and gains decreased by 44.0% from RMB39.3 million for the six months ended 30 June 2009 to RMB22.0 million for the six months ended 30 June 2010. The decrease was mainly attributable to the decrease in the one-off government subsidy as compared to last year.

Selling and distribution costs

Selling and distribution costs increased by 125.9% from RMB71.1 million (representing 5.4% of the revenue for the half year) for the six months ended 30 June 2009 to RMB160.6 million (representing 6.1% of the revenue for the half year) for the six months ended 30 June 2010. The increase in selling and distribution costs was due to the increase in sales income and the increase in provisions for warranties in respect of newly added electric systems for 7200kW locomotives during the period.

Administrative expenses

Administrative expenses increased by 81.0% from RMB175.0 million for the six months ended 30 June 2009 (representing 13.3% of the half-year revenue) to RMB316.7 million for the six months ended 30 June 2010 (representing 11.9% of the half-year revenue). The increase in administrative expenses was due to the increase in operating activities and the increase in research and development costs compared to the same period last year. The decrease in ratio to the half-year revenue was mainly due to that the Group strengthened its control on expense management during the period.

Finance costs

Finance costs decreased by 38.2% from RMB5.5 million for the six months ended 30 June 2009 to RMB3.4 million for the six months ended 30 June 2010. The decrease in finance costs was primarily attributable to the decrease in interests as most of the borrowings of Dynex, a subsidiary of the Company, was repaid.

Income tax expenses

Income tax expenses increased by 144.9% from RMB37.4 million for the six months ended 30 June 2009 to RMB91.6 million for the six months ended 30 June 2010. The Group's income tax expenses comprised current income tax of RMB101.6 million and deferred tax credit of RMB10.0 million.

The Group's deferred tax credit of RMB10.0 million, which was recognized in the profit or loss of the period, was mainly arising from the temporary differences upon the recognition of provision for warranties calculated in accordance with the applicable tax rates during different periods.

Commitments

The Group's capital commitments as at the dates indicated are set out as follows:

	30 June 2010	31 December 2009
	<i>(RMB million)</i>	<i>(RMB million)</i>
Contracted but not provided for:		
Purchase of items of property, plants and equipment	196.9	234.7
Purchase of items of other intangible assets	105.0	106.5
Total	301.9	341.2
Authorised, but not contracted for:		
Purchase of items of property, plant and equipment	363.7	393.0
Purchase of items of other intangible assets	39.6	30.5
Total	403.3	423.5

Use of Proceeds from Initial Public Offering

The Company issued 414,644,000 H shares (including H shares issued via the exercise of the over-allotment option) in the global offering in December 2006. The issue price was HK\$5.3 per share, the proceeds from the issue amounted to approximately HK\$2,197,613,000 (equivalent to RMB2,209,968,000). The net proceeds from the initial public offering after deducting share issuing expenses amounted to RMB2,109,852,000. All the proceeds were received by the Company on 28 December 2006. As at 30 June 2010, approximately RMB1,856.2 million of the proceeds has been used, including approximately RMB1,789.0 million applied to those intended uses as set out in the Company's prospectus, details of which are set out below:

- (1) Approximately RMB886.6 million for investments in train power converters, auxiliary power supply equipment and control systems;
- (2) Approximately RMB173.0 million for investments in train operation safety equipment;

- (3) Approximately RMB30.5 million for investments in importation of technology and development of a new generation of railway maintenance vehicles;
- (4) Approximately RMB500.6 million for investments in large power semi-conductor devices;
- (5) Approximately RMB99.5 million for investments in sensors and related products; and
- (6) Approximately RMB98.8 million for other areas;

In addition, the Company reallocated part of the net proceeds from the global offering of shares of the Company initially designated to be used as working capital and applied approximately RMB7.2 million to finance the acquisition of the 12% and 1% equity interests in Siemens Traction Equipment Ltd., Zhuzhou held by CSR Zhuzhou Electric Locomotive Co., Ltd. and Siemens Ltd., China, respectively and applied approximately RMB60.0 million for the joint establishment of Baoji CSR Times Engineering Machinery Co., Ltd.. Please refer to the announcements published by the Company on 16 September 2008 and 25 March 2009, respectively for details. Except for this, there were no discrepancies between the use of proceeds as at 30 June 2010 and the use of proceeds disclosed in the prospectus.

Gearing Ratio

The gearing ratio, which is net debt divided by total capital plus net debt, changed from 5% as at 31 December 2009 to 17% as at 30 June 2010. This was mainly due to the movement in the net debt position.

Contingent liabilities

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

Market risks

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

OTHER INFORMATION

I. Corporate Governance

1. *Compliance with the “Code of Corporate Governance Practices” (the “CG Code”)*

The Company is committed to maintaining a high level of superiority, stability and reasonability on corporate governance. During the reporting period ended 30 June 2010, the Company has adopted and applied all the principles contained in the CG Code as set out in Appendix 14 of the Listing Rules, and has complied with all the provisions of the CG Code.

2. *Securities transactions by Directors*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct for directors’ securities transactions, and having made specific inquiries to the Directors, all the Directors confirmed that they have complied with the relevant standards for securities transactions by directors in the Model Code during the reporting period.

3. *Board of Directors*

The Board consists of ten Directors, among whom Mr. Ding Rongjun is the Chairman of the Board and an executive Director, Mr. Deng Huijin is the Vice Chairman and a non-executive Director; Mr. Li Donglin is an executive Director; Messrs. Lu Penghu and Ma Yunkun are non-executive Directors; and Messrs. Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing, Tan Xiao’ao and Ms. Liu Chunru are independent non-executive Directors.

Board members were changed on 17 April 2010. Owing to job change, Mr. Song Yali has resigned as a non-executive Director and the vice chairman of the Board. Mr. Deng Huijin has been appointed as the vice chairman of the Board. Mr. Lu Penghu has been redesignated as a non-executive Director. Mr. Li Donglin has been appointed as an executive Director. Please refer to the announcement of the Company dated 17 April 2010 in relation to the appointment, redesignation and change in executive office of directors and resignation of supervisor for details.

The Directors have strictly complied with their undertakings, and have been honest, trust-worthy and diligent in the performance of their duties. The number of Directors and the composition of the Board complied with relevant laws and regulatory requirements. There was no relationship between the members of the Board (especially between the Chairman and the Chief Executive), including financial, business, family or any other material relevant relationship.

4. *Supervisory Committee*

The Supervisory Committee consists of five supervisors, among whom Mr. He Wencheng is the chairman of the Supervisory Committee, two staff supervisors, Messrs. Pang Yiming and Zhou Guifa, and two external independent supervisors, Mr. Shuai Tianlong and Ms. Wang Kun.

Supervisory Committee members were changed on 20 January 2010 and 18 June 2010. Owing to job change, Mr. Liu Ke'an has resigned as an employees' representative supervisor on 20 January 2010 and Mr. Zhou Guifa has been appointed as an employees' representative supervisor on the same date. Owing to job change, Mr. Zhang Liqiang has resigned as the chairman of the Supervisory Committee on 18 June 2010 and Mr. He Wencheng has been appointed as the chairman of the Supervisory Committee on the same date. Please refer to the announcement of the Company dated 20 January 2010 in relation to the change of positions of executive director and member of senior management and resignation and appointment of supervisor, the announcement of the Company dated 17 April 2010 in relation to the appointment, redesignation and change in executive office of directors and resignation of supervisor and the announcement dated 18 June 2010 in relation to voting results at the annual general meeting for 2009 for details.

5. *Audit committee*

The Company's audit committee was established in October 2005. It currently consists of six Directors, five of whom are independent non-executive Directors. The committee's members are Messrs. Chan Kam Wing, Clement, Pao Ping Wing, Gao Yucai, Tan Xiao'ao, Ms. Liu Chunru and Mr. Ma Yunkun. Mr. Chan Kam Wing Clement is the chairman of the audit committee.

The main responsibilities of the audit committee are to consider and supervise financial reporting processes and internal control procedures of the Company, to guide and supervise internal audits, and to make suggestions about the appointment or change of external audit firm.

The Company's audit committee and the Company management discussed the accounting principles adopted by the Group, and has reviewed the Group's unaudited financial reports for the six months ended 30 June 2010 prepared based on International Financial Reporting Standards and was satisfied that the unaudited results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

II. Internal controls

The Company has a sound organization system of internal control. The Board is responsible for maintaining a reliable and effective internal control system. Guided by the audit committee and the risk control committee under the Board, the audit and risk control division carry out supervision, improvement and evaluation for internal controls, supervise and timely make up internal control deficiencies and control risks. The management and control of the Company at the corporate level, business level and process level are better protected, and therefore safeguard the security of assets and interests of shareholders of the Company.

During the reporting period, the Company continued to improve its internal control system, launched overall risk control, and strengthened its capability in risk prevention and control. The activities conducted by the Company mainly comprised of the following: conducting a special audit on the establishment, improvement and implementation of the internal control systems of the Company and its subsidiaries; formulating a risk management plan of the Company, building a risk event database and conducting risk identification and assessment as planned for the purpose of establishing a long-term mechanics for risk management; expanding the coverage of contract auditing and strengthening the monitoring of procurement risks for its subsidiaries; and organizing its internal system and starting to prepare its internal control manual. Through the consistently deepened internal control management and risk prevention and control, the Company's current internal control system is substantially sound, reasonable, effective. The internal monitoring and control system is proved to be stable and reliable. The Company's risk management system has been formed to enable the Company to respond to changes in business and environment from financial, operational and risk management perspectives in order to protect the Company's asset safety and interests of shareholders.

III. Interests and short positions of Directors and supervisors in the shares of the Company

As at 30 June 2010, none of the Directors, supervisors, the chief executive of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or any interests or short positions in the shares required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

IV. 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.

V. Distribution of dividends

1. Distribution plan and implementation of 2009 final dividends

Having been considered and passed at the 2009 annual general meeting of shareholders, the Company has distributed a cash dividend of RMB0.195 per share (applicable taxes inclusive) as final dividend for 2009 to all shareholders based on the Company's total share capital of 1,084,255,637 shares as at the end of 2009, totaling approximately RMB211.43 million. Implementation of the dividend distribution plan has been completed before 15 July 2010.

2. 2010 interim profit distribution plan

The Board did not recommend distribution of interim dividend for the six months ended 30 June 2010.

VI. 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 independent non-executive Directors on transactions conducted between the Group and the CSRG Group, the KCR Group and the China Railway Group. In addition, the independent non-executive Directors have conducted quarterly reviews on the terms of supply and purchase contracts entered into between the Group and the CSRG Group, and the opinions regarding such transactions were disclosed to shareholders by way of announcements.

VII. Employees and training

As at 30 June 2010, the Company had 4,588 employees.

Given that the Company had been well operated, it adjusted its remuneration policies through increasing overall employee salaries and raising salaries based on performance assessment and on promotion, which improved its employee's salary level and therefore its remuneration competitiveness.

The Company has put much emphasis on staff training and provided scheduled trainings to the employees through a combination of external and internal and self-training by employees themselves. Meanwhile, the Company has also enhanced establishment of internal training system, and currently has set up internal training system with the Company's characteristic. Currently the Company has 226 internal trainers and has built its internal course system.

REVIEW BY AUDIT COMMITTEE

The Group's unaudited interim results for the six months ended 30 June 2010 and this results announcement have been reviewed and confirmed by the Audit Committee of the Company.

By Order of the Board
Zhuzhou CSR Times Electric Co., Ltd.
Ding Rongjun
Chairman

10 August 2010

As at the date of this announcement, our chairman of the Company and executive director is Ding Rongjun, our other executive director is Li Donglin, our non-executive directors are Deng Huijin, Lu Penghu and Ma Yunkun, and our independent non-executive directors are Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing, Tan Xiao'ao and Liu Chunru.