



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)



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RESULTS IN BRIEF

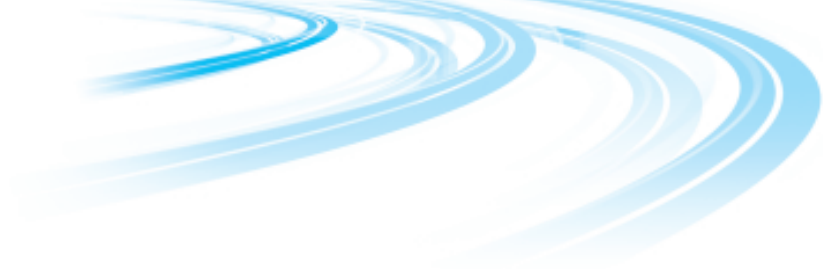
The Board of the Company is pleased to announce the unaudited operating results of the Company and its subsidiaries for the six months ended 30 June 2009 which have been prepared in accordance with International Financial Reporting Standards. This interim report is unaudited, but has been reviewed by the Audit Committee of the Company.

The revenue of the Group for the six months ended 30 June 2009 amounted to RMB1,313,960,000 (for the six months ended 30 June 2008: RMB1,014,839,000), representing an increase of 29.47% over the same period of last year. Profit before tax amounted to RMB246,038,000 (for the six months ended 30 June 2008: RMB254,804,000), representing a decrease of 3.44% over the same period of last year. Profit attributable to equity holders of the parent amounted to RMB206,841,000 (for the six months ended 30 June 2008: RMB192,449,000), representing an increase of 7.48% over the same period of last year. Basic earnings per share on a non-dilutive basis amounted to RMB0.19 (for the six months ended 30 June 2008: RMB0.18).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	For the six months ended 30 June	
		2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
REVENUE	4	1,313,960	1,014,839
Cost of sales		(832,446)	(625,192)
Gross profit		481,514	389,647
Other income and gains	4	39,263	63,225
Selling and distribution costs		(71,084)	(64,472)
Administrative expenses		(175,004)	(126,078)
Other expenses		(26,380)	(9,925)
OPERATING PROFIT		248,309	252,397
Finance costs	5	(5,459)	—
Share of profits and losses of:			
A jointly-controlled entity		4,071	2,407
An associate		(883)	—
PROFIT BEFORE TAX	6	246,038	254,804
Tax	7	(37,381)	(62,515)
PROFIT FOR THE PERIOD		208,657	192,289
Attributable to:			
Equity holders of the parent		206,841	192,449
Minority interests		1,816	(160)
		208,657	192,289
EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY			
HOLDERS OF THE PARENT (basic)	9	RMB0.19	RMB0.18



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	<i>(Unaudited)</i>
	RMB'000	<i>RMB'000</i>
Profit for the period	208,657	192,289
Exchange differences on translation of foreign operations	16,230	—
Tax	—	—
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	16,230	—
	<hr/>	<hr/>
Total comprehensive income for the period, net of tax	224,887	192,289
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity holders of the parent	220,561	192,449
Minority interests	4,326	(160)
	<hr/>	<hr/>
	224,887	192,289
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2009

		30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,100,544	933,250
Prepaid land lease payments		72,778	73,937
Goodwill	11	53,932	47,743
Other intangible assets		85,973	87,557
Interest in a jointly-controlled entity		85,396	81,325
Interest in an associate		18,023	18,906
Available-for-sale investments		400	400
Deferred tax assets		13,824	12,630
Total non-current assets		1,430,870	1,255,748
CURRENT ASSETS			
Inventories		645,685	523,293
Trade receivables	12	941,882	711,544
Bills receivable	13	358,077	327,937
Prepayments, deposits and other receivables	14	207,034	450,516
Financial assets at fair value through profit or loss	15	—	100,000
Pledged deposits	16	25,263	3,362
Cash and cash equivalents	16	1,044,767	796,722
Total current assets		3,222,708	2,913,374
CURRENT LIABILITIES			
Trade payables	17	494,364	370,358
Bills payable	18	62,293	46,234
Other payables and accruals	19	413,386	193,927
Provision for warranties		60,139	51,573
Interest-bearing bank and other borrowings	20	47,163	20,703
Government grants		3,796	6,916
Tax payable		35,941	12,130
Total current liabilities		1,117,082	701,841
NET CURRENT ASSETS		2,105,626	2,211,533
TOTAL ASSETS LESS CURRENT LIABILITIES		3,536,496	3,467,281

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2009

		30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	20	3,841	3,736
Government grants		31,000	27,000
Deferred tax liabilities		9,159	8,876
		<hr/>	<hr/>
Total non-current liabilities		44,000	39,612
		<hr/>	<hr/>
NET ASSETS		3,492,496	3,427,669
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		1,084,256	1,084,256
Reserves		2,377,366	2,156,805
Proposed final dividend	8	—	168,060
		<hr/>	<hr/>
		3,461,622	3,409,121
Minority interests		30,874	18,548
		<hr/>	<hr/>
TOTAL EQUITY		3,492,496	3,427,669
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to equity holders of the parent								
	Issued capital	Capital reserve	Statutory reserve	Exchange fluctuation reserve	Proposed final dividend	Retained profits	Total	Minority interest	Total equity
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	1,084,256	1,496,162	87,692	(13,904)	168,060	586,855	3,409,121	18,548	3,427,669
Profit for the period	—	—	—	—	—	206,841	206,841	1,816	208,657
Other comprehensive income	—	—	—	13,720	—	—	13,720	2,510	16,230
Total comprehensive income	—	—	—	13,720	—	206,841	220,561	4,326	224,887
Capital contribution from the minority shareholder	—	—	—	—	—	—	—	8,000	8,000
Final 2008 dividend declared	8	—	—	—	(168,060)	—	(168,060)	—	(168,060)
Transfer from retained profits	—	—	26,448	—	—	(26,448)	—	—	—
At 30 June 2009 (unaudited)	<u>1,084,256</u>	<u>1,496,162</u>	<u>114,140</u>	<u>(184)</u>	<u>—</u>	<u>767,248</u>	<u>3,461,622</u>	<u>30,874</u>	<u>3,492,496</u>
At 1 January 2008	1,084,256	1,495,630	52,287	—	157,217	367,803	3,157,193	4,257	3,161,450
Profit for the period	—	—	—	—	—	192,449	192,449	(160)	192,289
Total comprehensive income	—	—	—	—	—	192,449	192,449	(160)	192,289
Final 2007 dividend declared	—	—	—	—	(157,217)	—	(157,217)	—	(157,217)
Transfer from retained profits	—	—	10,970	—	—	(10,970)	—	—	—
At 30 June 2008 (unaudited)	<u>1,084,256</u>	<u>1,495,630</u>	<u>63,257</u>	<u>—</u>	<u>—</u>	<u>549,282</u>	<u>3,192,425</u>	<u>4,097</u>	<u>3,196,522</u>



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 <i>(Unaudited)</i> RMB'000	2008 <i>(Unaudited)</i> RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	61,353	62,906
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(163,452)	(124,855)
NET CASH INFLOW FROM FINANCING ACTIVITIES	17,924	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(84,175)	(61,949)
Cash and cash equivalents at 1 January	736,722	710,603
CASH AND CASH EQUIVALENTS AT 30 JUNE	652,547	648,654



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. (formerly CSR Zhuzhou Electric Locomotive Research Institute, “CSR 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 interim condensed consolidated financial statements for the six months ended 30 June 2009 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 2008.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**2.2 IMPACT OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

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 2008, except for the adoption of new Standards and Interpretations as of 1 January 2009, noted below:

(a) *IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The IAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The IFRS 1 Amendment allows a first-time adopter of IFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The adoption of IAS 27 Amendment has no impact on the consolidated financial statements. As the Group is not a first-time adopter of IFRSs, the IFRS 1 Amendment is not applicable to the Group.

(b) *IFRS 2 Share-based Payment - Vesting Conditions and Cancellations*

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

(c) *IFRS 7 Financial Instruments: Disclosures*

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and the liquidity risk disclosures are not significantly impacted by the amendments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**2.2 IMPACT OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)****(d) IFRS 8 Operating Segments**

This 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. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting.

(e) IAS 1 Revised Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with 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 recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(f) IAS 23 Borrowing Costs (Revised)

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group’s current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard did not have any impact on the financial position or performance of the Group.

(g) IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

(h) IFRIC-Int 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

These amendments to IFRIC-Int 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 IMPACT OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

(i) IFRIC-Int 13 Customer Loyalty Programmes

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. As the Group currently has no applicable customer loyalty award credits, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

(j) IFRIC-Int 15 Agreements for the Construction of Real Estate

IFRIC-Int 15 clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with IAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with IAS 18 Revenue. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

(k) IFRIC-Int 16 Hedges of a Net Investment in a Foreign Operation

The interpretation is to be applied prospectively. IFRIC-Int 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any impact on the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 IMPACT OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

Improvements to IFRSs

In May 2008 the Board issued its first 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.

IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether management’s expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

IAS 16 Property, Plant and Equipment: Replace the term “net selling price” with “fair value less costs to sell”. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance: Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with IAS 39 Financial Instruments: Recognition and Measurement and the benefit of the reduced interest to be accounted for as a government grant.

IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of ‘borrowing costs’ into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 IMPACT OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

Improvements to IFRSs (continued)

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 18 Revenue
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investment in Associates
- IAS 31 Interest in Joint ventures
- IAS 34 Interim Financial Reporting
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**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 interim condensed consolidated financial statements.

IFRS 2 Amendment	Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions ²
IFRS 3 (Revised)	Business Combinations ¹
IAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items ¹
IFRIC-Int 17	Distribution of Non-cash Assets to Owners ¹
IFRIC-Int 18	Transfers of Assets from Customers ¹

Apart from the above, the International Accounting Standard Board (“IASB”) has also issued Improvements to IFRSs* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarify wording. The Group expects to adopt the amendments to IFRSs from 1 January 2010. There are separate transitional provisions for each standard.

¹ Effective for annual periods beginning on or after 1 July 2009

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

* Improvements to IFRSs contains amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC-Int 9 and IFRIC-Int 16.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that the adoption of IFRS 3 (Revised), IAS 27 (Revised) may result in changes in accounting policies, these new and revised IFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SEGMENT INFORMATION**

The Group has adopted IFRS 8 “Operating Segment” with effect from 1 January 2009. The Group has determined the operating segments based on the reports reviewed by the chief operating decision-makers that are used to assess performance and allocate resources.

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, net of discounts and returns.

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	<i>(Unaudited)</i>
	RMB'000	<i>RMB'000</i>
Revenue:		
Sale of goods	1,316,732	1,021,553
Less: Sales taxes and surcharges	(2,772)	(6,714)
	1,313,960	1,014,839
Other income and gains:		
Interest income	8,179	11,432
Investment income from financial products	3,023	11,468
Profit from sale of raw materials	782	624
Gross rental income	1,545	1,508
Value-added tax refund	12,893	12,236
Technical service income	4,174	1,159
Exchange gains, net	—	6,644
Government grants	5,194	10,127
Gain on change in fair value of financial derivatives	—	7,225
Others	3,473	802
Total	39,263	63,225

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. FINANCE COSTS

	For the six months ended 30 June	
	2009	2008
	(Unaudited) RMB'000	(Unaudited) RMB'000
Interest on bank and other borrowings	3,988	—
Interest on discounted bills	1,471	—
Total	<u>5,459</u>	<u>—</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited) RMB'000	(Unaudited) RMB'000
Cost of inventories sold	832,446	625,192
Staff costs (including directors' and supervisors' remuneration)	146,980	92,384
Depreciation of items of property, plant and equipment	36,802	27,080
Amortisation of prepaid land lease prepayments	1,159	782
Amortisation of other intangible assets	7,380	822
Research and development costs	71,662	44,378
Less: staff costs included above	(34,816)	(20,051)
depreciation and amortisation included above	(6,724)	(5,631)
development costs capitalised	(1,418)	—
Research and development costs net of staff costs, depreciation, amortisation and development costs capitalised	<u>28,704</u>	<u>18,696</u>
Loss on disposal of items of property, plant and equipment, net	264	137
Exchange losses/(gains), net	6,089	(6,644)
Provision for obsolete inventories	2,669	3,114
Provision for impairment of trade and other receivables, net	19,686	9,387
Provision for warranties	23,791	22,287
Interest income	(8,179)	(11,432)
Gross rental income	<u>(1,545)</u>	<u>(1,508)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. TAX

The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Current income tax - Mainland China	38,512	73,843
- Elsewhere	948	—
Deferred income tax credit	(2,079)	(11,328)
Income tax charge for the year	<u>37,381</u>	<u>62,515</u>

The PRC corporate income tax for the Company and its subsidiaries is calculated at rates ranging from 15% to 25% (six months ended 30 June 2008: 25%) on their estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

Taxes on profits assessable elsewhere have been calculated at the rates of jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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 2009 and 2008.

8. DIVIDENDS

On 23 June 2009, a dividend of RMB15.5 cents per ordinary share amounting to RMB168,060,000 in aggregate (six months ended 30 June 2008: RMB14.5 cents per ordinary share amounting to RMB157,217,000 in aggregate for the 2007 final dividend) was approved as the final dividend for 2008.

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	<i>(Unaudited)</i>
	RMB'000	<i>RMB'000</i>
Earnings:		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	206,841	192,449
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,084,255,637	1,084,255,637

No diluted earnings per share have been disclosed as no diluting events existed during the six months ended 2009 and 2008.

10. PROPERTY, PLANT AND EQUIPMENT

During six months ended 30 June 2009, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB198,260,000 (six months ended 30 June 2008: RMB145,032,000). In addition, during the same period, property, plant and equipment with aggregate net carrying value of approximately RMB410,000 (six months ended 30 June 2008: RMB273,000) were disposed of which resulted in a net loss on disposal of approximately RMB264,000 (six months ended 30 June 2008: RMB137,000) and recorded as other expenses.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. GOODWILL

The Group

	RMB'000
At 31 December 2008:	
Cost	47,743
Accumulated impairment	—
	<hr/>
Net carrying amount	47,743
	<hr/> <hr/>
Cost at 1 January 2009, net of accumulated impairment	47,743
Impairment during the year	—
Exchange realignment	6,189
	<hr/>
Cost and carrying amount at 30 June 2009	53,932
	<hr/> <hr/>
At 30 June 2009:	
Cost	53,932
Accumulated impairment	—
	<hr/>
Net carrying amount	53,932
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. 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 statement of financial position date, based on the invoice date and net of provision for impairment of receivables, is as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within 1 year	890,145	662,131
Over 1 year but within 2 years	35,393	38,268
Over 2 years but within 3 years	16,344	11,145
Over 3 years	—	—
	941,882	711,544
	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Trade receivables from:		
CSRG and its subsidiaries	319,053	212,047
Jointly-controlled entity	612	908
Third parties	622,217	498,589
	941,882	711,544

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. BILLS RECEIVABLE

The maturity profiles of the bills receivable of the Group as at the statement of financial position date are as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within 3 months	120,659	7,115
Over 3 months but within 6 months	237,418	320,822
	358,077	327,937

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Prepayments, deposits and other receivables:		
CSRG and its subsidiaries	4,069	9,870
Jointly-controlled entity	12,690	—
Third parties	190,275	440,646
	207,034	450,516

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

Included in other receivables as at 31 December 2008 were investments in short term maturity financial instruments with principal repayment guaranteed by banks aggregating to RMB300 million, which were fully repaid during the six months ended 30 June 2009.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Deposits and investments with embedded derivatives	<u>—</u>	<u>100,000</u>

The entire deposits and investments including the related embedded derivatives were accounted for as financial assets designated at fair value through profit or loss and these deposits and investments were repaid during the six months ended 30 June 2009.

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Cash and bank balances	677,810	740,084
Time deposits	392,220	60,000
	1,070,030	800,084
Less: Pledged deposits against banking facilities	(25,263)	(3,362)
Cash and cash equivalents in the consolidated statement of financial position	1,044,767	796,722
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(392,220)	(60,000)
Cash and cash equivalents in the consolidated statement of cash flow	652,547	736,722

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. TRADE PAYABLES

An aged analysis of the trade payables as at the statement of financial position date, based on the invoice date, is as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within 3 months	372,403	333,479
Over 3 months but within 1 year	117,384	30,802
Over 1 year but within 2 years	2,979	3,821
Over 2 years but within 3 years	668	408
Over 3 years	930	1,848
	494,364	370,358
	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Trade payables to:		
CSRG and its subsidiaries	22,984	21,372
Jointly-controlled entity	100,319	55,115
Third parties	371,061	293,871
	494,364	370,358

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. BILLS PAYABLE**

The maturity profiles of the bills payable of the Group as at the statement of financial position date are as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within 3 months	34,676	18,017
Over 3 months but within 6 months	27,617	28,217
	62,293	46,234

19. OTHER PAYABLES AND ACCRUALS

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Receipts in advance	163,050	111,742
Other payables	56,645	34,458
Accruals	23,893	39,405
Dividend payable	72,216	—
Amounts due to CSRG and its subsidiaries	97,582	8,322
	413,386	193,927

The other payables are non-interest-bearing and have an average term of three months. The amounts due to CSRG and its subsidiaries included in the Group's other payables and accruals are unsecured, interest-free and repayable on demand, which include dividend due to CSRG and its subsidiaries amounting to RMB95,844,000 (31 December 2008: nil).

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

Interest-bearing bank and other borrowings at 30 June 2009 included a new bank loan of GBP3,500,000 (RMB equivalent: 39,683,000) from Industrial and Commercial Bank of China (London) Limited. The loan is unsecured, bearing interest at LIBOR plus 1.35% and repayable in May 2010.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**21. CONTINGENT LIABILITIES**

As at 30 June 2009, the Group had no significant contingent liabilities.

22. COMMITMENTS

The Group had the following capital commitments at the statement of financial position date:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Contracted, but not provided for:		
Purchase of items of property, plant and equipment	124,574	167,837
Purchase of items of other intangible assets	106,453	113,654
Total	231,027	281,491
Authorised, but not contracted for:		
Purchase of items of property, plant and equipment	344,018	263,179
Purchase of items of other intangible assets	30,478	4,436
Total	374,496	267,615

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**23. RELATED PARTY TRANSACTIONS**

In addition to those disclosed in elsewhere in these interim condensed consolidated financial statements, the Group had the following material transactions with related parties:

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	<i>(Unaudited)</i>
	RMB'000	<i>RMB'000</i>
(a) Transactions with CSRG and its subsidiaries:		
Sales of goods	511,462	369,670
Purchases of materials and components	64,255	52,404
Sales of electricity	367	264
Rental income from items of property, plant and machinery	1,604	1,110
	<u><u> </u></u>	<u><u> </u></u>
(b) Transactions with a jointly-controlled entity:		
Sales of goods	572	58
Purchases of materials and components	69,217	72,841
	<u><u> </u></u>	<u><u> </u></u>
(c) Details of the Group's balances with related parties as at the statement of financial position date are disclosed in notes 12, 14, 17 and 19 to the interim condensed consolidated financial statements.		

24. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There are no significant events subsequent to the six months ended 30 June 2009.

25. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 19 August 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review and Outlook

In the first half of 2009, the business of the Group achieved progress in the following areas:

1. completed the development and testing of the electrical systems for new type 7,200kW high-powered locomotives which laid a good foundation for batch delivery in the second half of the year, after starting the project for 7,200kW at the end of the previous year, the Company completed the design and sample testing in the shortest period of time;
2. a joint venture was established with China Railway Group (details on page 31 of the interim report) and started small to medium railway maintenance vehicles business;
3. the production line of new high-powered semiconductor parts was completed and put into operation and orders of high-powered semiconductor parts from the State power grid for their high-powered direct current projects were obtained and delivered.

In the second half of 2009, the business of the Group is focused on the following areas:

1. endeavours to settle down the supply contracts of electrical systems for 7,200kW high-powered locomotives as soon as possible and starts to deliver them in batches. Currently, the assembly and testing of traction systems, the testing for various parts and components as well as the testing work for prototype of locomotive are underway. According to the delivery plan of locomotive manufacturer, the Company is organizing the subsequent batch production;
2. endeavours to settle down the supply contracts of electrical system for 350km/h EMUs as soon as possible and make adequate preparation to ensure that the units are able to be delivered for use in 2010 to 2012;
3. increases its expansion strength in new business.

Revenue

	For the six months ended 30 June	
	2009 <i>(Unaudited)</i> <i>(RMB million)</i>	2008 <i>(Unaudited)</i> <i>(RMB million)</i>
Train power converters, auxiliary power supply equipment and control systems	691.7	517.4
Including: Locomotives	290.3	190.0
Electric Multiple units	309.6	268.2
Metropolitan rail transportation equipment	91.8	59.2
Train operation safety equipment	103.4	157.0
Electrical control systems for railway maintenance vehicles	213.9	181.3
Electrical systems	1,009.0	855.7
Power semiconductor devices	221.7	85.2
Sensors and related products	34.9	45.1
Others	48.4	28.8
Electric components	305.0	159.1
Total revenue	1,314.0	1,014.8

Revenue increased by 29.5% from RMB1,014.8 million for the six months ended 30 June 2008 to RMB1,314.0 million for the six months ended 30 June 2009.

Except for the decrease in revenue from train operation safety equipment and sensors and related products, faster growth was seen in revenue from other product categories of the Group in the first half of 2009. The Group recorded the strongest growth of RMB174.3 million in revenue of train power converters, auxiliary power supply equipment and control systems. Such increase was mainly due to the delivery of electrical systems for EMUs products, the improvement of power supply system for passenger locomotives and the delivery of electrical systems for Beijing Metro and Shenyang Metro. The second strongest growth of RMB136.5 million was recorded in power semiconductor components, which was due to the revenue of RMB117.7 million contributed by the newly acquired Dynex by the Group in October 2008.

Cost of sales

Cost of sales increased by 33.1% from RMB625.2 million for the six months ended 30 June 2008 to RMB832.4 million for the six months ended 30 June 2009. The increase in cost of sales was mainly due to the growth in the Group's revenue, resulting in the increase in the corresponding cost of sales.

Gross profit

Due to the above reason, the Group's gross profit increased by 23.6% from RMB389.6 million for the six months ended 30 June 2008 to RMB481.5 million for the six months ended 30 June 2009, while gross profit margin decreased from 38.4% for the six months ended 30 June 2008 to 36.6% for the six months ended 30 June 2009. Due to the gradual opening of the railway industry in China and the increasingly fierce competition as well as the expansion of the Company scale, more and more products fall into other categories beyond railway sectors, the management of the Group is of the view that the Company's gross profit margin still faces the possibility of a continuous fall in the future.

Other income and gains

Other income and gains decreased by 37.9% from RMB63.2 million for the six months ended 30 June 2008 to RMB39.3 million for the six months ended 30 June 2009.

Selling and distribution costs

Selling and distribution costs increased by 10.3% from RMB64.5 million (representing 6.4% of the revenue for the half year) for the six months ended 30 June 2008 to RMB71.1 million (representing 5.4% of the revenue for the half year) for the six months ended 30 June 2009. The increase in selling and distribution costs was mainly due to the increase in sales income during the period, and the consolidation of Dynex and Baoji CSR Times into the Company's accounts.

Administrative expenses

Administrative expenses increased by 38.8% from RMB126.1 million for the six months ended 30 June 2008 to RMB175.0 million for the six months ended 30 June 2009. 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 and the consolidation of Dynex and Baoji CSR Times into the Company's accounts.

Finance costs

Finance costs increased from nil for the six months ended 30 June 2008 to RMB5.5 million for the six months ended 30 June 2009. The increase in finance costs was primarily attributable to the borrowing interests of Dynex, a subsidiary of the Group.

Income tax expenses

Income tax expenses decreased by RMB25.1 million from RMB62.5 million for the six months ended 30 June 2008 to RMB37.4 million for the six months ended 30 June 2009. The decrease in income tax expenses was due to the fact that the Company, Times Electronics, Ningbo Company and Times Guangchuang were under approval for High/New Technology Enterprises and obtained the approval from relevant government authorities at the end of 2008, thus they were subject to CIT at rate of 15% in the current period and they were subject to the CIT at the rate of 25% pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 in the previous period.

Deferred tax assets and deferred tax liabilities of the Group mainly arose from temporary differences of accrued liabilities.



Commitments

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

	30 June 2009 (RMB million)	31 December 2008 (RMB million)
Contracted but not provided for:		
Purchase of items of property, plants and equipment	124.6	167.8
Purchase of items of intangible assets	106.4	113.7
Total	231.0	281.5
Authorised, but not contracted for:		
Purchase of items of property, plant and equipment	344.0	263.2
Purchase of items of intangible assets	30.5	4.4
Total	374.5	267.6

Investments

On 26 March 2009, the Company invested RMB12 million and established Baoji CSR Times, a joint venture subsidiary, in Baoji City, Shanxi Province with a registered capital of RMB100 million. Baoji CSR Times mainly engages in the manufacture of railway maintenance vehicles, and is held as to 60% by the Company.

In June 2009, the Company increased its investment in Times Equipment, a wholly-owned subsidiary, by RMB25 million.

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 2009, approximately RMB1,385.77 million has been applied to those intended uses as set out in the Company's prospectus, details of which are set out below:

- (1) Approximately RMB822.21 million for investments in train power converters, auxiliary power supply equipment and control systems;
- (2) Approximately RMB60.60 million for investments in train operation safety equipment;
- (3) Approximately RMB30.52 million for investments in importation of technology and development of a new generation of railway maintenance vehicles;
- (4) Approximately RMB241.91 million for investments in large power semi-conductor devices;
- (5) Approximately RMB77.98 million for investments in sensors and related products;
- (6) Approximately RMB84.55 million for other areas;
- (7) Approximately RMB48.82 million for supplementing working capital;
- (8) Approximately RMB7.18 for acquisition of 13% equity interest in Zhuzhou Siemens which is different from the intended use;
- (9) Approximately RMB12 million were reallocated for the joint establishment of Baoji CSR Times.

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 to finance the acquisition of the 12% and 1% equity interests in Zhuzhou Siemens held by CSR Zhuzhou and Siemens Ltd., China respectively and for the joint establishment of Baoji CSR Times. Please refer to the announcement of connected transactions and the announcement of price-sensitive information published by the Company on 16 September 2008 and 25 March 2009, respectively for details.

Gearing Ratio

The gearing ratio, which is net debt divided by total capital plus net debt, changed from -5% as at 31 December 2008 to -1% as at 30 June 2009. 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 risks, foreign exchange risks 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 Company is committed to maintaining a high level of superiority, stability and reasonability on corporate governance. During the reporting period ended 30 June 2009, 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. Song Yali is the Vice Chairman and a non-executive Director; Mr. Lu Penghu is an executive Director; Messrs. Deng Huijin 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 19 August 2009. Mr. Liao Bin, the former non-executive director of the Company, resigned as personal work movement and Mr. Deng Huijin was appointed as a non-executive director of the Company to replace him. For further details, please refer to the announcement on resignation and appointment of non-executive director and authorized representative issued by the Company dated 19 August 2009.

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. Zhang Liqiang is the chairman of the Supervisory Committee, two staff supervisors, Messrs. Pang Yiming and Liu Ke’an, and two external independent supervisors, Mr. Shuai Tianlong and Ms. Wang Kun.

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, Ma Yunkun and Ms. Liu Chunru. 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 2009 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 Directors are responsible for maintaining a reliable and effective internal control system. The Company has established an audit department with the function of internal audits at management level. An audit committee and a risk management committee have also been established and are accountable to the Board. The Directors are in a position to improve, supervise and assess the Company's internal controls at all levels of management, so as to ensure that the Company can withstand changes in its operations and other external influences on its financial, operational and risk management, in order to safeguard the Company's assets and shareholders' interests.

During the reporting period, the Company further upgraded its internal control mechanism, reinforced its awareness on risk management and regularized process flows.

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

As at 30 June 2009, 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. Structure of share capital

The Company's share capital structure as at 30 June 2009 was as follows:

Shareholder	Type	Number of shares	% of issued share capital as at 30 June 2009
CSR ZELRI	Domestic shares	589,585,699	54.38%
Qishuyan Works	Domestic shares	9,380,769	0.87%
CSR Investment & Leasing	Domestic shares	9,380,769	0.87%
CSR Zhuzhou	Domestic shares	10,000,000	0.92%
Kunming China Railway	Domestic shares	9,800,000	0.90%
Shares in public circulation	H shares	456,108,400	42.06%
Total		<u>1,084,255,637</u>	<u>100%</u>

V. Substantial shareholders

Interests or short positions in the shares or underlying shares of the Company pursuant to the disclosure requirements in Divisions 2 and 3 of Part XV of the SFO as at 30 June 2009 were as follows:

Name of substantial shareholder	Number of shares held	Capacity	% of Domestic Share share capital	% of H Share share capital	% of issued share capital
CSR ZELRI	589,585,699 (L)	Beneficial owner	93.86%	—	54.38%
CSR (note 1)	608,966,468 (L)	Interest in controlled entity	96.95%	—	56.16%
CSRG (note 2)	618,347,237 (L)	Interest in controlled entity	98.44%	—	57.03%
Mirae Asset Global Investments (Hong Kong) Limited	31,539,000 (L)	Investment manager	—	6.91%	2.91%
JPMorgan Chase & Co.	2,537,338 (L)	Beneficial owner	—	0.56%	0.23%
	25,133,089 (lending pool shares)	Custodian/ Approved lending agent	—	5.51%	2.32%
The Hamon Investment Group Pte Limited	26,981,000 (L)	Investment manager	—	5.92%	2.49%

Note:

- (1) CSR is interested in 100% of the registered capital of CSR ZELRI and CSR Investment & Leasing, and is directly and indirectly interested in 99.31% of the registered capital of CSR Zhuzhou. Accordingly, CSR is deemed under the SFO to be interested in the shares held by each of CSR ZELRI, CSR Investment & Leasing and CSR Zhuzhou.
- (2) CSRG is directly and indirectly interested in 57.57% of the shares of CSR, and is directly interested in 100% of the registered capital of Qishuyan Works. Accordingly, CSRG is deemed under the SFO to be interested in the interests held by each of CSR and Qishuyan Works.

VI. 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.

VII. Distribution of dividends

1. *Distribution plan and implementation of 2008 final dividends*

Having been considered and passed at the 2008 annual general meeting of shareholders, the Company has distributed a cash dividend of RMB0.155 per share (applicable taxes inclusive) as final dividend for 2008 to all shareholders based on the Company's total share capital of 1,084,255,637 shares as at the end of 2008, totaling RMB168.06 million. Implementation of the dividend distribution plan has been completed before 28 July 2009.

2. *2009 interim profit distribution plan*

The Board did not recommend distribution of interim dividend for the six months ended 30 June 2009.

VIII. Major acquisitions and disposals

During the reporting period, the Company entered into an agreement with China Railway and China Railway Bus on 25 March 2009, for the establishment of Baoji CSR Times in Baoji city, Shanxi Province. Baoji CSR Times was established on 26 March 2009 with a registered capital of RMB100,000,000, among which the Company shall contribute RMB60,000,000 by way of cash and China Railway Bus shall contribute RMB40,000,000 partly by way of cash and partly by way of injection of assets. The capital of Baoji CSR Times is injected by several stages, as at 30 June 2009, the Company has injected capital of RMB12,000,000 by way of cash. The joint venture company is held as to 60% and 40% by the Company and China Railway Bus respectively.

In June 2009, Times Guangchuang transferred its capital reserve to share capital with unallocated profits of RMB7,000,000, and its registered capital was changed to RMB 10,000,000.

In June 2009, the Company increased its capital injections in Times Equipment, and the registered capital of Times Equipment was increased from RMB11,000,000 to RMB36,000,000.

IX. 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 CSRG Group/KCR 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 CSRG Group, and the opinions regarding such transactions were disclosed to shareholders by way of announcements.

On 14 April 2009, the Company entered into the Supplemental Mutual Supply Agreement with CSRG, the Second Supplemental Mutual Supply Agreement with KCR, the Mutual Supply Agreement with China Railway, respectively, renewed the total annual caps in respect of continuing connected transactions between the Group and CSRG Group and between the Group and KCR Group for each financial year from 2009 to 2013 and confirmed the total annual caps in respect of the continuing connected transactions between the Group and China Railway and its subsidiaries for each financial year from 2009 to 2011. Such agreements have been approved by the independent shareholders in the extraordinary general meeting held on 23 June 2009. Please refer to the announcement dated 14 April 2009 and the circular dated 5 May 2009 issued by the Company for details.

X. Employees and training

As at 30 June 2009, the Company had 3,920 employees.

The Company adjusts the salaries and benefit system of the employees at applicable time and improves the level of the employees salaries level gradually by way of raising salaries through annual performance evaluation and position promotions.

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, so as to provide a exchange platform for the employees. The Company has fulfilled the theme of "Reform Trainings" based on the past trainings provided to the employees, which has resulted in the constant innovation and improvement of the employees' trainings, so as to meet the demands for accumulation and sharing of knowledge in the development of the Company.



BASIC CORPORATE INFORMATION

1	Authorised name in Chinese Authorised name in English	株洲南車時代電氣股份有限公司 Zhuzhou CSR Times Electric Co., Ltd.
2	Authorised representatives	Ding Rongjun Tang Tuong Hock, Gabriel
3	Joint company secretaries	Lu Penghu Tang Tuong Hock, Gabriel
	Qualified accountant	Tang Tuong Hock, Gabriel
	Secretary of the Board	Yan Wu
	Registered office	Times Road, Shifeng District, Zhuzhou, Hunan Province, PRC, 412001
	Telephone	+ 86 731 2849 8028
	Facsimile	+ 86 731 2849 3447
	Website	http://www.timeselectric.cn
	Principal place of business in Hong Kong	Unit 1106, 11th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong
4	Listing information	H Share The Stock Exchange of Hong Kong Limited Stock Code : 3898 Short Name of Stock : CSR Times Electric
5	H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-16, 17/F., Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
6	Legal advisers	Jones Day Grandall Legal Group
7	Auditors	Ernst & Young



GLOSSARY

"Articles"	the articles of association of the Company
"Baoji CSR Times"	寶鷄南車時代工程機械有限公司 (Baoji CSR Times Engineering Machinery Co., Ltd.), held as to 60% by the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"CG Code"	the Code on Corporate Governance Practices
"China Railway"	中國中鐵股份有限公司 (China Railway Group Limited), a joint stock limited liability company incorporated in the PRC whose A shares and H shares are listed on Shanghai Stock Exchange and the main board of Stock Exchange, respectively
"China Railway Bus"	中鐵寶工有限責任公司 (China Railway Bus Co., Ltd.), the controlling shareholder of Baoji Times and a wholly-owned subsidiary of China Railway
"Company"	株洲南車時代電氣股份有限公司 (Zhuzhou CSR Times Electric Co., Ltd.)
"CSR"	中國南車股份有限公司 (China South Locomotive & Rolling Stock Corporation Limited), a joint stock limited liability company incorporated in the PRC whose A shares and H shares are listed on Shanghai Stock Exchange and the main board of Stock Exchange, respectively. CSR is directly and indirectly owned as to 57.57% by CSRG and holds the entire equity interest in the Parent Company
"CSRG"	中國南方機車車輛工業集團公司 (China South Locomotive & Rolling Stock Industry (Group) Corporation), a PRC State-owned enterprise
"CSRG Group"	CSRG and its subsidiaries including the parent Group
"CSR Investment & Leasing"	南車投資租賃有限公司 (CSR Investment & Leasing Co., Ltd.) was formerly known as New Leap Transportation Equipment Investment & Leasing Co., Ltd., a wholly-owned subsidiary of CSR, and one of the Promoters of the Company
"CSR Zhuzhou"	南車株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Co., Ltd.), held as to 86.84% by CSR, as to 6.93% by the Parent Company, as to 5.54% by CSR Investment & Leasing; one of the Promoters of the Company
"Directors"	the directors of the Company



“Dynex”	Dynex Power Inc., a joint stock company listed on the TSX Venture Exchange, Toronto, Canada (stock code: DNX) whose 75% equity interest was acquired by the Company in October 2008. Dynex Semiconductor Ltd. is its only operating subsidiary and its headquarters is located in Lincoln, England
“Group”	the Company and its subsidiaries
“Kunming China Railway”	昆明中鐵大型養路機械集團有限公司 (China Railway Large Maintenance Machinery Co., Ltd. Kunming), one of the Promoters of the Company, is a subsidiary wholly owned by 中國鐵建股份有限公司 (China Railway Construction Corporation Limited), whose A shares and H shares are listed on Shanghai Stock Exchange and the main board of Stock Exchange, respectively
“KCR Group”	Kunming China Railway and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Ningbo Company”	寧波南車時代傳感技術有限公司 (Ningbo CSR Times Sensor Technology Company, Ltd.), a wholly-owned subsidiary of the Company
“Parent Company” or “CSR ZELRI”	南車株洲電力機車研究所有限公司 (CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.), a wholly-owned subsidiary of CSR, one of the Promoters and also the controlling shareholder of the Company
“Parent Group”	The Parent Company and its subsidiaries (excluding the Group)
“PRC”	the People’s Republic of China
“Promoters”	promoters of the Company, being CSR ZELRI, CSR Zhuzhou, CSR Investment & Leasing, Qishuyan Works and Kunming China Railway
“Qishuyan Works”	中國南車集團戚墅堰機車車輛廠 (CSR Qishuyuan Locomotive & Rolling Stock Works), a wholly-owned subsidiary of CSRG and one of the Promoters
“Shenyang Company”	沈陽南車時代交通設備有限公司 (Shenyang CSR Times Transportation Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
“Shiling”	株洲時菱交通設備有限公司 (Zhuzhou Shiling Transportation Equipment Company, Ltd.), held as to 50% by the Company, as to 40% by Mitsubishi Electric Corporation and as to 10% by Mitsubishi Electric (China) Ltd.



“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the year” or “the reporting period”	For six months ended 30 June 2009
“Times Electronics”	株洲時代電子技術有限公司(Zhuzhou Times Electronics Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times Equipment”	株洲時代裝備技術有限公司(Zhuzhou Times Equipment Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times Guangchuang”	株洲時代廣創變流技術有限公司 (Zhuzhou Times Guangchuang Converter Technology Co., Ltd.), a wholly-owned subsidiary of Times Electronics
“Times Information”	北京南車時代信息技術有限公司 (Beijing CSR Times Information Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times New Materials”	株洲時代新材料科技股份有限公司 (Zhuzhou Times New Materials Technology Co., Ltd.), whose shares are listed on the Shanghai Stock Exchange
“Times Zhuoyue”	株洲時代卓越汽車電子技術有限公司 (Zhuzhou Times Zhuoyue Automotive Electronics Technology Co., Ltd.), Times Electronics held 40% of its shareholding. Besides, Times Electronics entered into an agreement with two natural investors who held an aggregate of 15% equity interest in Times Zhuoyue, and the two natural investors conferred their voting rights in Time Zhuoyue to Times Electronics. pursuant to which Times Zhouyue is a subsidiary of Times Electronics
“Zhuzhou Siemens”	Siemens Traction Equipment Ltd., Zhuzhou, held as to 30% by the Company, as to 20% by CSR Zhuzhou and as to 50% by Siemens Ltd., China