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)

2008
Interim Report

CONTENTS

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 2008 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 2008 amounted to RMB1,014,839,000 (for the six months ended 30 June 2007: RMB718,705,000), representing an increase of 41.20% over the same period of last year. Profit before tax amounted to RMB254,804,000 (for the six months ended 30 June 2007: RMB153,715,000), representing an increase of 65.76% over the same period of last year. Profit attributable to equity holders of the parent amounted to RMB192,449,000 (for the six months ended 30 June 2007: RMB161,127,000), representing an increase of 19.44% over the same period of last year. Basic earnings per share on a non-dilutive basis amounted to RMB0.18 (for the six months ended 30 June 2007: RMB0.15).

BUSINESS REVIEW

Review on the results for the six months ended 30 June 2008

In the first half of 2008, the Company has delivered some electrical system products for 300 km/h electric multiple units ("EMUs"), and initiated the long EMUs（長編組動車組）project, which passed the type test and acceptance for its first piece product. The new manufacturing base, constructed using proceeds from the Company's initial public offering, has commenced operation. The Company made new progress in the urban railway market, and its self-developed traction electrical system has made breakthrough in the Shenyang urban railway project. This is the first time that the AC electrical system developed by a PRC company won the bid for a domestic urban railway project.

Outlook for the second half of the year

In the second half of 2008, the Company anticipates the following developments:

— To enter into a supply contract of high power locomotive electrical systems, which is a breakthrough of the Company in the high power locomotive electrical systems area.

— To obtain new orders for electrical systems for EMUs.

— To continue efforts and breakthroughs in acquisitions and mergers.

The listing of CSR will help to enhance its consolidated competitiveness and enhances its production capacity, which is helpful to the rapid development of the Company.

The Company's development prospects are promising with industrial dominance. The Company will leverage on economic synergies through capital platforms, so as to facilitate the Company's development in a good and rapid manner, and create greater values for shareholders.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
		For the six months ended 30 June	
REVENUE	4	**1,014,839**	718,705
Cost of sales		**(625,192)**	(419,818)
Gross profit		**389,647**	298,887
Other income and gains	4	**63,225**	43,582
Selling and distribution costs		**(64,472)**	(48,410)
Administrative expenses		**(126,078)**	(111,258)
Other operating expenses, net		**(9,925)**	(27,020)
PROFIT FROM OPERATIONS		**252,397**	155,781
Finance costs		**—**	(3,794)
Share of profit of a jointly-controlled entity		**2,407**	1,728
PROFIT BEFORE TAX	5	**254,804**	153,715
Tax	6	**(62,515)**	7,191
PROFIT FOR THE PERIOD		**192,289**	160,906
Attributable to:			
Equity holders of the parent		**192,449**	161,127
Minority interests		**(160)**	(221)
		192,289	160,906
DIVIDENDS	7	**—**	—
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (BASIC)	8	**RMB0.18**	RMB0.15

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2008 (Unaudited) RMB'000**	31 December 2007 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**706,325**	590,972
Prepaid land lease payments		**74,719**	75,501
Intangible assets		**25,383**	15,625
Interest in a jointly-controlled entity		**81,423**	79,016
Available-for-sale financial assets		**400**	400
Goodwill		**1,940**	1,940
Deferred tax assets		**20,091**	6,956
Total non-current assets		**910,281**	770,410
CURRENT ASSETS			
Inventories		**385,089**	439,521
Trade receivables	10	**879,659**	501,680
Notes receivable	11	**232,242**	258,200
Prepayments, deposits and other receivables	12	**685,613**	164,482
Financial assets at fair value through profit or loss	21	**101,561**	—
Derivative financial instruments	20	**5,664**	—
Pledged deposits	13	**2,680**	7
Cash and cash equivalents	13	**858,654**	1,510,603
Total current assets		**3,151,162**	2,874,493
CURRENT LIABILITIES			
Trade payables	14	**310,953**	221,680
Notes payable	15	**37,230**	48,172
Other payables and accruals	16	**375,848**	149,155
Provision for warranties		**55,338**	45,646
Deferred government grants		**6,242**	14,211
Tax payable		**58,504**	4,589
Total current liabilities		**844,115**	483,453
NET CURRENT ASSETS		**2,307,047**	2,391,040
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,217,328**	3,161,450

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	Notes	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,217,328**	3,161,450
NON-CURRENT LIABILITIES			
Deferred government grants		**19,000**	—
Deferred tax liabilities		**1,806**	—
Total non-current liabilities		**20,806**	—
NET ASSETS		**3,196,522**	3,161,450
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**1,084,256**	1,084,256
Reserves		**2,108,169**	1,915,720
Proposed final dividend	7	**—**	157,217
		3,192,425	3,157,193
Minority interests		**4,097**	4,257
TOTAL EQUITY		**3,196,522**	3,161,450

Ding Rongjun
Director

Lu Penghu
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the parent							
	Note	Issued share capital *RMB'000*	Capital reserve *RMB'000*	Statutory reserves *RMB'000*	Proposed final dividend *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2007		1,084,256	1,495,630	38,517	36,865	191,318	2,846,586	1,424	2,848,010
Profit for the period		—	—	—	—	161,127	161,127	(221)	160,906
Total income and expense for the period		—	—	—	—	161,127	161,127	(221)	160,906
Consolidation of a subsidiary due to obtaining of additional voting rights		—	—	—	—	—	—	2,881	2,881
Final 2006 dividend declared		—	—	—	(36,865)	83	(36,782)	—	(36,782)
Transfer from retained profits		—	—	12,242	—	(12,242)	—	—	—
At 30 June 2007 (unaudited)		1,084,256	1,495,630	50,759	—	340,286	2,970,931	4,084	2,975,015
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 income and expense for the period		—	—	—	—	192,449	192,449	(160)	192,289
Final 2007 dividend declared	7	—	—	—	(157,217)	—	(157,217)	—	(157,217)
Transfer from retained profits		—	—	10,970	—	(10,970)	—	—	—
At 30 June 2008 (unaudited)		1,084,256	1,495,630	63,257	—	549,282	3,192,425	4,097	3,196,522

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**62,906**	(9,326)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(124,855)**	(946,223)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**—**	(340,174)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(61,949)**	(1,295,723)
Cash and cash equivalents at 1 January	**710,603**	2,261,310
Effect of foreign exchange rate changes, net	**—**	(18,721)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**648,654**	946,866
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**648,654**	946,866

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was established in the PRC on 26 September 2005 as a joint stock company with limited liability under the Company Law of the PRC.

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

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

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"), both of which are established in the PRC.

2.1 BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2007.

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

2.2 IMPACT OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The principal accounting policies used in the preparation of these financial statements are consistent with those used in the annual audited financial statements for the year ended 31 December 2007, except that the Group has adopted the following new and amended IFRSs and International Financial Reporting Interpretations ("IFRICs") during the first half year of 2008. Adoption of these new and amended standards and interpretations did not have any material effect on the financial statements of the Group.

IFRIC – Int 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC – Int 12	Service Concession Arrangements
IFRIC – Int 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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

The principal effects of these changes are as follows:

(a) IFRIC – Int 11 requires arrangements whereby an employee is granted rights to the group's equity instruments, to be accounted for as an equity-settled scheme, even if the group acquires the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC – Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the group. As the Group currently has no such transactions, the interpretation does not have any financial impact on the Group.

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

(c) IFRIC – Int 14 addresses how to assess the limit under IAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists. As the Group currently has no defined benefit scheme, IFRIC – Int 14 is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

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

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

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IFRS 3 (Revised)	Business Combinations
IAS 1 (Amendment)	Presentation of Financial Statements: Puttable Financial Instruments
IAS 32 (Amendment)	Financial Instruments Presentation: Puttable Financial Instruments
IFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations
IFRS 8	Operating Segments
IFRIC – Int 13	Customer Loyalty Programmes
IFRIC – Int 15	Agreements for the Construction of Real Estate
IFRIC – Int 16	Hedges of a Net Investment in a Foreign Operation
IAS 39 (Amendment)	Financial Instruments Recognition and Measurement: Eligible Hedged Items
IFRS 1 (Amendment)	First-time Adoption of International Financial Reporting Standards: Cost of an Investment on First-time Adoption
IAS 27 (Amendment)	Consolidated and Separate Financial Statements: Cost of an Investment on First-time Adoption

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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

IFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires disclosure of information about the group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the group. As disclosed in note 3 of the condensed consolidated interim financial statements, no analysis in business or geographical segment is presented. Therefore IFRS 8 is unlikely to have any significant financial impact on the Group. The Group expects to adopt IFRS 8 from 1 January 2009.

IFRIC – Int 13 shall be applied for annual periods beginning on or after 1 July 2008. The interpretation requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award credits, IFRIC – Int 13 is not applicable to the Group and therefore is unlikely to have any financial impact on the Group. The Group expects to adopt IFRIC – Int 13 from 1 January 2009.

IFRIC – Int 15 shall be applied for annual periods beginning on or after 1 January 2009. IFRIC – Int 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and, accordingly, when revenue from the construction should be recognised: (1) An agreement for the construction of real estate is a construction contract within the scope of IAS 11 only when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress (whether it exercises that ability or not); (2) If the buyer has that ability, IAS 11 applies; (3) If the buyer does not have that ability, IAS 18 applies. As the Group is principally engaged in the sale and manufacture of train-borne electrical systems and electrical components, IFRIC – Int 15 is not applicable to the Group and therefore is unlikely to have any financial impact on the Group. The Group expects to adopt IFRIC – Int 15 from 1 January 2009.

IFRIC – Int 16 shall be applied for annual periods beginning on or after 1 October 2008. IFRIC 16 clarifies three main issues: (1) The presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only when the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation; (2) The hedging instruments may be held by any entity or entities within the group; (3) While IAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 must be applied in respect of the hedged item. As the Group is principally engaged in domestic operation, IFRIC – Int 16 is unlikely to have any significant financial impact on the Group. The Group expects to adopt IFRIC – Int 16 from 1 January 2009.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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

IAS 39 (Amendment) shall be applied for annual periods beginning on or after 1 July 2009. The amendment clarifies two hedge accounting issues: (1) Inflation in a financial hedged item. Inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. Therefore, where an entity acquires or issues inflation-linked debt, it has a cash flow exposure to changes in future inflation to which cash-flow hedge accounting may be applied. However, the amendment clarifies that an entity may not designate an inflation component of issued or acquired fixed-rate debt in a fair value hedge because such a component is not separately identifiable and reliably measurable. The amendment also clarifies that a risk-free or benchmark interest rate portion of the fair value of a fixed-rate financial instrument will normally be separately identifiable and reliably measurable and, therefore, may be hedged; (2) A one-sided risk in a hedged item. IAS 39 permits an entity to designate purchased options as a hedging instrument in a hedge of a financial or non-financial item. The entity may designate an option as a hedge of changes in the cash flows or fair value of a hedged item above or below a specified price or other variable (that is, a one-sided risk). The amendment makes clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective. The time value of a purchased option is not a component of the forecast transaction that impacts profit or loss. Therefore, if an entity designates an option in its entirety as a hedge of a one-sided risk arising from a forecast transaction, hedge ineffectiveness will arise. Alternatively, an entity may choose to exclude time value as permitted by IAS 39 to improve hedge effectiveness. The Group does not expect the amendment to impact the financial statements of the Group.

IFRS 1 (Amendment) and IAS 27 (Amendment) are effective for annual periods beginning on or after 1 January 2009. The amendments clarify three main issues: (1) Allow first-time adopters to use a 'deemed cost' of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities, and associates in the separate financial statements; (2) Remove the definition of the cost method from IAS 27 and replace it with a requirement to present dividends as income in the separate financial statements of the investor; (3) Require that, when a new parent is formed in a reorganisation, the new parent must measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganization.

On 22 May 2008, the IASB has issued Improvements to IFRSs, a collection of 35 amendments to 20 IFRSs (including the related bases for conclusions and guidance). Unless otherwise specified, the amendments are generally effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier. The improvements are of two broad types: (1) Amendments that result in accounting changes in presentation, recognition, or measurement. These affected IFRS5, IAS1, IAS16, IAS19, IAS20, IAS23, IAS27, IAS28, IAS29, IAS31, IAS36, IAS38, IAS39, IAS40 and IAS41. (2) Terminology or editorial changes that have no or minimal effect on accounting. These affected IFRS 7, IAS 8, IAS 10, IAS 18, IAS 20, IAS 29, IAS 34, IAS 40, and IAS 41.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. SEGMENT INFORMATION

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

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue on sale of goods

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

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

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Revenue:		
Sale of goods	**1,021,553**	723,167
Less: Sales taxes and surcharges	**(6,714)**	(4,462)
	1,014,839	718,705
Other income and gains:		
Interest income	**11,432**	16,287
Investment income from financial instruments	**11,468**	—
Profit from sale of raw materials	**624**	1,432
Gross rental income	**1,508**	942
Value-added tax refund	**12,236**	8,925
Technical service income	**1,159**	1,126
Exchange gains, net	**6,644**	—
Government grants	**10,127**	13,936
Gain on change in fair value of financial derivatives	**7,225**	—
Others	**802**	934
Total	**63,225**	43,582

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. 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	
	2008	2007
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Cost of inventories sold	**625,192**	419,818
Staff costs (including directors' and supervisors' emoluments)	**92,384**	67,636
Auditors' remuneration	**2,332**	1,762
Depreciation of items of property, plant and equipment	**27,080**	20,194
Amortisation of lease prepayments	**782**	351
Amortisation of intangible assets	**822**	1,683
Research and development costs	**44,378**	46,683
Less: staff cost included above	**(20,051)**	(17,183)
depreciation and amortization included above	**(5,631)**	(4,610)
Research and development costs net of staff cost, depreciation and amortization	**18,696**	24,890
Exchange losses, net	**—**	18,721
Provision for obsolete inventories	**3,114**	1,018
Provision for impairment of trade and other receivables, net	**9,387**	8,235
Interest income	**(11,432)**	(16,287)
Gross rental income	**(1,508)**	(942)

6. TAX

The major components of income tax expense in the condensed consolidated income statement are:

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Current income tax – PRC corporate income tax ("CIT")	**73,843**	92
Deferred income tax credit	**(11,328)**	(7,283)
Income tax charge/(credit) for the period	**62,515**	(7,191)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

7. DIVIDENDS

The proposed final dividend for the year ended 31 December 2007 has been approved by the Company's shareholders at the annual general meeting in June 2008, while the Board did not recommend the payment of any interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**192,449**	161,127
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 30 June 2008 and 2007.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2008, the acquisition cost of the Group' additions to property, plant and equipment amounted to RMB145,032,000 (six months ended 30 June 2007: RMB88,915,000), where such cost was mainly spent on the construction of the new specialised manufacturing base. For the six months ended 30 June 2008, the Group disposed of fixed assets with net book value amounting to RMB273,000 (six months ended 30 June 2007: RMB61,000), and the relating loss on such disposal was RMB137,000 (six months ended 30 June 2007:RMB61,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

10. TRADE RECEIVABLES

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

	30 June 2008	31 December 2007
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Trade receivables from:		
CSRG and its subsidiaries (other than the Group)	**253,833**	69,742
Jointly-controlled entity	**28**	27
Third parties	**675,346**	477,216
	929,207	546,985
Less: Provision for impairment of receivables	**(49,548)**	(45,305)
	879,659	501,680

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

	30 June 2008	31 December 2007
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within 1 year	**825,415**	441,964
Over 1 year but within 2 years	**46,708**	59,104
Over 2 years but within 3 years	**29,789**	17,559
Over 3 years	**27,295**	28,358
	929,207	546,985
Less: Provision for impairment of receivables	**(49,548)**	(45,305)
	879,659	501,680

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. NOTES RECEIVABLE

	30 June 2008 *(Unaudited)* *RMB'000*	31 December 2007 *(Audited)* *RMB'000*
Within 3 months	—	165,692
Over 3 months but within 6 months	**232,242**	92,508
	232,242	258,200

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2008 *(Unaudited)* *RMB'000*	31 December 2007 *(Audited)* *RMB'000*
Prepayments, deposits and other receivables:		
CSRG and its subsidiaries (other than the Group)	**12,454**	23,069
Jointly-controlled entity	**11,578**	—
Third parties	**663,261**	142,722
	687,293	165,791
Less: Provision for impairment of receivables	**(1,680)**	(1,309)
	685,613	164,482

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

Other receivables at 30 June 2008 include investments in financial instruments whose maturity period fall within one year, with principals guaranteed by banks aggregating to RMB550 million, and such financial instruments have interest returns ranging from 3.50% to 7.47% per annum.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2008	31 December 2007
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Cash and bank balances	**651,334**	710,610
Time deposits	**210,000**	800,000
	861,334	1,510,610
Less: Pledged deposits against trade finance facilities	**(2,680)**	(7)
Cash and cash equivalents in the consolidated balance sheet	**858,654**	1,510,603
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(210,000)**	(800,000)
Cash and cash equivalents in the consolidated cash flow statement	**648,654**	710,603

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

14. TRADE PAYABLES

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Trade payables to:		
CSRG and its subsidiaries (other than the Group)	**21,897**	11,756
Jointly-controlled entity	**68,912**	15,459
Third parties	**220,144**	194,465
	310,953	221,680

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

An aged analysis of the trade payables is as follows:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Within 3 months	**243,276**	187,725
Over 3 months but within 1 year	**61,086**	24,894
Over 1 year but within 2 years	**3,859**	7,046
Over 2 years but within 3 years	**1,392**	1,287
Over 3 years	**1,340**	728
	310,953	221,680

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

15. NOTES PAYABLE

	30 June 2008	31 December 2007
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within 3 months	**—**	13,860
Over 3 months but within 6 months	**37,230**	34,312
	37,230	48,172

16. OTHER PAYABLES AND ACCRUALS

	30 June 2008	31 December 2007
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Receipts in advance	**114,036**	75,368
Other payables	**30,409**	21,332
Accruals	**66,976**	41,199
Dividend payable	**67,557**	—
Amounts due to CSRG and its subsidiaries (other than the Group)	**96,870**	11,256
	375,848	149,155

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 RMB89,660,000 (31 December 2007: Nil).

17. CONTINGENT LIABILITIES

As at 30 June 2008, the Group had no significant contingent liabilities (31 December 2007: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

18. COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	30 June 2008	31 December 2007
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Acquisition of items of property, plant and equipment	**130,988**	114,236
Acquisition of items of intangible assets	**150,566**	142,222
Acquisition of a new associate	**20,000**	20,000
Total	**301,554**	276,458
Authorised, but not contracted for:		
Acquisition of items of property, plant and equipment	**451,813**	186,045
Acquisition of items of intangible assets	**34,978**	—
Capital contribution to new subsidiaries	**17,000**	—
Acquisition of a new subsidiary	**125,000**	—
Total	**628,791**	186,045

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

19. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Transactions with CSRG and its subsidiaries:		
Sales of goods	**369,670**	337,170
Purchases of materials and components	**52,404**	38,819
Sales of electricity	**264**	358
Fees paid for usage of property, plant and machinery	**—**	4,761
Supporting service fee	**—**	1,884
Rental income from items of property, plant and machinery	**1,110**	934
Transactions with a jointly-controlled entity:		
Sales of goods	**58**	46
Purchases of materials and components	**72,841**	49,042

In the opinion of the Directors, the above transactions arose from the ordinary course of the Group's business and were conducted in accordance with mutually agreed terms.

Details of the Group's balances with related parties as at the balance sheet date are disclosed in notes 10, 12, 14 and 16 to this condensed consolidated interim financial statements.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June	31 December
	2008	2007
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Forward currency contracts	**5,664**	—

The carrying amounts of forward currency contracts approximate to their fair values. The above forward currency contracts entered into by the Group to manage its exchange rate exposures did not meet the criteria for hedge accounting, and changes in fair value of such non-hedging currency derivatives amounting to RMB5,664,000 were credited to the income statement during the six-month period ended 30 June 2008.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2008	31 December 2007
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Deposits and investments with embedded derivatives	**101,561**	—

The principals of the above deposits and investments are guaranteed by banks with repayment due date of 1 year. The returns thereon vary in response to the changes in certain commodity price index and inflation index, and hence constitute embedded derivatives to deposits and investments. The entire deposits and investments including the related embedded derivatives are accounted for as financial assets designated at fair value through profit or loss.

The increase in the fair value amounting to RMB1,561,000 is credited to the consolidated income statement for the six months ended 30 June 2008, due to the aggregate change in fair values of such financial assets.

22. POST BALANCE SHEET EVENT

The Group did not have any significant events taking place subsequent to 30 June 2008.

23. COMPARATIVE AMOUNTS

Prior period reclassification adjustments relating to administrative expenses and other operating expenses have been made, where exchange losses and provision for impairment of receivables amounting to RMB18,721,000 and RMB8,235,000 respectively have been reclassified from administrative expenses to other operating expenses to conform with the current period presentation.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 25 August 2008.

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.

Revenue

	For the six months ended 30 June	
	2008	2007
	(RMB million)	*(RMB million)*
Train power converters, auxiliary power supply equipment and control systems	**517.4**	444.8
Train operation safety equipment	**157.0**	110.1
Electrical control systems for large railway maintenance vehicles	**181.3**	59.0
Train-borne electrical systems	**855.7**	613.9
Power semiconductor devices	**85.2**	56.4
Sensors and related products	**45.1**	27.3
Others	**28.8**	21.1
Electric components	**159.1**	104.8
Total revenue	**1,014.8**	718.7

Revenue increased by 41.2% from RMB718.7 million for the six months ended 30 June 2007 to RMB1,014.8 million for the six months ended 30 June 2008. The increase in revenue was mainly due to: the Ministry of Railways increased purchases of large railway maintenance vehicles in 2008, resulting in the significant increase in the electrical control systems of large railway maintenance vehicles; more delivery of the EMUs, resulting in the increase in the sales incomes from the corresponding train operation safety equipment and train power converters, auxiliary power supply equipment and control systems; other growth derived partly from the expansion by the Company in urban railways, power semiconductors and sensor markets.

Cost of sales

Cost of sales increased by 48.9% from RMB419.8 million for the six months ended 30 June 2007 to RMB625.2 million for the six months ended 30 June 2008. The increase in cost of sales was mainly due to the increase in the Group's revenue, and also due to the increase in turnover of EMUs and electrical control systems for large railway maintenance vehicles which consisted of some new products where the percentage of cost of imported parts was higher and the price of some raw materials have increased causing the growth rate of cost of sales exceeding that of revenue.

Gross profit

Due to the above reason, the Group's gross profit increased by 30.3% from RMB298.9 million for the six months ended 30 June 2007 to RMB389.6 million for the six months ended 30 June 2008, while gross profit margin decreased from 41.6% for the six months ended 30 June 2007 to 38.4% for the six months ended 30 June 2008.

Other income and gains

Other income and gains increased by 45.0% from RMB43.6 million for the six months ended 30 June 2007 to RMB63.2 million for the six months ended 30 June 2008. The increase in other income and gains was mainly due to the increase in income from investments in financial instruments with principals guaranteed by banks, value-added tax refund and fair value gain on foreign currency forward contracts. Such forward contracts are entered into by the Group to manage its exchange rate exposures which did not meet the criteria for hedge accounting.

Selling and distribution costs

Selling and distribution costs increased by 33.3% from RMB48.4 million (representing 6.7% of the revenue for the half year) for the six months ended 30 June 2007 to RMB64.5 million (representing 6.4% of the revenue for the half year) for the six months ended 30 June 2008. The increase in selling and distribution costs was mainly due to the increase in sales income and the increase in sale staff remuneration compared to the same period of last year.

Administrative expenses

Administrative expenses increased by 13.3% from RMB111.3 million for the six months ended 30 June 2007 to RMB126.1 million for the six months ended 30 June 2008. The increase in administrative expenses was due to the increase in operating activities and the increase in staff remuneration compared to the same period of last year.

Finance costs

Finance costs decreased by 100% from RMB3.8 million for the six months ended 30 June 2007 to nil for the six months ended 30 June 2008. This was due to the Group's complete repayment of all of its borrowings.

Income tax expenses

The Group's income tax expenses increased by RMB69.7 million from RMB-7.2 million for the six months ended 30 June 2007 to RMB62.5 million for the six months ended 30 June 2008. The increase was mainly due to the fact that the Company and most of its subsidiaries enjoyed CIT exemptions under the preferential policies of the State on converted scientific institutions in the previous period, and the Group is now 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 line with Guo Ke Fa Huo [2008] No. 172, notice regarding issuance of "Administration Method for the Recognition of High and New Technology Enterprises" issued by the Ministry of Science and Technology, Ministry of Finance, State Administration of Taxation on 14 April 2008, the State requires the status of High and New Technology Enterprise needing key supports with a reduced CIT rate of 15% to be reconfirmed, and to use CIT rate of 25% when pending such reconfirmation. The Company and most of its subsidiaries have submitted applications to the relevant government authority for the recognition of the qualification as a High and New Technology Enterprise. Since no confirmation has yet been received, the Group adopts 25% as its CIT rate.

Deferred tax assets and liabilities of the Group mainly arose from temporary differences of accrued expenses and fair value gain on derivative financial instruments.

Commitments

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

	30 June 2008 *(RMB million)*	31 December 2007 *(RMB million)*
Contracted but not provided for:		
Acquisition of items of property, plants and equipment	**131.0**	114.3
Acquisition of items of intangible assets	**150.6**	142.2
Acquisition of a new associate	**20.0**	20.0
Total	**301.6**	276.5
Authorised, but not contracted for:		
Acquisition of items of property, plant and equipment	**451.8**	186.0
Acquisition of items of intangible assets	**35.0**	—
Capital contribution to new subsidiaries	**17.0**	—
Acquisition of a new subsidiary	**125.0**	—
Total	**628.8**	186.0

Investments

On 16 May 2008, the Company invested RMB3,000,000 and established 瀋陽南車時代交通設備有限公司 (Shenyang CSR Times Transportation Equipment Company Ltd.), a wholly-owned subsidiary, which mainly engages in the assembly of traction systems of urban railways.

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 2008, approximately RMB854 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 RMB468 million for investments in train power converters, auxiliary power supply equipment and control systems;

(2) Approximately RMB59 million for investments in train operation safety equipment;

(3) Approximately RMB31 million for investments in importation of technology and development of a new generation of railway maintenance vehicles;

(4) Approximately RMB106 million for investments in large power semi-conductor devices;

(5) Approximately RMB55 million for investments in sensors and related products;

(6) Approximately RMB67 million for other areas; and

(7) Approximately RMB68 million for supplementing working capital.

Gearing Ratio

The gearing ratio, which is net debt divided by total capital plus net debt, changed from -52.8% as at 31 December 2007 to -4.4% as at 30 June 2008. 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 2008, 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. Liao Bin 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.

During the reporting period, there had been board session renewal and re-election of Board members on 27 June 2008. Of the former Directors, Messrs. Ding Rongjun, Song Yali, Lu Penghu, Liao Bin, Ma. Yunkun, Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Tan Xiao'ao were re-elected. Due to his age, Mr. Zhou Heliang, the former Director, did not seek for re-election, and was replaced by Ms. Liu Chunru.

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.

During the reporting period, there had been session renewal and re-election of the members of the Supervisory Committee on 27 June 2008. Of the former supervisors, Messrs. Zhang Liqiang, Pang Yiming and Liu Ke'an were re-elected. Due to the resignation of Mr. He Hongqu and Ms. Liu Chunru, the former independent supervisors, on 17 December 2007 and 20 April 2008 respectively, Mr. Shuai Tianlong and Ms. Wang Kun were elected as independent supervisors for the current session.

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 2008 prepared based on international accounting 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 2008, 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 of Hong Kong 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 2008 was as follows:

Shareholder	Type	Number of shares	% of issued share capital as at 30 June 2008
CSR ZELRI	Domestic shares	589,585,699	54.38%
Qishuyan Works	Domestic shares	9,380,769	0.87%
New Leap	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		1,084,255,637	100%

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 2008 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%
The Hamon Investment Group Pte Limited	36,810,000 (L)	Investment manager	—	8.07%	3.39%
Mirae Asset Global Investments (Hong Kong) Limited	36,159,000 (L)	Investment manager	—	7.93%	3.33%
UBS AG	33,553,256 (L)	Beneficial owner/interest in controlled entity	—	7.36%	3.09%
	27,518,000 (S)	Beneficial owner/party having secured interests in shares/ Interest in controlled entity	—	6.03%	2.54%

Note:

(1) CSR is interested in 100% of the registered capital of CSR ZELRI and New Leap, and is directly and indirectly interested in 98.37% 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, New Leap and CSR Zhuzhou.

(2) CSRG is directly and indirectly interested in 100% 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 2007 final dividends

Having been considered and passed at the 2007 annual general meeting of shareholders, the Company has distributed a cash dividend of RMB0.145 per share as final dividend for 2007 to all shareholders based on the Company's total share capital of 1,084,255,637 shares as at the end of 2007, totaling RMB157.22 million. Implementation of the dividend distribution plan has been completed before 25 July 2008.

2. 2008 interim profit distribution plan

The Board did not recommend distribution of interim dividend for the six months ended 30 June 2008.

VIII. Major acquisitions and disposals

During the reporting period, the Company has entered into a non-binding letter of intent on 28 March 2008 in respect of the possible acquisition, at the Company's option, of either 80% or 100% of the outstanding common equity shares of Dynex Power Inc. ("Dynex") at a proposed price of Canadian dollar 0.55 per share. On 28 May 2008, the Company issued a letter of confirmation to Dynex, confirming its intention of performing the acquisition of 70% to 80% of its outstanding common equity shares at the proposed price of Canadian dollar 0.55 per share through scheme of arrangement.

Currently, the acquisition is still in progress.

The Directors are of the opinion that there is no assurance that any definitive agreement will be entered into, or the proposed acquisition will be accepted or approved by the shareholders of Dynex or the transaction will be completed as a result of the execution of the letter of intent.

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 Company and the Parent Group/CSRG Group (excluding the Parent Group)/Kunming China Railway. 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 Parent Group or CSRG Group (excluding the Parent Group) or Kunming China Railway, and the opinions regarding such transactions were disclosed to shareholders by way of announcements.

On 28 April 2008, the Company entered into Renewed Mutual Supply Agreements with CSRG and Kunming China Railway respectively, confirming the total annual caps in respect of the continuing connected transactions between the Group and CSRG Group and Kunming China Railway and its subsidiaries for the financial years from 2009 to 2013. Such agreements have been approved by the independent shareholders in the extraordinary general meeting held on 27 June 2008.

X. Employees and training

As at 30 June 2008, the Company had 3,003 employees, of which 1,055 were personnel in engineering technical career development paths. The Company had reviewed the salaries and benefit system of the employees from time to time. Facing the social situation of rapid increase of prices, the Company had made adjustments to the salaries during the reporting period, and enhanced the level of employee salaries, with greater increase for lower level employees.

The Company has put much emphasis on staff training, and provided trainings to the employees through a combination of external and internal trainings. The Company has also enhanced establishment of internal training system, and has set up its own internal training teams, 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	株洲南車時代電氣股份有限公司
	Authorised name in English	Zhuzhou CSR Times Electric Co., Ltd.
2	Authorised representatives	Liao Bin 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	+ 86 733 849 8028
	Facsimile	+ 86 733 849 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
"Board" or "Board of Directors"	the board of Directors of the Company
"CG Code"	the Code on Corporate Governance Practices
"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 established on 28 December 2007, the shares of which are issued and listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited as at 18 August 2008 and 21 August 2008 respectively, and holding the entire equity of CSR ZELRI. It was directly and indirectly wholly-owned by CSRG. Following completion of the global offering of CSR (assuming that over-allotment option of CSR is not exercised), it was beneficially owned by CSRG as to 58.97%. If the over-allotment option is exercised in full, it will be owned by CSRG as to approximately 57.57% of its then total number of issued shares
"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
"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.), formerly known as 中國南車集團株洲電力機車研究所 (CSR Zhuzhou Electric Locomotive Research Institute), a wholly-owned subsidiary of CSR and one of the Promoters and also the controlling shareholder of the Company
"CSR Zhuzhou"	南車株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Co., Ltd.), formerly known as 中國南車集團株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Company, Ltd.), held as to 69.01% by CSR, as to 16.31% by CSR ZELRI, as to 13.05% by New Leap and as to 1.63% by 株洲聯誠集團有限責任公司 (Zhuzhou Lince Group Co., Ltd.), and one of the Promoters
"Directors"	the directors of the Company
"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), held as to 100% by 中國鐵建股份有限公司(China Railway Construction Corporaton Limited), and one of the Promoters
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"New Leap"	新力搏交通裝備投資租賃有限公司(New Leap Transportation Equipment Investment & Leasing Co., Ltd.), formerly known as 新力搏交通裝備投資發展有限公司(New Leap Communication Equipment Invest Development Co., Ltd.), a wholly-owned subsidiary of CSR, and one of the Promoters
"Parent Group"	CSR ZELRI and its subsidiaries (excluding the Group)
"PRC"	the People's Republic of China
"Promoters"	promoters of the Company, being CSR ZELRI, CSR Zhuzhou, New Leap, 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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"the reporting period"	the six months ended 30 June 2008