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中国南车 株洲南车时代电气股份有限公司
ZHUZHOU CSR TIMES ELECTRIC CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3898)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the "Board") of Zhuzhou CSR Times Electric Co., Ltd. (the "Company") is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 which have been prepared in accordance with the "Accounting Standards for Business Enterprises" issued by the China Ministry of Finance and set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as below:

Consolidated Statement of Financial Position
30 June 2014

	Note	**30 June 2014** ***(Unaudited)***	31 December 2013 *(Audited)*
ASSETS			
CURRENT ASSETS			
Cash and bank balances		**2,729,310,261**	3,136,090,686
Bills receivable		**1,285,098,545**	2,213,628,831
Trade receivables	4	**4,066,789,988**	2,693,866,426
Prepayments		**141,053,467**	98,175,195
Other receivables		**84,019,084**	58,087,799
Inventories		**2,731,255,625**	1,428,041,311
Held-to-maturity investments		**1,609,786,027**	1,100,000,000
Current portion of non-current assets		**609,036**	609,036
Other current assets		**139,775,148**	84,179,832
Total current assets		**12,787,697,181**	10,812,679,116
NON-CURRENT ASSETS			
Available-for-sale financial assets		**900,000**	900,000
Long-term receivables		**26,298,730**	31,660,131
Long-term equity investments		**231,759,326**	232,953,448
Fixed assets		**1,654,735,893**	1,595,275,624
Construction in progress		**208,998,814**	235,123,615
Intangible assets		**227,323,934**	233,054,144
Development expenditure		**61,197,186**	60,690,061
Goodwill		**13,770,533**	13,770,533
Deferred tax assets		**156,824,248**	129,399,467
Other non-current assets		**55,801,549**	52,976,184
Total non-current assets		**2,637,610,213**	2,585,803,207
TOTAL ASSETS		**15,425,307,394**	13,398,482,323

Consolidated Statement of Financial Position (continued)
30 June 2014

	Note	**30 June 2014 *(Unaudited)***	31 December 2013 *(Audited)*
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings		**26,253,751**	31,172,421
Bills payable		**1,050,511,200**	928,918,770
Trade payables	5	**2,480,028,845**	1,749,671,703
Advances from customers		**410,427,618**	388,087,463
Employee benefits payable		**200,293,312**	88,860,161
Taxes payable		**180,004,384**	199,377,520
Dividends payable		**411,416,823**	—
Other payables		**217,467,209**	200,627,465
Current portion of non-current liabilities		**259,938,730**	233,800,674
Total current liabilities		**5,236,341,872**	3,820,516,177
NON-CURRENT LIABILITIES			
Long-term borrowings		**33,596,111**	52,179,757
Deferred tax liabilities		**15,462,018**	15,383,539
Provisions		**345,295,735**	209,494,751
Other non-current liabilities		**138,809,395**	150,787,851
Total non-current liabilities		**533,163,259**	427,845,898
Total liabilities		**5,769,505,131**	4,248,362,075
SHAREHOLDERS' EQUITY			
Share capital		**1,175,476,637**	1,175,476,637
Capital reserve		**3,353,692,140**	3,354,300,202
Special reserve		**3,567,998**	1,148,151
Surplus reserve		**719,661,828**	624,621,343
Retained earnings	6	**4,233,346,401**	3,882,348,394
Exchange fluctuation reserve		**(14,120,121)**	(21,995,965)
Total equity attributable to shareholders of the Parent		**9,471,624,883**	9,015,898,762
Non-controlling interests		**184,177,380**	134,221,486
Total shareholders' equity		**9,655,802,263**	9,150,120,248
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**15,425,307,394**	13,398,482,323

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

	Note	**For the six months ended 30 June 2014 *(Unaudited)***	For the six months ended 30 June 2013 *(Unaudited)*
Revenue	7	**5,180,417,557**	2,624,390,170
Less: Cost of sales	7	**3,323,807,389**	1,627,642,424
Business taxes and surcharges		**30,092,963**	20,992,015
Selling expenses		**274,798,214**	131,443,570
Administrative expenses		**494,247,703**	366,290,455
Finance costs	8	**(9,945,580)**	(27,759,130)
Asset impairment losses	9	**166,778,816**	23,404,551
Add: Investment income	10	**71,788,935**	(4,704,781)
including: share of profits and losses of associates and a joint venture		**32,016,196**	(4,704,781)
Operating profit		**972,426,987**	477,671,504
Add: Non-operating income	11	**80,603,880**	9,933,606
Less: Non-operating expenses	12	**1,167,657**	185,655
including: loss on disposal of non-current assets		**509,143**	115,551
Total profit		**1,051,863,210**	487,419,455
Less: Income tax expense	13	**196,930,626**	94,024,145
Net profit		**854,932,584**	393,395,310
Net profit attributable to shareholders of the Parent		**857,455,315**	400,178,418
Non-controlling interests		**(2,522,731)**	(6,783,108)
Earnings per share (Yuan/Share)	14		
Basic		**0.73**	0.37
Diluted		**0.73**	0.37
Other comprehensive income/(losses)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange fluctuation reserve		**10,255,131**	(21,176,463)
Total comprehensive income		**865,187,715**	372,218,847
Including:			
Total comprehensive income attributable to shareholders of the Parent		**865,331,159**	383,223,289
Total comprehensive losses attributable to non-controlling interests		**(143,444)**	(11,004,442)

Notes:

1. CORPORATE INFORMATION

Zhuzhou CSR Times Electric Co., Ltd. (the "Company") is a joint stock limited company registered in Hunan Province, the People's Republic of China (the "PRC"). It was jointly established by CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (formerly known as CSR Group Zhuzhou Electric Locomotive Research Institute), CSR Qishuyan Locomotive & Rolling Stock Works, CSR Zhuzhou Electric Locomotive Co., Ltd. (formerly known as CSR Group Zhuzhou Electric Locomotive Co., Ltd.), CSR Investment & Leasing Co., Ltd. (formerly known as New Leap Transportation Equipment Investment & Leasing Co., Ltd.) and China Railway Large Maintenance Machinery Co., Ltd. Kunming at the date of 26 September 2005, upon approval by the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") of Guozi Reform [2005] 1095 Approval. The Company's registration was approved by the Administration for Industry and Commerce of Hunan Province, with the business license code 430000000009725. The H shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The registered office of the Company is located at Times Road, Shifeng District, Zhuzhou City, Hunan Province, the PRC. The Company and its subsidiaries (together, the "Group") are principally engaged in the sale and manufacture of train-borne electrical systems and electrical components.

In December 2006, the Company issued 414,644,000 Shares (including H shares issued via the exercise of the over—allotment option) with a nominal value of RMB1 each through the Hong Kong Stock Exchange. The issue price was HKD5.3 per share. The total proceeds before deducting issuing expenses amounted to HKD2,197,613,000 (equivalent to approximately RMB2,209,968,000). These H shares were listed and traded on the Main Board of the Hong Kong Stock Exchange in December 2006.

In October 2013, the Company issued 91,221,000 H Shares with a nominal value of RMB1 each through the Hong Kong Stock Exchange. The issue price was HKD25 per share. The total proceeds before deducting issuing expenses amounted to HKD2,280,525,000 (equivalent to approximately RMB1,803,872,470). These H shares were listed and traded on the Main Board of the Hong Kong Stock Exchange in October 2013. Consequently upon the issue of the H Shares, the registered capital and paid-in capital of the Company was increased to RMB1,175,476,637.

As at 30 June 2014, the Company had issued an aggregate of 1,175,476,637 shares as share capital.

The Group's parent and ultimate holding company are CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. and CSR Group respectively, both established in the PRC.

2. BASIS OF PREPARATION

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises — Basic Standard issued by the China Ministry of Finance in February 2006, together with specific accounting standards, application guidance, interpretations and other related regulations issued and revised thereafter ("Accounting Standards for Business Enterprises", collectively).

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises No. 32 Interim Financial Reporting issued by the Ministry of Finance. The accounting policies and estimates adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013. The financial statements do not include all the information and disclosure 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 2013.

The financial statements have been prepared on a going concern basis.

These financial statements are prepared under the historical cost convention, except for certain financial instruments. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant rules.

3. ADOPTION OF REVISED ACCOUNTING STANDARDS

The Ministry of Finance issued Accounting Standards for Business Enterprises No. 39 Fair Value Measurement, Accounting Standards for Business Enterprises No. 40 Joint Arrangements and revised Accounting Standards for Business Enterprises No. 30 Presentation of Financial Statements, Accounting Standards for Business Enterprises No. 9 Employee Benefits, Accounting Standards for Business Enterprises No. 33 Consolidated Financial Statements and Accounting Standards for Business Enterprises No. 2 Long-term equity investments during the period from 1 January to 19 March 2014. The above six Accounting Standards for Business Enterprises will be effective from 1 July 2014, and entities listed overseas are encouraged to adopt the above six Accounting Standards for Business Enterprises in advance. As a Hong Kong listed company, the Company has adopted the above six Accounting Standards for Business Enterprises in the preparation of the financial statements for the year ended 31 December 2013 in accordance with the regulation in the transition period.

On 27 March 2014, the Ministry of Finance issued Accounting Standards for Business Enterprises No. 41 Disclosure of Intersests in Other Entities which will be effective from 1 July 2014, and entities listed overseas are encouraged to adopt it in advance. The Company has adopted this accounting standard in the preparation of the financial statements for the six months ended 30 June 2014.

3. ADOPTION OF REVISED ACCOUNTING STANDARDS (continued)

On 11 July 2014, the Ministry of Finance issued revised Accounting Standards for Business Enterprises No. 37 Presentation of Financial Instruments. In accordance with this accounting standard, the enterprisies which have adopted the Accounting Standards for Business Enterprises for the preparation of the financial statements are enforced to adopt this accounting standard from year 2014 and the subsequent periods. Therefore, the Company has adopted this accounting standard for the preparation of the financial statements for the six months ended 30 June 2014.

The change of accounting policies by reason of the adoption of the above two accounting standards has been applied to the Company for the current period's financial statements and no retrospective adjustments have been made to the comparative financial information.

On 23 July 2014, the Ministry of Finance issued revised Accounting Standards for Business Enterprises - Basic Standards. This accounting standard will be effective from the issuance date. The Company hasn't adopted this accounting standard in the preparation of the financial statements for the six months ended 30 June 2014.

4. TRADE RECEIVABLES

The credit period of trade receivables is usually 6 months. The trade receivables bear no interest.

The aging analysis of the trade receivables is as follows:

	30 June 2014 *(Unaudited)*	31 December 2013 *(Audited)*
Within 6 months	**3,180,250,445**	2,359,481,905
6 months to 1 year	**836,066,465**	232,133,840
1 to 2 years	**150,219,946**	167,177,563
2 to 3 years	**38,136,278**	6,688,434
Over 3 years	**12,641,615**	12,921,980
	4,217,314,749	2,778,403,722
Less: provision for bad debt	**124,226,031**	52,877,165
	4,093,088,718	2,725,526,557
Less: classified as non-current assets	**26,298,730**	31,660,131
	4,066,789,988	2,693,866,426

4. TRADE RECEIVABLES (continued)

The analysis of the net value of trade receivables (including long-term receivables) by category is as follows:

	30 June 2014 *(Unaudited)*	31 December 2013 *(Audited)*
Due from related parties	**1,941,051,177**	890,774,578
Due from other customers	**2,152,037,541**	1,834,751,979
	4,093,088,718	2,725,526,557

The movements of provision for bad debt are as follows:

	For the six months ended 30 June 2014 *(Unaudited)*	2013 *(Audited)*
Opening balance	**52,877,165**	42,917,850
Provision in the current period/year	**72,863,760**	13,611,556
Reversal in the current period/year	**(723,727)**	(3,062,647)
Write-off in the current period/year	**(837,251)**	(568,834)
Exchange realignment	**46,084**	(20,760)
Closing balance	**124,226,031**	52,877,165

5. TRADE PAYABLES

The trade payables are non-interest-bearing and generally have an average payment term of 3 months.

	30 June 2014 *(Unaudited)*	31 December 2013 *(Audited)*
Within 3 months	**2,125,923,777**	1,288,551,535
3 months to 1 year	**149,325,647**	303,215,820
1 to 2 years	**89,641,307**	55,258,225
2 to 3 years	**29,069,943**	91,891,313
Over 3 years	**86,068,171**	10,754,810
	2,480,028,845	1,749,671,703

6. RETAINED EARNINGS

	For the six months ended 30 June 2014 *(Unaudited)*	2013 *(Audited)*
Retained earnings at the end of last year	**3,882,348,394**	2,952,057,924
Add: A business combination involving an enterprise under common control	**—**	5,866,554
Retained earnings at the end of last year	**3,882,348,394**	2,957,924,478
Add: Net profit attributable to shareholders of the Parent	**857,455,315**	1,467,020,759
A business combination involving an enterprise under common control	**—**	(7,548,969)
Less: Appropriation to statutory surplus reserve	**95,040,485**	155,558,401
Cash dividends	**411,416,823**	379,489,473
Retained earnings at the end of the period/year	**4,233,346,401**	3,882,348,394

The 2013 scheme of profit distribution of the Company has been reviewed and approved in the 2013 Annual General Meeting held on 27 June 2014, pursuant to which a final dividend of RMB0.350 (including tax) was paid on each of the 1,175,476,637shares in issue, amounting to a total cash dividend of RMB411,416,823.

The board of directors do not recommend the payment of an interim dividends (six months ended 30 June 2013: nil).

7. REVENUE AND COST OF SALES

Revenue, also the Group's turnover, includes the net invoiced value of goods sold after deducting returns and trade discounts, the value of services rendered and the total rental income received.

Revenue is stated as follows:

	For the six months ended 30 June 2014 ***(Unaudited)***	For the six months ended 30 June 2013 *(Unaudited)*
Revenue from principal operations	**5,112,414,604**	2,591,609,757
Other operating income	**68,002,953**	32,780,413
	5,180,417,557	2,624,390,170

Cost of sales is stated as follows:

	For the six months ended 30 June 2014 ***(Unaudited)***	For the six months ended 30 June 2013 *(Unaudited)*
Cost of sales from principal operations	**3,272,597,274**	1,608,015,372
Other operating costs	**51,210,115**	19,627,052
	3,323,807,389	1,627,642,424

Details of revenue are listed as follows:

	For the six months ended 30 June 2014 ***(Unaudited)***	For the six months ended 30 June 2013 *(Unaudited)*
Sale of goods and materials	**5,173,643,592**	2,617,472,600
Rental income	**2,789,804**	3,744,575
Others	**3,984,161**	3,172,995
	5,180,417,557	2,624,390,170

8. FINANCE COSTS

	For the six months ended 30 June 2014 ***(Unaudited)***	For the six months ended 30 June 2013 *(Unaudited)*
Interest expenses:		
— Interest on bank loans due for full repayment within 5 years	**2,002,927**	1,089,532
Less: Interest income	**20,579,012**	13,769,174
Exchange losses/(gains)	**7,283,524**	(17,524,452)
Others	**1,346,981**	2,444,964
	(9,945,580)	(27,759,130)

9. ASSET IMPAIRMENT LOSSES

	For the six months ended 30 June 2014 ***(Unaudited)***	For the six months ended 30 June 2013 *(Unaudited)*
Bad debt loss	**72,846,054**	37,255,762
Impairment losses/(reversal) of inventories	**92,067,072**	(13,851,211)
Impairment losses of fixed assets	**1,865,690**	—
	166,778,816	23,404,551

10. INVESTMENT INCOME

	For the six months ended 30 June 2014 ***(Unaudited)***	For the six months ended 30 June 2013 *(Unaudited)*
Income from non-listed investments:		
Long-term equity investments income/(losses) under the equity method		
— associates	**(1,784,176)**	(2,443,329)
— a joint venture	**33,800,372**	(2,261,452)
Bank financial products income	**39,772,739**	—
	71,788,935	(4,704,781)

As at 30 June 2014, the repatriation of the Group's investment income was not subject to significant restriction.

11. NON-OPERATING INCOME

	For the six months ended 30 June 2014 *(Unaudited)*	For the six months ended 30 June 2013 *(Unaudited)*
Gain on disposal of non-current assets	**287,517**	172,721
Refunds of value-added tax	**71,829,916**	3,071,175
Government grants	**6,191,956**	5,136,957
Unsettled payment	**299,678**	—
Penalty income and default compensation income	**105,421**	833,758
Others	**1,889,392**	718,995
	80,603,880	9,933,606

Government grants recognised in the statement of profit or loss for the current period are as follows:

	For the six months ended 30 June 2014 *(Unaudited)*	For the six months ended 30 June 2013 *(Unaudited)*
Import discount	**2,088,700**	—
Technology projects funding	**306,000**	1,619,000
Others	**3,797,256**	3,517,957
	6,191,956	5,136,957

12. NON-OPERATING EXPENSES

	For the six months ended 30 June 2014 *(Unaudited)*	For the six months ended 30 June 2013 *(Unaudited)*
Loss on disposal of non-current assets	**509,143**	115,551
Loss on penalties and compensation	**652,060**	70,104
Others	**6,454**	—
	1,167,657	185,655

13. INCOME TAX EXPENSE

	For the six months ended 30 June 2014 ***(Unaudited)***	For the six months ended 30 June 2013 *(Unaudited)*
Current income tax expense		
— Mainland China	**227,332,524**	96,225,227
— Other countries and regions	**19,051**	6,013
	227,351,575	96,231,240
Deferred tax expense	**(30,420,949)**	(2,207,095)
	196,930,626	94,024,145

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June 2014 ***(Unaudited)***	For the six months ended 30 June 2013 *(Unaudited)*
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	**857,455,315**	400,178,418
Shares		
Weighted average number of ordinary shares in issue of the Company	**1,175,476,637**	1,084,255,637
Basic earnings per share (Yuan/share)	**0.73**	0.37
Diluted earnings per share (Yuan/share)	**0.73**	0.37

The Company did not have potentially dilutive ordinary shares as at the approval date of these interim financial statements.

15. SEGMENT REPORTING

Operating segments

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on the provision of rolling stock and its extension products and services in the market. Therefore, no other operating segment is presented.

Group information

Products and services information

Revenue from external customers

	For the six months ended 30 June 2014 ***(Unaudited)***	For the six months ended 30 June 2013 *(Unaudited)*
Rolling stock and its extension products and services	**5,180,417,557**	2,624,390,170

Geographical information

Revenue from external customers

	For the six months ended 30 June 2014 ***(Unaudited)***	For the six months ended 30 June 2013 *(Unaudited)*
Mainland China	**5,047,787,556**	2,479,870,582
Other countries and regions	**132,630,001**	144,519,588
	5,180,417,557	2,624,390,170

Revenue from external customers is analysed by geographic locations where the customers are located.

Total non-current assets

	30 June 2014 ***(Unaudited)***	31 December 2013 *(Audited)*
Mainland China	**2,209,636,294**	2,230,244,200
Other countries and regions	**243,950,941**	193,599,409
	2,453,587,235	2,423,843,609

Non-current assets are analysed by geographic locations where the assets are located, excluding financial assets and deferred tax assets.

15. SEGMENT REPORTING (continued)

Information of major customers

For the six months ended 30 June 2014, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB3,567,596,935(unaudited) was derived from sales to two customers (including sales to a group of entities which are known to be under the control of that customer)(six months ended 30 June 2013: RMB1,177,483,142 (unaudited) from a single customer).

16. OTHER FINANCIAL INFORMATION

	30 June 2014 *(Unaudited)*	31 December 2013 *(Audited)*
Net current assets	7,551,355,309	6,992,162,939
Total assets less current liabilities	10,188,965,522	9,577,966,146

	For the six months ended 30 June 2014 *(Unaudited)*	For the six months ended 30 June 2013 *(Unaudited)*
Depreciation	77,909,847	68,509,108
Amortisation of intangible assets	10,885,996	10,306,722

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW AND OUTLOOK

In the first half of 2014, railway operating mechanism has gradually entered into a new stage, railway investment regained momentums, China Railway Corporation launched tender of equipment such as electric locomotives and coaches, and the urban railway market became active.

In respect of traction systems for locomotives, 9600kW electric locomotives with 8 axles, passenger electric locomotives with a speed of 160 km/h and electric locomotives for South Africa were all delivered in batches.

In respect of traction systems for electric multiple units, the orders obtained in the end of 2013 were delivered on schedule and were progressed smoothly.

In respect of urban railway and metro, existing contracts were executed and delivered smoothly. In respect of new projects bidding, the Group continued to lead the market, consolidated its brand influence in the industry and therefore created synergy to promote the expansion in the international market.

In the first quarter of 2014, the Group entered into the memorandum with the Parent Company in respect of IGBT production line, the Company has launched the testing of 8-inches IGBT production line, and the sample of 1700V IGBT chip was tape-out in June.

In respect of railway engineering machinery, the Group promoted the market expansion while strengthened the research and development of new products and new technologies at the same time; and the research and development of new generation safety monitoring devices was progressed smoothly.

Entering the second half of 2014, in the field of locomotives, executed orders will be delivered properly, and the Group will promote 4400hp diesel locomotive project; in the field of electric multiple units, the Group will complete orders on-hand on schedule, step up our efforts in new market opportunities, and expand inter-city electric multiple unit market; in the field of urban railway and metro, the Group will enhance project management and execution, as well as make full efforts to strive for a larger market share, and coordinate to promote related products market; the Group will improve the delivery capability of railway engineering machinery products, and enhance the synergy of technology and market; the Group will plan systematically and coordinate to promote the industrialization of IGBT, as well as promote product seriation and expedite the promotion of application.

Revenue

	For the six months ended 30 June	
	2014	2013
	(RMB million)	*(RMB million)*
Locomotives power converters, auxiliary power supply equipment and control systems	**715.5**	810.7
Electric Multiple Units power converters, auxiliary power supply equipment and control systems	**2,830.2**	313.6
Urban rail transportation equipment power converters, auxiliary power supply equipment and control systems	**503.7**	421.4
Railway maintenance vehicles related products	**529.4**	448.8
Train operation safety equipment	**209.8**	222.7
Power semiconductor modules	**168.8**	211.1
Other products	**223.0**	196.1
Total revenue	**5,180.4**	2,624.4

The Group's revenue increased by RMB2,556.0 million from RMB2,624.4 million for the six months ended 30 June 2013 to RMB5,180.4 million for the six months ended 30 June 2014.

The increase in the Group's revenue for the first half of 2014 was mainly due to the increase in revenue from Electric Multiple Units power converters, auxiliary power supply equipment and control systems by RMB2,516.6 million from RMB313.6 million for the six months ended 30 June 2013 to RMB2,830.2 million for the six months ended 30 June 2014.

Cost of sales

The Group's cost of sales increased by RMB1,696.2 million from RMB1,627.6 million for the six months ended 30 June 2013 to RMB3,323.8 million for the six months ended 30 June 2014. The increase in cost of sales was mainly due to the combined effects of the increase in the Group's revenue and the change of product sales mix.

Gross profit

As a result of the above factors, the Group's gross profit increased by RMB859.8 million from RMB996.8 million for the six months ended 30 June 2013 to RMB1,856.6 million for the six months ended 30 June 2014. The Group's gross profit margin decreased from 38.0% for the six months ended 30 June 2013 to 35.8% for the six months ended 30 June 2014. The change in gross profit margin was mainly due to the change of product sales mix.

Selling expenses

The Group's selling expenses increased by RMB143.4 million from RMB131.4 million for the six months ended 30 June 2013 to RMB274.8 million for the six months ended 30 June 2014. The selling expenses increased with the increase in business operations.

Administrative expenses

The Group's administrative expenses increased by RMB127.9 million from RMB366.3 million (representing 14.0% of the Group's revenue for the interim period) for the six months ended 30 June 2013 to RMB494.2 million for the six months ended 30 June 2014 (representing 9.5% of the Group's revenue for the interim period). The increase in administrative expenses was mainly due to the increase in business operations and in research and development costs of the Group in the first half of 2014. However, as strict control was exercised over expenses by the Group in the first half of 2014, the share of the Group's administrative expenses for the first half year revenue decreased by 4.5 percentage points as compared to the same period of last year.

Finance costs

The Group's finance costs increased by RMB17.9 million from negative RMB27.8 million for the six months ended 30 June 2013 to negative RMB9.9 million for the six months ended 30 June 2014. The increase in finance costs was mainly due to the volatility of exchange rates.

Asset impairment losses

The Group's asset impairment losses increased by RMB143.4 million from RMB23.4 million for the six months ended 30 June 2013 to RMB166.8 million for the six months ended 30 June 2014. The increase in asset impairment losses of the Group was due to an increased amount of impairment losses of inventories made by the Group as compared to the same period of last year.

Investment income

The Group's investment income increased by RMB76.5 million from negative RMB4.7 million for the six months ended 30 June 2013 to RMB71.8 million for the six months ended 30 June 2014. The increase in investment income was mainly due to an increase in the share of profits of the Group's joint venture, Zhuzhou Shiling Transportation Equipment Company, Ltd., and an increase in the Group's bank financial products income.

Non-operating income

The Group's non-operating income increased by RMB70.7 million from RMB9.9 million for the six months ended 30 June 2013 to RMB80.6 million for the six months ended 30 June 2014. The increase in non-operating income was mainly due to an increase in the refunds of value-added tax as compared to the same period of last year.

Non-operating expenses

The Group's non-operating expenses increased by RMB1.0 million from RMB0.2 million for the six months ended 30 June 2013 to RMB1.2 million for the six months ended 30 June 2014. The increase in non-operating expenses was mainly due to an increase in the expenses of damages as compared to the same period of last year.

Total profit

The Group's total profit increased by RMB564.5 million from RMB487.4 million for the six months ended 30 June 2013 to RMB1,051.9 million for the six months ended 30 June 2014. The increase in total profit was mainly due to an increase in revenue and investment income. The Group's sales profit margins for the six months ended 30 June 2013 and for the six months ended 30 June 2014 were 18.6% and 20.3% respectively.

Income tax expense

The Group's income tax expense increased by RMB102.9 million from RMB94.0 million for the six months ended 30 June 2013 to RMB196.9 million for the six months ended 30 June 2014.

The Company, Zhuzhou Times Equipment Technology Co., Ltd. and Zhuzhou Times Electronics Technology Co., Ltd. were accredited as high-tech enterprises and received approval from the relevant government authority that they were subject to the preferential corporate income tax rate of 15%.

Income tax expense (continued)

Baoji CSR Times Engineering Machinery Co., Ltd. and Kunming CSR Electric Equipment Co., Ltd. were subject to the preferential tax policy of the Development of West Region, and they were entitled to be taxed at the preferential corporate income tax rate of 15%.

Shenyang CSR Times Transportation Equipment Co., Ltd. and Guangzhou CSR Times Electric Technology Co., Ltd. were subject to the corporate income tax rate of 25%.

The effective income tax rates of the Group for the six months ended 30 June 2013 and six months ended 30 June 2014 were 19.3% and 18.7% respectively.

Net profit attributable to the shareholders of the Parent

Net profit attributable to the shareholders of the Parent increased by RMB457.3 million from RMB400.2 million for the six months ended 30 June 2013 to RMB857.5 million for the six months ended 30 June 2014. The Group's sales net profit margins for the six months ended 30 June 2013 and for the six months ended 30 June 2014 were 15.2% and 16.6% respectively.

Non-controlling interests

Non-controlling interests increased by RMB4.3 million from negative RMB6.8 million for the six months ended 30 June 2013 to negative RMB2.5 million for the six months ended 30 June 2014. The increase in minority interests was mainly due to the decrease in losses incurred by the Group's non-wholly owned subsidiaries during this reporting period as compared to the same period of last year.

Earnings per share

Earnings per share increased by RMB0.36 from RMB0.37 for the six months ended 30 June 2013 to RMB0.73 for the six months ended 30 June 2014.

LIQUIDITY AND SOURCE OF CAPITAL

Cash flow and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. For the six months ended 30 June 2014, the net cash and cash equivalents of the Group decreased by RMB465.8 million, which was mainly due to an increase in net cash outflows from investing activities of the Group in the first half of 2014.

Net cash inflow from operating activities

For the six months ended 30 June 2014, the Group's net cash inflow from operating activities was approximately RMB168.4 million, and cash inflow items of operating activities were mainly cash receipts of RMB3,990.9 million from cash received from sale of goods or rendering of services.

Net cash outflow from investing activities

For the six months ended 30 June 2014, the Group's net cash outflow from investing activities was approximately RMB671.1 million. Cash outflow items of investing activities were mainly cash payments of RMB1,550.0 million for cash paid for acquisition investments.

Net cash inflow from financing activities

For the six months ended 30 June 2014, the Group's net cash inflow from financing activities was approximately RMB36.9 million. Cash inflow items of financing activities were mainly cash received from capital contribution of RMB52.0 million.

Liquidity

The Board considers that the Group has sufficient liquidity to meet the Group's present requirements for liquid funds.

Commitments

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

	2014	2013
	30 June	31 December
	(RMB million)	*(RMB million)*
Capital commitments:		
Contracted but not provided for	**150.2**	214.0
Authorised but not contracted for	**500.4**	315.7
	650.6	529.7
Investment commitments:		
Contracted but not fulfiled	**22.5**	—
Authorised but not contracted for	**60.5**	91.1
	83.0	91.1

Indebtedness

The Group's indebtedness as at the dates indicated is set out as follows:

	2014	2013
	30 June	31 December
	(RMB million)	*(RMB million)*
Short-term borrowings	**26.3**	31.2
Long-term borrowings (inclusive of amounts due within one year)	**60.7**	64.4
Total	**87.0**	95.6

Pledge

As at 30 June 2014, the Group pledged its fixed assets with a net carrying amount of RMB34.0 million (31 December 2013: RMB34.9 million) to obtain bank borrowings.

As at 30 June 2014, the Group pledged its intangible assets with a net carrying amount of RMB18.5 million (31 December 2013: RMB17.8 million) to obtain bank borrowings.

Gearing ratio

The Group monitors capital management by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes all borrowings, bills payable, trade payables, advances from customers, employee benefits payable, taxes payable (excluding income tax payable), dividends payable and other payables less cash and cash equivalents. The Group's gearing ratio was 4.0% as at 31 December 2013 and 19.7% as at 30 June 2014.

Contingent liabilities

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

Market risks

The Group is subject to various market risks, including foreign exchange risk and inflation risk in the ordinary course of business.

Policy risk

The Group is subject to risks arising from the changes in policies in respect of the railway market by the Chinese government.

Other Information

I. CORPORATE GOVERNANCE

1. **Corporate Governance**

   The Company is committed to maintain a high level of superiority, stability and reasonability on corporate governance.

   During the reporting period ended 30 June 2014, the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), except for code provision E.1.2 as set out below.

   Mr. Ding Rongjun, the Chairman of the Company, did not attend the annual general meeting held on 27 June 2014 (the "2013 Annual General Meeting") due to his other important commitments and therefore deviated from the requirement of code provision E.1.2.

2. **Securities transactions by Directors**

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

3. **Board of Directors**

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

3. **Board of Directors (continued)**

The number of members of the Board is one less than the number required by the Company's Articles of Association (the "Articles") for the time being, the Company hopes to search for a suitable candidate to fill the vacancy as soon as possible.

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 the requirements of the relevant laws and regulations. There was no non-working relationship between the members of the Board (especially between the Chairman and the General Manager), including financial, business, family or any other material relevant relationship.

4. **Supervisory Committee**

The Supervisory Committee currently consists of four supervisors, among whom Mr. Xiong Ruihua is the chairman of the Supervisory Committee, Messrs. Pang Yiming and Zhou Guifa are employee supervisors, and Mr. Geng Jianxin is an external independent supervisor.

The number of members of the Supervisory Committee of the Company is one less than the number required by the Articles for the time being, the Company hopes to search for a suitable candidate to fill the vacancy as soon as possible.

5. **Audit Committee**

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

The main responsibilities of the Audit Committee are to review and regulate the implementation of the 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 discussed the accounting principles adopted by the Group with the Company's management, and has reviewed the Group's unaudited financial report for the six months ended 30 June 2014 prepared based on the Accounting Standards for Business Enterprises and relevant regulations issued by the Ministry of Finance of the PRC 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 CONTROL

The Company has a sound organization system of internal control. The Board is responsible for maintaining a reliable and effective internal control system. Guided by the Audit Committee and the Risk Management Committee of the Board, the Audit and Risk Control Department carry out inspection, supervision and evaluation for internal controls of the Company and its subsidiaries in respect of important control functions such as financial control, operational control, compliance control and risk management, supervise the timely rectification of internal control deficiencies and control risks.

During the reporting period, the Company's internal control system was proved to be stable and reliable and the Company continued to deepen its risk management. During the first half of the year, efforts were focused on the close-circuit management of internal controls and full implementation of rectifications for deficiencies to ensure internal control deficiencies were rectified; risk management was deepened, measures for tackling and avoiding high risks were put in place for material risk events to control high risk events of the Company effectively. Such activities enabled the Company to respond to changes in the business and external environments regarding financial, operational and risk management aspects in order to safeguard the Company's assets and protect the interests of shareholders.

III. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE GENERAL MANAGER IN THE SHARES AND DEBENTURES

As at 30 June 2014, none of the Directors, supervisors, the general manager 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 were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO, or were required to be recorded in a register kept pursuant to section 352 of the SFO, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

IV. PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

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

V. DISTRIBUTION OF DIVIDENDS

1. Distribution plan and implementation of 2013 final dividends

Having been considered and approved by shareholders of the Company at the 2013 Annual General Meeting, the Company has distributed a cash dividend of RMB0.350 per share (applicable taxes inclusive) as final dividend for 2013 to all shareholders whose names appeared on the register of members of the Company on 9 July 2014. Based on the Company's total share capital of 1,175,476,637 shares in issue, a total amount of approximately RMB411.4 million was paid. Implementation of the dividend distribution plan was completed before the issue of this results announcement.

2. 2014 interim profit distribution plan

The Board did not recommend the distribution of interim dividend for the six months ended 30 June 2014.

VI. CONNECTED TRANSACTIONS

During the reporting period, the Company has strictly complied with the relevant requirements in respect of connected transactions under Chapter 14A of the Listing Rules, and has established a set of mechanism to protect non-controlling shareholders' interests. The auditor of the Company has provided quarterly reports to independent non-executive Directors on transactions conducted between the Group and CSR Group and its subsidiaries (excluding the Group). In addition, the independent non-executive Directors have conducted quarterly reviews on the terms of the framework agreement for mutual supply of products and ancillary services entered into between the Company (on behalf of itself and/or its subsidiaries) and CSR Group (on behalf of itself and/or its subsidiaries but excluding the Group) on 12 August 2013 for a term of three years commencing from 1 January 2014 to 31 December 2016, and the review opinions regarding such transactions would be disclosed to shareholders by way of announcements.

On 2 April 2014, the Company and CSR Finance Co., Ltd. ("CSR Finance") entered into a financial services framework agreement, pursuant to which, CSR Finance has agreed to provide the Group with deposit services, loan services and other financial services. In addition, on 2 April 2014, the Company, CSR

VI. CONNECTED TRANSACTIONS (continued)

Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. and Qingdao Hongda Schnell Science & Technology Co., Ltd. (an independent third party) entered into a joint venture agreement for the establishment of the joint venture, namely, Qingdao CSR Electric Equipment Co., Ltd. ("Qingdao Electric") in Qingdao City, Shandong Province, the PRC and the Company and Qingdao Electric subsequently entered into a framework agreement on mutual supply of products and ancillary services on 2 July 2014 for a term commencing from 30 May 2014 (being the date of establishment of Qingdao Electric) to 31 December 2016. For details, please refer to the announcements of the Company dated 2 April 2014 and 2 July 2014.

VII. EMPLOYEES AND TRAINING

As at 30 June 2014, the Company had 5,851 employees, and the total amount of remuneration for employees for the six months ended 30 June 2014 was approximately RMB474.2 million. The Group's remuneration policy for its employees takes into account the individuals' position, work performance, qualifications and competence. The Group offers salary increments and bonuses to employees with outstanding performance. The bonus scheme is discretionary and is determined by the Directors with reference to the performance of the staff and the Group's operation results.

During the reporting period, the Company has emphasized on nurturing a team of talents. Leadership tests and appraisals were conducted on middle to senior management members of the Company, a series of leadership enhancement training sessions were designed, organized and developed according to the outcome of the tests and appraisals and received warm response from participants of the training sessions. A variety of training sessions, in the form of on-the-job training, project training and classroom training, were developed for trainees of international talents of the Company to ensure the enhancement of performance capabilities of the international talents in a practical manner. Training series for marketing officers, mainly in the form of internal training with professional knowledge as the main content, were developed. New achievements were made in the first half of 2014 in the establishment of a learning organization within the Company: concept training for a learning organization was fully introduced, the development of a series of activities, including training for action learning of facilitators, implementation of a new round of action learning and setting benchmarks for learning classes and groups, had driven the establishment of a learning organization to a new climax.

VIII. REVIEW BY THE AUDIT COMMITTEE

The Company's unaudited interim results for the six months ended 30 June 2014 and this results announcement have been reviewed and confirmed by the Audit Committee of the Company.

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

Zhuzhou, China, 12 August 2014

As at the date of this announcement, our Chairman of the Board and executive Director is Ding Rongjun, our Vice-chairman of the Board and executive Director is Deng Huijin, our other executive Directors are Li Donglin and Yan Wu, our non-executive Director is Ma Yunkun, and our independent non-executive Directors are Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Liu Chunru.