株洲南车时代电气股份有限公司
中国南车 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 2012

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 2012, which have been prepared in accordance with the "Accounting Standards for Business Enterprises" issued by the Ministry of Finance of the People's Republic of China (the "PRC"), set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as follows:

In accordance with the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" which was published by the Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange") in December 2010, upon approval by the general meeting of the Company, the Company decided to prepare the financial statements in accordance with "Accounting Standards for Business Enterprises" and the relevant regulations for information disclosure at the Hong Kong Stock Exchange from 2011. The Company re-present the relevant interim financial information for 2011 according to "Accounting Standards for Business Enterprises".

Consolidated Balance Sheet

30 June 2012

	Note	**30 June 2012** *(Unaudited)*	31 December 2011 *(Audited)*
ASSETS			
CURRENT ASSETS			
Cash and bank balances		**1,340,875,749**	2,157,721,027
Bills receivable		**1,048,414,145**	1,051,609,300
Trade receivables	3	**2,195,034,805**	1,119,253,348
Prepayments		**187,174,170**	109,766,313
Other receivables		**83,448,265**	103,373,942
Inventories		**1,593,506,558**	1,668,583,237
Non-current assets due within one year		**1,092,595**	1,092,595
Other current assets		**35,903,013**	326,745,808
Total current assets		**6,485,449,300**	6,538,145,570
NON-CURRENT ASSETS			
Long-term receivables		**1,772,676**	1,772,676
Long-term equity investments		**226,433,726**	202,853,768
Fixed assets		**1,350,234,618**	1,367,692,631
Construction in progress		**205,794,244**	135,340,542
Intangible assets		**191,678,407**	200,313,770
Development expenditure		**43,525,879**	39,322,801
Goodwill		**58,292,061**	58,694,931
Deferred tax assets		**59,242,172**	59,717,549
Other non-current assets		**57,644,359**	50,325,133
Total non-current assets		**2,194,618,142**	2,116,033,801
TOTAL ASSETS		**8,680,067,442**	8,654,179,371

Consolidated Balance Sheet (continued)
30 June 2012

	Note	**30 June 2012** *(Unaudited)*	31 December 2011 *(Audited)*
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings		**3,770,363**	139,000,000
Short-term bonds payable		**—**	500,000,000
Bills payable		**289,160,320**	448,604,661
Trade payables	4	**1,219,466,555**	906,553,647
Receipts in advance		**280,569,869**	351,164,281
Employee benefits payable		**120,849,728**	15,390,522
Taxes payable		**123,997,952**	286,584,166
Interests payable		**—**	12,468,969
Dividend payable		**368,646,916**	—
Other payables		**182,706,842**	134,599,283
Non-current liabilities due within one year		**208,526,918**	125,258,321
Total current liabilities		**2,797,695,463**	2,919,623,850
NON-CURRENT LIABILITIES			
Long-term borrowings		**23,824,643**	57,075,276
Deferred tax liabilities		**16,725,611**	15,725,481
Provisions		**135,371,456**	134,147,121
Other non-current liabilities		**88,669,619**	89,923,075
Total non-current liabilities		**264,591,329**	296,870,953
Total liabilities		**3,062,286,792**	3,216,494,803
SHAREHOLDERS' EQUITY			
Share capital		**1,084,255,637**	1,084,255,637
Capital reserve		**1,693,508,949**	1,693,508,949
Surplus reserve		**411,597,046**	350,134,445
Retained earnings	5	**2,334,512,850**	2,218,523,143
Exchange fluctuation reserve		**(29,338,060)**	(29,761,317)
Total equity attributable to shareholders of the parent		**5,494,536,422**	5,316,660,857
Minority interests		**123,244,228**	121,023,711
Total shareholders' equity		**5,617,780,650**	5,437,684,568
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8,680,067,442**	8,654,179,371

Consolidated Income Statement
For the six months ended 30 June 2012

	Note	**For the six months ended 30 June 2012** ***(Unaudited)***	For the six months ended 30 June 2011 *(Unaudited)*
Revenue	6	**3,199,737,292**	4,280,388,420
Less: Cost of sales	6	**2,069,638,947**	2,593,710,482
Business taxes and surcharges		**26,117,226**	24,309,908
Selling expenses		**142,709,708**	199,004,905
Administrative expenses		**433,751,674**	377,734,475
Finance costs/(income)	7	**(908,536)**	3,698,898
Asset impairment losses/(reversal of losses)	8	**(12,020,950)**	32,148,368
Add: Investment income	9	**45,246,157**	30,543,467
including: share of profits of an associate and a jointly controlled entity		**23,579,958**	29,264,500
Operating profit		**585,695,380**	1,080,324,851
Add: Non-operating income	10	**44,839,869**	36,281,517
Less: Non-operating expenses	11	**213,769**	1,300,840
including: loss on disposal of non-current assets		**182,546**	133,195
Total profit		**630,321,480**	1,115,305,528
Less: Income tax expense	12	**92,250,388**	180,689,741
Net profit		**538,071,092**	934,615,787
Net profit attributable to shareholders of the parent		**546,099,224**	937,224,955
Minority interests		**(8,028,132)**	(2,609,168)
Earnings per share (Yuan/Share)	13		
Basic		**0.50**	0.86
Diluted		**0.50**	0.86
Other comprehensive income		**671,906**	1,567,955
Total comprehensive income		**538,742,998**	936,183,742
Including:			
Total comprehensive income attributable to shareholders of the parent		**546,522,481**	938,469,205
Total comprehensive income attributable to minority interests		**(7,779,483)**	(2,285,463)

Notes:

I. CORPORATE INFORMATION

Zhuzhou CSR Times Electric Co., Ltd. is a joint stock limited company registered in Hunan Province, the PRC. It was jointly established by CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司) (formerly known as CSR Group Zhuzhou Electric Locomotive Research Institute (中國南車集團株洲電力機車研究所)), CSR Qishuyan Locomotive & Rolling Stock Works (中國南車集團戚墅堰機車車輛廠), CSR Zhuzhou Electric Locomotive Co., Ltd. (南車株洲電力機車有限公司) (formerly known as CSR Group Zhuzhou Electric Locomotive Co., Ltd. (中國南車集團株洲電力機車有限公司)), CSR Investment & Leasing Co., Ltd. (南車投資租賃有限公司) (formerly known as New Leap Transportation Equipment Investment & Leasing Co., Ltd. (新力博交通裝備投資租賃有限公司)) and China Railway Large Maintenance Machinery Co., Ltd. Kunming (昆明中鐵大型養路機械集團有限公司) 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 Hong Kong Stock Exchange. The registered office of the Company is located at Times Road, Shifeng District, Zhuzhou City, Hunan Province, the PRC. 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 HK$5.3 per share. The total proceeds before deducting issuing expenses amounted to HK$2,197,613,000 (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.

As at 30 June 2012, the Company had issued an aggregate of 1,084,255,637 shares as share capital.

The Group's parent and ultimate holding company are CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司) and CSR Group (中國南車集團公司) respectively, both established in the PRC.

2. BASIS OF PREPARATION

The interim 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 PRC. The accounting policies and estimates adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011. The interim 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 2011.

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

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

3. 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 2012 *(Unaudited)*	31 December 2011 *(Audited)*
Within 6 months	**1,955,104,583**	902,907,803
6 months to 1 year	**148,574,738**	170,255,141
1 to 2 years	**103,057,931**	49,373,741
2 to 3 years	**22,038,694**	25,883,076
Over 3 years	**11,593,032**	9,208,557
	2,240,368,978	1,157,628,318
Less: provision for bad debts	**45,334,173**	38,374,970
	2,195,034,805	1,119,253,348

4. TRADE PAYABLES

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

	30 June 2012 *(Unaudited)*	31 December 2011 *(Audited)*
Within 3 months	**904,259,749**	606,436,051
3 months to 1 year	**190,496,277**	173,605,093
1 to 2 years	**101,026,203**	116,837,628
2 to 3 years	**16,379,727**	7,201,945
Over 3 years	**7,304,599**	2,472,930
	1,219,466,555	906,553,647

5. RETAINED EARNINGS

	For the six months ended 30 June 2012 *(Unaudited)*	2011 *(Audited)*
Retained earnings at the end of last period/year	**2,218,523,143**	1,487,852,295
Add: Net profit attributable to shareholders of the parent	**546,099,224**	1,184,442,891
Less: Appropriation to statutory surplus reserve	**61,462,601**	123,074,074
Cash dividends paid	**368,646,916**	330,697,969
Retained earnings at the end of the period/year	**2,334,512,850**	2,218,523,143

The 2011 scheme of profit distribution of the Company has been reviewed and approved in the 2011 Annual General Meeting held on 8 June 2012, pursuant to which a final dividend of RMB0.340 (including tax) was paid on each of the 1,084,255,637 shares in issue, amounting to a total cash dividend of RMB368,646,916.

The board of directors do not recommend the payment of an interim dividend (six months ended 30 June 2011: nil).

6. REVENUE AND COST OF SALES

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

Revenue is stated as follows:

	For the six months ended 30 June 2012 *(Unaudited)*	For the six months ended 30 June 2011 *(Unaudited)*
Revenue from principal operations	**3,163,569,724**	4,258,229,532
Other operating income	**36,167,568**	22,158,888
	3,199,737,292	4,280,388,420

Cost of sales is stated as follows:

	For the six months ended 30 June 2012 *(Unaudited)*	For the six months ended 30 June 2011 *(Unaudited)*
Cost of sales from principal operations	**2,056,529,040**	2,581,146,024
Other operating costs	**13,109,907**	12,564,458
	2,069,638,947	2,593,710,482

Details of revenue are listed as follows:

	For the six months ended 30 June 2012 *(Unaudited)*	For the six months ended 30 June 2011 *(Unaudited)*
Sale of goods	**3,190,115,935**	4,272,370,057
Rental income	**4,088,533**	3,124,389
Others	**5,532,824**	4,893,974
	3,199,737,292	4,280,388,420

7. FINANCE COSTS/(INCOME)

	For the six months ended 30 June 2012 *(Unaudited)*	For the six months ended 30 June 2011 *(Unaudited)*
Interest expenses:		
— Interest on bank loans due for full repayment within 5 years	**4,944,449**	156,986
— Interest on short-term bonds	**11,599,180**	8,207,167
	16,543,629	8,364,153
Less: Interest income	**6,285,532**	3,991,260
Exchange gains	**(13,559,039)**	(3,408,591)
Others	**2,392,406**	2,734,596
	(908,536)	3,698,898

8. ASSET IMPAIRMENT LOSSES/(REVERSAL OF LOSSES)

	For the six months ended 30 June 2012 *(Unaudited)*	For the six months ended 30 June 2011 *(Unaudited)*
Bad debt loss	**7,548,282**	423,282
Impairment losses/(reversal of losses) of inventories	**(19,569,232)**	31,725,086
	(12,020,950)	32,148,368

9. INVESTMENT INCOME

	For the six months ended 30 June 2012 *(Unaudited)*	For the six months ended 30 June 2011 *(Unaudited)*
Income from non-listed investments:		
Long-term equity investments income under the equity method		
— associate (note)	**8,844,000**	3,869,395
— jointly controlled entity	**14,735,958**	25,395,105
Gain on bank financial products	**21,666,199**	1,278,967
	45,246,157	30,543,467

As at 30 June 2012, the repatriation of the Group's investment income was not subject to significant restriction.

Note: As of the date of these interim financial statements, the Company had not obtained the financial statements for the six months period ended 30 June 2012 from Siemens Traction Equipment Ltd., Zhuzhou, the above investment income under equity method of an associate was the estimated figures.

10. NON-OPERATING INCOME

	For the six months ended 30 June 2012 *(Unaudited)*	For the six months ended 30 June 2011 *(Unaudited)*
Gain on disposal of non-current assets	**121,286**	1,823,373
Refunds of value added tax	**39,100,535**	25,727,906
Government grants	**2,808,283**	6,902,000
Unsettled payment	**1,037,243**	8,541
Penalty income and default compensation income	**348,529**	63,967
Others	**1,423,993**	1,755,730
	44,839,869	36,281,517

Government grants recognised in the income statement of the current period are as follows:

	For the six months ended 30 June 2012 *(Unaudited)*	For the six months ended 30 June 2011 *(Unaudited)*
Technology projects funding	**2,610,000**	6,690,000
Others	**198,283**	212,000
	2,808,283	6,902,000

11. NON-OPERATING EXPENSES

	For the six months ended 30 June 2012 *(Unaudited)*	For the six months ended 30 June 2011 *(Unaudited)*
Loss on disposal of non-current assets	**182,546**	133,195
Donation	**—**	1,000
Loss on penalties and compensation	**25,000**	22,022
Others	**6,223**	1,144,623
	213,769	1,300,840

12. INCOME TAX EXPENSE

	For the six months ended 30 June 2012 *(Unaudited)*	For the six months ended 30 June 2011 *(Unaudited)*
Current income tax expense		
— Mainland China	**90,160,383**	188,483,394
— Other countries and regions	**312,506**	—
	90,472,889	188,483,394
Deferred tax expense	**1,777,499**	(7,793,653)
	92,250,388	180,689,741

The Group did not generate any assessable profits in Hong Kong and hence no provision was made for Hong Kong profits tax.

13. 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 2012 *(Unaudited)*	For the six months ended 30 June 2011 *(Unaudited)*
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	**546,099,224**	937,224,955
Shares		
Weighted average number of ordinary shares in issue of the Company	**1,084,255,637**	1,084,255,637
Basic earnings per share (Yuan/share)	**0.50**	0.86
Diluted earnings per share (Yuan/share)	**0.50**	0.86

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

14. SEGMENT REPORTING

Operating Segments

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on 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 2012 ***(Unaudited)***	For the six months ended 30 June 2011 *(Unaudited)*
Rolling stock and its extension products and services	**3,199,737,292**	4,280,388,420

Geographical information

Revenue from external customers

	For the six months ended 30 June 2012 ***(Unaudited)***	For the six months ended 30 June 2011 *(Unaudited)*
Mainland China	**3,023,725,155**	4,131,519,771
Other countries and regions	**176,012,137**	148,868,649
	3,199,737,292	4,280,388,420

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

Total non-current assets

	30 June 2012 ***(Unaudited)***	31 December 2011 *(Audited)*
Mainland China	**1,873,025,226**	1,801,653,602
Other countries and regions	**260,578,068**	252,889,974
	2,133,603,294	2,054,543,576

14. **SEGMENT REPORTING (continued)**

Group information (continued)

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

Information of major customers

For the six months ended 30 June 2012, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB1,474,022,857 (unaudited) was derived from sales to a single customer (including sales to a group of entities which are known to be under the control of the customer) (six months ended 30 June 2011: RMB2,942,322,158 (unaudited) from a single customer).

15. **OTHER INFORMATION**

	30 June 2012 ***(Unaudited)***	31 December 2011 *(Audited)*
Net current assets	**3,687,753,837**	3,618,521,720
Total assets less current liabilities	**5,882,371,979**	5,734,555,521

	For the six months ended 30 June 2012 ***(Unaudited)***	For the six months ended 30 June 2011 *(Unaudited)*
Depreciation	**72,603,287**	56,815,305
Amortisation of intangible assets	**9,048,008**	8,274,875

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW AND OUTLOOK

Upon entering 2012, China's railway industry continued to face various challenges and more uncertainties. In the first half of the year, the focus of the Company's main line business was to deliver EMUs under the existing orders and only very limited sales achieved in relation to locomotive business's orders got in the second quarter. However, the electrical systems for urban metro business achieved outstanding progress by winning a majority of all the urban metro project tenders in China in the first half. It also achieved a milestone of becoming the supplier of the three key systems, i.e. traction, signalling and braking system at the same time.

Tremendous development potential in China's railway industry still remains. Central government investments will mainly focus on passenger dedicated lines and heavy-haul freight networks while local governments will be encouraged for the development of intercity railway transportation and metro networks. As per the requirements of the relevant government departments, the Company will move forward the preparatory work of the relevant projects and stock up for the projects to better prepare for the challenges ahead in the face of mounting macroeconomic changes. In the second half of the year, our new series of products such as the electrical systems of eight-axle 9,600kW freight locomotives, six-axle 7,200kW passenger locomotives, plateau freight locomotives and 4,400hp diesel locomotives will complete stringent tests and will be ready for bulk production. We are also hopeful that breakthroughs might be made in respect of our overseas business.

Revenue

	For the six months ended 30 June 2012 *(RMB million)*	For the six months ended 30 June 2011 *(RMB million)*
Train power converters, auxiliary power supply equipment and control systems	**1,938.7**	3,354.9
Including:		
Locomotives	**352.2**	1,480.7
Electric Multiple Units	**1,104.2**	1,628.1
Metropolitan rail transportation equipment	**482.3**	246.1
Train operation safety equipment	**411.2**	188.1
Railway maintenance vehicles related products	**347.7**	266.0
Train-borne electrical systems	**2,697.6**	3,809.0
Power semiconductor components	**257.0**	222.8
Sensors and related products	**43.2**	61.7
Other products	**201.9**	186.9
Electric components	**502.1**	471.4
Total revenue	**3,199.7**	4,280.4

The Group's revenue decreased by RMB1,080.7 million from RMB4,280.4 million for the six months ended 30 June 2011 to RMB3,199.7 million for the six months ended 30 June 2012.

The decrease in Group's revenue for the first half of 2012 was mainly due to the decrease in revenue from locomotives by RMB1,128.5 million from RMB1,480.7 million for the six months ended 30 June 2011 to RMB352.2 million for the six months ended 30 June 2012.

Cost of sales

The Group's cost of sales decreased by RMB524.1 million from RMB2,593.7 million for the six months ended 30 June 2011 to RMB2,069.6 million for the six months ended 30 June 2012. The decrease in the cost of sales was mainly due to the combined effects of the decrease in the Group's revenue and the change of sales mix.

Gross profit

Due to above factors, the Group's gross profit decreased by RMB556.6 million from RMB1,686.7 million for the six months ended 30 June 2011 to RMB1,130.1 million for the six months ended 30 June 2012. The Group's gross profit margin decreased from 39.4% for the six months ended 30 June 2011 to 35.3% for the six months ended 30 June 2012. The change in gross profit margin was mainly due to the change of sales mix.

Selling expenses

The Group's selling expenses decreased by RMB56.3 million from RMB199.0 million for the six months ended 30 June 2011 to RMB142.7 million for the six months ended 30 June 2012. The selling expenses decreased with the decrease in business operations.

Administrative expenses

The Group's administrative expenses increased by RMB56.1 million from RMB377.7 million for the six months ended 30 June 2011 to RMB433.8 million for the six months ended 30 June 2012. The increase in administrative expenses was mainly due to the increase in research and development costs of the Group.

Finance costs/(income)

The Group's finance costs decreased by RMB4.6 million from RMB3.7 million for the six months ended 30 June 2011 to negative RMB0.9 million for the six months ended 30 June 2012. The decrease in finance costs was mainly due to exchange fluctuation.

Asset impairment losses/(reversal of losses)

The Group's asset impairment losses decreased by RMB44.1 million from RMB32.1 million for the six months ended 30 June 2011 to negative RMB12.0 million for the six months ended 30 June 2012. The decrease in asset impairment losses of the Group was due to the impairment provisions of RMB45.2 million made by the Group in 2011 in respect of the inventories with signs of impairment, which was partially offset in the current reporting period due to the rebounded value of some inventories.

Non-operating income

The Group's non-operating income increased by RMB8.5 million from RMB36.3 million for the six months ended 30 June 2011 to RMB44.8 million for the six months ended 30 June 2012. The increase in non-operating income was mainly due to an increase in the one-off government subsidy during the current reporting period as compared to the same period of last year.

Non-operating expenses

The Group's non-operating expenses decreased by RMB1.1million from RMB1.3 million for the six months ended 30 June 2011 to RMB0.2 million for the six months ended 30 June 2012. The decrease in non-operating expenses was due to the decrease in loss on disposal of assets in the current reporting period as compared to the same period of last year.

Total profit

The Group's total profit decreased by RMB485.0 million from RMB1,115.3 million for the six months ended 30 June 2011 to RMB630.3 million for the six months ended 30 June 2012. The decrease in total profit was mainly due to the decrease in revenue. The Group's sales profit margins for the six months ended 30 June 2011 and 2012 were 26.1% and 19.7% respectively.

Income tax expense

The Group's income tax expense decreased by RMB88.4 million from RMB180.7 million for the six months ended 30 June 2011 to RMB92.3 million for the six months ended 30 June 2012.

In 2008, the Company, Ningbo CSR Times Sensor Technology Co., Ltd. and Zhuzhou Times Electronics Technology Co., Ltd. were accredited as high and new technology enterprises and received approval from the relevant government authority that they were subject to the preferential corporate income tax rate of 15% effective from 1 January 2008.

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

Baoji CSR Times Engineering Machinery Co., Ltd. benefited from the preferential taxation policy under the Western Development initiative of the PRC and was subject to a corporate income tax rate of 15%.

The effective income tax rates of the Group for the six months ended 30 June 2011 and 30 June 2012 were 16.2% and 14.6% respectively.

Net profit attributable to the shareholders of the parent

Net profit attributable to the shareholders of the parent decreased by RMB391.1 million from RMB937.2 million for the six months ended 30 June 2011 to RMB546.1 million for the six months ended 30 June 2012. The Group's sales net profit margins for the six months ended 30 June 2011 and 2012 were 21.9% and 17.1% respectively.

Minority interests

Minority interests decreased by RMB5.4 million from negative RMB2.6 million for the six months ended 30 June 2011 to negative RMB8.0 million for the six months ended 30 June 2012. The decrease in minority interests was mainly due to the increase in losses incurred by the Group's non-wholly owned subsidiaries as compared to the same period of last year.

Earnings per share

Earnings per share decreased by RMB0.36 from RMB0.86 for the six months ended 30 June 2011 to RMB0.50 for the six months ended 30 June 2012.

LIQUIDITY AND SOURCE OF CAPITAL

Cash flows and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. The net decrease in cash and cash equivalents was RMB747.0 million for the six months ended 30 June 2012, which was mainly due to the increase in net cash outflows from financing activities of the Group in 2012.

Net cash flows used in operating activities

The Group's net cash flows used in operating activities decreased by RMB338.6 million from RMB607.7 million for the six months ended 30 June 2011 to RMB269.1 million for the six months ended 30 June 2012, which was mainly due to the strengthened management of cash payments by the Group for purchases.

Net cash flows from investing activities

For the six months ended 30 June 2012, the Group's net cash flows from investing activities was approximately RMB176.7 million. Cash inflow items in investing activities mainly represented the recovery of cash RMB310.0 million recieved from investment.

Net cash flows used in financing activities

For the six months ended 30 June 2012, the Group's net cash flows used in financing activities amounted to approximately RMB654.6 million. Cash outflow items in financing activities mainly represented the cash payments for the repayment of short-term bonds and debts of RMB500.0 million and RMB139.5 million respectively.

Liquidity

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

Capital commitments

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

	30 June 2012 *(RMB million)*	31 December 2011 *(RMB million)*
Contracted but not provided:		
Purchase of fixed assets	**71.5**	142.0
Purchase of intangible assets	**37.2**	10.1
Investment commitments	**32.9**	49.9
Sub-total	**141.6**	202.0
Approved but not contracted:		
Purchase of fixed assets	**584.9**	820.8
Purchase of intangible assets	**68.2**	11.1
Sub-total	**653.1**	831.9
Total	**794.7**	1,033.9

Indebtedness

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

	30 June 2012 *(RMB million)*	31 December 2011 *(RMB million)*
Short-term borrowings	**3.8**	139.0
Short-term bonds	**—**	500.0
Long-term borrowings	**60.1**	60.3
Total	**63.9**	699.3

Gearing ratio

The Group monitors capital management by using the gearing ratio, which is net debt divided by equity attributable to shareholders of the parent plus net debt. Net debt includes short-term borrowings, short-term bonds payable, bills payable, trade payables, receipts in advance, employee benefits payable, taxes payable (excluding income tax payable), interests payable, dividend payable, other payables and long-term borrowings, less cash and cash equivalents. The Group's gearing ratio was 10.4% as at 31 December 2011 and 18.8% as at 30 June 2012.

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 change in policies in respect of railway market construction 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. On 1 April 2012, the Code on Corporate Governance Practices ("Previous CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") was amended and renamed as Corporate Governance Code and Corporate Governance Report ("New CG Code"). The Company has adopted all code provisions of the New CG Code as the Company's corporate governance code to replace the Previous CG Code with effect from 1 April 2012.

During the reporting period ended 30 June 2012, the Company has complied with all the code provisions of the Previous CG Code and the New 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 all the Directors of the Company, 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 a non-executive Director; Mr. Li Donglin is an executive Director; Messrs. Yan Wu and Ma Yunkun are the other two non-executive Directors; and Messrs. Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Ms. Liu Chunru are the four independent non-executive Directors.

The number of members of the Board of the Company is one less than the number required by the Articles of Association of the Company (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 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. He Wencheng is the chairman of the Supervisory Committee, Messrs. Pang Yiming and Zhou Guifa are staff 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 Messrs. Chan Kam Wing, Clement, Pao Ping Wing and 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 2012 prepared based on the PRC 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 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 division 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. The activities conducted by the Company mainly included the following: conducting internal control weakness rectification and rectification inspection and continuing to improve internal control; enhancing risk management work, establishing risk precaution differentiation management, formulating risk tasks appraisal rules and developing a long-term risk mechanism through continous efforts. Such activities enabled the Company to respond to changes in business and external environment from financial, operational and risk management perspectives in order to protect the Company's asset safety and interests of shareholders.

III. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND SUPERVISORS IN THE SHARES OF THE COMPANY

As at 30 June 2012, 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 are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO, or any interests or short positions in the shares required to be recorded in a register kept pursuant to section 352 of the SFO, or any personal, family, corporate or other interests or short positions 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 2011 final dividends

Having been considered and approved by shareholders of the Company at the 2011 annual general meeting, the Company has distributed a cash dividend of RMB0.340 per share (applicable taxes inclusive) as final dividend for 2011 to all shareholders based on the Company's total share capital of 1,084,255,637 shares as at the end of 2011, with a total amount of approximately RMB368.6 million. Implementation of the dividend distribution plan has been completed before end of July 2012.

2. 2012 interim profit distribution plan

The Board did not recommend the distribution of interim dividend for the six months ended 30 June 2012.

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 shareholder's 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) (the "CSRG Group"). In addition, the independent non-executive Directors have conducted quarterly reviews on the terms of supply and purchase contracts entered into between the Group and the CSRG Group, and the opinions regarding such transactions were disclosed to shareholders by way of announcements.

VII. EMPLOYEES AND TRAINING

As at 30 June 2012, the Company had 4,936 employees. 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. The Company has established channels for career development of employees. Employees have opportunities of promotion and development according to the orders of different positions within the Company. The Company is actively formulating a share appreciation right plan aiming at motivating core talents, so as to attract and retain key talents to work for the Company.

The Company has put much emphasis on competency development and training of staff, prepared and optimized supporting documents in relation to training management system based on GB/T19025-2001 idt ISO10015:1999 Quality Management Training Guidance and in combination with current status in respect of staff competency development and training. To develop internal training resources to a greater extent, the Company has optimized its internal training system, established eight key classes of internal training course systems as well as a tiered and classified team of 262 internal trainers. The Company provides a wide variety of trainings to its employees through different training channels.

VIII. OTHER

The Company proposes to convene a conference call after release of the 2012 interim results. Welcome to attend the call.

Time: 13 August 2012 at 16:15 - 17:15

Language: Chinese

Conference Call dial-in number:

Domestic: 021-95057 (Note: direct dial 95057 for Beijing, Shanghai, Guangzhou and Shenzhen)

Hong Kong: 852-3005-1388 (Note: no need to dial 852 in Hong Kong. You can directly dial the number)

Participants Password: 58779723 #

Conference contact person: Liu Yong He

Tel: +86 731 2849 8028

Fax: +86 731 2849 3447

E-mail: liuyonghe@teg.cn

Review by Audit Committee

The Group's unaudited interim results for the six months ended 30 June 2012 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, 9 August 2012

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 non-executive director is Deng Huijin, our other executive director is Li Donglin, our non-executive director is Yan Wu and Ma Yunkun, and our independent non-executive directors are Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Liu Chunru.