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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of Zhuzhou CSR Times Electric Co., Ltd. (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012, together with the comparative figures in 2011, set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as follows.

Consolidated Balance Sheet
31 December 2012

	Notes	**31 December 2012**	31 December 2011
ASSETS			
CURRENT ASSETS			
Cash and bank balances		**2,318,915,451**	2,157,721,027
Bills receivable		**890,637,187**	1,051,609,300
Trade receivables	3	**2,737,063,058**	1,119,253,348
Prepayments		**87,946,123**	109,766,313
Other receivables		**54,126,114**	103,373,942
Inventories		**1,109,921,460**	1,668,583,237
Non-current assets due within one year		**1,163,640**	1,092,595
Other current assets		**3,264,824**	326,745,808
Total current assets		**7,203,037,857**	6,538,145,570
NON-CURRENT ASSETS			
Long-term receivables		**609,036**	1,772,676
Long-term equity investments		**255,424,853**	202,853,768
Fixed assets		**1,452,286,623**	1,367,692,631
Construction in progress		**248,507,584**	135,340,542
Intangible assets		**204,704,556**	200,313,770
Development expenditure		**51,855,957**	39,322,801
Goodwill		**60,776,186**	58,694,931
Deferred tax assets		**92,779,141**	59,717,549
Other non-current assets		**79,729,478**	50,325,133
Total non-current assets		**2,446,673,414**	2,116,033,801
TOTAL ASSETS		**9,649,711,271**	8,654,179,371

Consolidated Balance Sheet (continued)
31 December 2012

	Notes	**31 December 2012**	31 December 2011
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings		–	139,000,000
Short-term bonds payable		–	500,000,000
Bills payable		**713,768,911**	448,604,661
Trade payables	4	**1,273,648,373**	906,553,647
Receipts in advance		**291,978,737**	351,164,281
Employee benefits payable		**63,912,163**	15,390,522
Taxes payable		**356,194,164**	286,584,166
Interest payable		–	12,468,969
Other payables		**129,848,739**	134,599,283
Non-current liabilities due within one year		**202,220,874**	125,258,321
Total current liabilities		**3,031,571,961**	2,919,623,850
NON-CURRENT LIABILITIES			
Long-term borrowings		**28,336,915**	57,075,276
Deferred tax liabilities		**16,285,166**	15,725,481
Provisions		**131,327,630**	134,147,121
Other non-current liabilities		**129,227,463**	89,923,075
Total non-current liabilities		**305,177,174**	296,870,953
Total liabilities		**3,336,749,135**	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		**469,062,942**	350,134,445
Retained earnings	5	**2,952,057,924**	2,218,523,143
Exchange fluctuation reserve		**(20,660,520)**	(29,761,317)
Total equity attributable to shareholders of the Parent		**6,178,224,932**	5,316,660,857
Minority interests		**134,737,204**	121,023,711
Total shareholders' equity		**6,312,962,136**	5,437,684,568
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**9,649,711,271**	8,654,179,371

Consolidated Income Statement
For the year ended 31 December 2012

	Notes	**2012**	2011
Revenue	6	**7,216,498,178**	7,124,774,974
Less: Cost of sales	6	**4,781,008,546**	4,598,693,100
Business taxes and surcharges		**62,540,030**	45,691,926
Selling expenses		**331,209,461**	347,441,917
Administrative expenses		**859,159,316**	817,743,978
Finance costs	7	**(9,303,135)**	27,342,197
Asset impairment losses	8	**11,183,891**	68,847,635
Add: Investment income	9	**98,674,730**	51,090,507
including: share of profits of associates and a jointly-controlled entity		**77,503,842**	49,811,540
Operating profit		**1,279,374,799**	1,270,104,728
Add: Non-operating income	10	**122,410,654**	112,153,540
Less: Non-operating expenses	11	**1,156,129**	1,336,057
including: loss on disposal of non-current assets		**605,759**	904,403
Total profit		**1,400,629,324**	1,380,922,211
Less: Income tax expense	12	**178,119,117**	193,885,925
Net profit		**1,222,510,207**	1,187,036,286
Net profit attributable to shareholders of the Parent		**1,221,110,195**	1,184,442,891
Minority interests		**1,400,012**	2,593,395
Earnings per share (Yuan/Share)	13		
Basic		**1.13**	1.09
Diluted		**1.13**	1.09
Other comprehensive income/(loss)		**11,414,278**	(12,416,819)
Total comprehensive income		**1,233,924,485**	1,174,619,467
Including:			
Total comprehensive income attributable to shareholders of the Parent		**1,230,210,992**	1,174,411,811
Total comprehensive income attributable to minority interests		**3,713,493**	207,656

Notes:

I. 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. (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 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.

As at 31 December 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 financial statements are prepared in accordance with the "Accounting Standards for Business Enterprises - General Principles" and 38 specific accounting standards issued by the China Ministry of Finance in February 2006, application guidance, interpretations and other related regulations issued thereafter.

The Company used to adopt International Financial Reporting Standards in preparing financial statements for information disclosure at the Hong Kong Stock Exchange. 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 Hong Kong Stock Exchange in December 2010, from year 2011, the Company decided to prepare the financial statements in accordance with "Accounting Standards for Business Enterprises" and the relevant regulations issued by the China Ministry of Finance for information disclosure at the Hong Kong Stock Exchange.

2. BASIS OF PREPARATION (CONTINUED)

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. TRADE RECEIVABLES

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

The ageing analysis of the trade receivables is as follows:

	31 December 2012	31 December 2011
Within 6 months	**2,424,630,824**	902,907,803
6 months to 1 year	**246,686,191**	170,255,141
1 to 2 years	**83,905,920**	49,373,741
2 to 3 years	**11,500,065**	25,883,076
Over 3 years	**13,257,908**	9,208,557
	2,779,980,908	1,157,628,318
Less: provision for bad debt	**42,917,850**	38,374,970
	2,737,063,058	1,119,253,348

4. TRADE PAYABLES

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

	31 December 2012	31 December 2011
Within 3 months	**914,106,974**	606,436,051
3 months to 1 year	**204,113,602**	173,605,093
1 to 2 years	**139,793,516**	116,837,628
2 to 3 years	**7,194,408**	7,201,945
Over 3 years	**8,439,873**	2,472,930
	1,273,648,373	906,553,647

5. RETAINED EARNINGS

	2012	2011
Retained earnings at the end of last year	**2,218,523,143**	1,487,852,295
Add: Net profit attributable to shareholders of the Parent (note 1)	**1,221,110,195**	1,184,442,891
Less: Appropriation to statutory surplus reserve	**118,928,497**	123,074,074
Cash dividends paid (note 2)	**368,646,917**	330,697,969
Retained earnings at the end of the year	**2,952,057,924**	2,218,523,143

Note 1: In 2012, included in the retained earnings under the Group's consolidated statement of changes in equity, the appropriation to surplus reserve of subsidiaries for the current year which attributable to shareholders of the parent is RMB2,747,757 (2011: RMB3,705,025).

Note 2: Pursuant to 2011 Annual General Meeting held on 8 June 2012, a final dividend of RMB0.340 (2011: RMB0.305) was paid on each of the 1,084,255,637 shares (2011: 1,084,255,637 shares) in issue, amounting to a total cash dividend of RMB368,646,917 (2011: RMB330,697,969). The dividend was paid during 2012.

Pursuant to the board of directors meeting held on 28 March 2013, a proposed final dividend of RMB0.350 was paid on each of the 1,084,255,637 shares in issue, amounting to a total cash dividend of RMB379,489,473. The above proposal needs be approved at the Annual General Meeting. Before the approval of the general meeting of shareholders, it will not form part of the company liabilities, therefore it was not reflected in the current financial statements.

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 total rental income received.

Revenue is stated as follows:

	2012	2011
Revenue from principal operations	**7,145,948,132**	7,073,432,172
Other operating income	**70,550,046**	51,342,802
	7,216,498,178	7,124,774,974

Cost of sales is stated as follows:

	2012	2011
Cost of sales from principal operations	**4,742,644,192**	4,564,397,550
Other operating costs	**38,364,354**	34,295,550
	4,781,008,546	4,598,693,100

6. **REVENUE AND COST OF SALES (CONTINUED)**

Details of revenue are listed as follows:

	2012	2011
Sale of goods	**7,187,527,875**	7,108,782,733
Rendering of services	**6,344,770**	330,810
Rental income	**14,071,560**	5,936,523
Others	**8,553,973**	9,724,908
	7,216,498,178	7,124,774,974

7. **FINANCE COSTS**

	2012	2011
Interest expenses:		
—Interest on bank loans due for full repayment within 5 years	**4,572,947**	11,319,861
—Interest on short-term bonds	**11,381,031**	21,304,987
	15,953,978	32,624,848
Less: Interest income	**11,281,079**	8,994,322
Exchange gains	**(20,583,407)**	(2,305,442)
Others	**6,607,373**	6,017,113
	(9,303,135)	27,342,197

8. **ASSET IMPAIRMENT LOSSES**

	2012	2011
Bad debt loss	**5,410,764**	2,890,215
Impairment loss of inventories	**5,773,127**	45,221,302
Impairment loss of fixed assets	**–**	20,736,118
	11,183,891	68,847,635

9. INVESTMENT INCOME

	2012	2011
Income from non-listed investments:		
Long-term equity investments income under the equity method	**77,503,842**	49,811,540
Income from entrusted loans	**9,410,938**	–
Bank financial product income	**11,759,950**	1,278,967
	98,674,730	51,090,507

Details of long-term equity investments income under the equity method are as follows:

Investees	**2012**	2011
Siemens Traction Equipment Ltd. Zhuzhou	**55,068,245**	6,967,751
Zhuzhou Shiling Transportation Equipment Company, Ltd.	**25,514,521**	42,843,789
Hunan CSR Webtec Railway Transportation Technology Co., Ltd.	**(3,078,924)**	–
	77,503,842	49,811,540

As at 31 December 2012, the repatriation of the Group's investments income was not subject to significant restriction.

10. NON-OPERATING INCOME

	2012	2011
Gain on disposal of non-current assets	**240,284**	3,427,370
Refunds of value added tax	**89,100,535**	72,727,906
Government grants	**25,654,127**	33,463,646
Unsettled payment	**996,636**	1,422,134
Penalty income and default compensation income	**3,718,457**	90,904
Others	**2,700,615**	1,021,580
	122,410,654	112,153,540

10. NON-OPERATING INCOME (CONTINUED)

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

	2012	2011
Technology projects funding	**9,460,000**	20,055,753
Others	**16,194,127**	13,407,893
	25,654,127	33,463,646

11. NON-OPERATING EXPENSES

	2012	2011
Loss on disposal of non-current assets	**605,759**	904,403
Loss on penalties and compensation	**31,328**	265,387
Others	**519,042**	166,267
	1,156,129	1,336,057

12. INCOME TAX EXPENSE

	2012	2011
Current income tax expense		
— Mainland China	**211,392,485**	207,131,206
— Other countries and regions	**5,732**	7,423
	211,398,217	207,138,629
Deferred tax expense	**(33,279,100)**	(13,252,704)
	178,119,117	193,885,925

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

12. INCOME TAX EXPENSE (CONTINUED)

The reconciliation from total profit to income tax expense is as follows:

	2012	2011
Total profit	**1,400,629,324**	1,380,922,211
Income tax expense at statutory tax rate of 25% (note)	**350,157,331**	345,230,553
Effect of different income tax rates for overseas entities	**(98,751)**	92,757
Tax exemption	**(142,374,152)**	(139,601,672)
Profits and losses attributable to associates and a jointly-controlled entity	**(11,625,576)**	(7,471,731)
Income not subject to tax	**(795,089)**	(11,326,065)
Expenses not deductible for tax	**12,448,214**	22,591,015
Income tax benefits on research and development expenditure	**(20,265,085)**	(18,689,679)
Tax losses not recognised	**6,081,320**	5,732,406
Utilisation of tax losses carried forward in previous periods	**(1,864,246)**	(132,964)
Others	**(13,544,849)**	(2,538,695)
Tax expense at the Group's effective tax rate	**178,119,117**	193,885,925

Note: The income tax of the Group is calculated based on the estimated taxable income gained in China and the applicable tax rate. Tax arising from the taxable income in other regions is calculated at applicable tax rates according to existing laws, interpretations and practices of the countries in which the Group operates.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue. The number of newly issued ordinary shares is determined according to specific terms of the issue contract and calculated from the date of consideration receivable.

13. EARNINGS PER SHARE (CONTINUED)

The calculation of basic earnings per share is as follows:

	2012	2011
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	**1,221,110,195**	1,184,442,891
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)	**1.13**	1.09
Diluted earnings per share (Yuan/share)	**1.13**	1.09

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

14. DIVIDENDS

	2012	2011
Proposed final dividend - RMB0.350 (2011: RMB0.340) per ordinary share	**379,489,473**	368,646,917

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

15. 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

	2012	2011
Rolling stock and its extension products and services	**7,216,498,178**	7,124,774,974

Geographical information

Revenue from external customers

	2012	2011
Mainland China	**6,878,665,880**	6,803,704,691
Other countries and regions	**337,832,298**	321,070,283
	7,216,498,178	7,124,774,974

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

15. SEGMENT REPORTING (CONTINUED)

Operating segments (continued)

Group information (continued)

Total non-current assets

	31 December 2012	31 December 2011
Mainland China	**2,077,728,204**	1,801,653,602
Other countries and regions	**275,557,033**	252,889,974
	2,353,285,237	2,054,543,576

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

Information of major customers

In 2012, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB3,638,231,364 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 (2011: RMB4,592,958,843 from a single customer).

16. OTHER INFORMATION

	31 December 2012	31 December 2011
Net current assets	**4,171,465,896**	3,618,521,720
Total assets less current liabilities	**6,618,139,310**	5,734,555,521

	2012	2011
Depreciation	**128,287,210**	118,171,301
Amortisation of intangible assets	**18,227,525**	16,737,483

PERFORMANCE REVIEW

The Group's revenue in 2012 amounted to RMB7,216.5 million (2011: RMB7,124.8 million), representing an increase of 1.3% year-on-year. Net profit attributable to shareholders of the parent amounted to RMB1,221.1 million (2011: RMB1,184.4 million), representing an increase of 3.1% year-on-year. Basic earnings per share amounted to RMB1.13 (2011: RMB1.09), representing an increase of 3.7% year-on-year.

BUSINESS REVIEW

In 2012, faced with the impact of the changing macroeconomic situation and adjustment to the development of the railway industry, the Group adhered to its "efficient organization" and "global operation" strategies, and focused on the R&D of new products and market positioning. The industrial sectors of urban railway and metro, railway engineering machinery, communication and signaling, and high-end parts and components delivered satisfactory results. Despite a decrease in the businesses of locomotives and electric multiple units used for mainline railway by nearly 20% year-on-year, the overall businesses and profits of the Company realized an ultimate increase year-on-year which was not easy.

Meanwhile, all industrial sectors respectively made new breakthroughs in technology, products and markets, which mainly included:

In respect of the traction systems for electric multiple units, the Company won the bids for the Guangzhou-Shenzhen-Hong Kong High-speed Railway project and the CRH6-200 inter-city electric multiple units project, completed the first article inspection of its own inter-city electric multiple units project;

In respect of the traction systems for locomotives, the Company received locomotives purchase orders from South Africa, completed trial production and commenced mass production of eight-axle locomotives for the Ministry of Railways and eight-axle locomotives for China Shenhua. The Company also completed pre-application examination and commenced mass production of HXD1C plateau locomotives, and commenced trial operation of its first 4,400hp diesel locomotive;

In respect of urban railway and metro, the Company possessed an obvious advantage and obtained a more satisfactory market share in the domestic tenders of traction systems during the year, expanding the influence of its own brand in the market. Particularly, in respect of Changsha Metro Line 2, the Company realized integrated supply of three critical systems — traction, signaling and braking, for the first time, creating new room for future development of the urban railway and metro sector;

In respect of railway engineering machinery, orders increased rapidly, while market position was further improved in respect of safety monitoring products. The sector of parts and components achieved stable development.

During the past year, the Company also emphasized on performance management, widely promoted and improved its information system platform.

OUTLOOK

Entering 2013, affected by the transition of the Chinese government leadership and railway marketization, railway orders were delayed in light of uncertainties in policies and market.

However, for a long period in future, with continuous progress in the construction of railway and urban railway in the PRC and the development of the PRC economy, transportation demand for mainline and urban railway will still be strong. Railway transport, being a mode of transport with low energy consumption and low emissions, will be a better solution for the various problems facing the future development of China.

We believe the Company will be able to capture more opportunities and meet more challenges in future. The Company will offer quality service to national railway and urban railway transit sectors as well as other sectors as the Company always does, and the Company will strengthen its efforts in expanding overseas markets.

In the fields of locomotives and electric multiple units, the Company will focus on the promotion of the products with its own systems for eight-axle 9,600kW freight locomotive, HXD1C plateau locomotive, 160km/h passenger locomotive, HXN5 diesel locomotive, 4,400hp diesel locomotive and Guangzhou-Shenzhen-Hong Kong High-speed Railway electric multiple units. The Company will also refine and expand its overhaul business.

In the field of urban railway and metro, the Company will seize business opportunities in the market brought by governmental policies, continue to strengthen the continuous R&D and brand promotion of self-developed system, and complete on-time delivery of orders on hand while maintaining quality standards.

The Company will also increase its efforts of integration in the railway engineering machinery sector to realize the scale expansion of this sector, capture new opportunities in the railway signaling market, develop and upgrade new products of the signaling system, and increase the market expansion efforts for extended sectors.

In the fields of parts and components, the Company will focus equally on R&D and market expansion, accelerate the batch application of self-developed IGBT components, expand the market application of new components, and specialize in and strengthen its key component sector including laminated busbars, sensors and PCB.

Looking ahead, the Group is confident in endeavoring to expand its competitive edge in all industrial sectors while consolidating its status in the industry and ensuring the healthy and stable development of the Group, thereby creating greater value for its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the Group's audited financial statements and their notes as set out in the annual report, which will be announced in April 2013.

Revenue

	2012	2011
	(RMB million)	*(RMB million)*
Train power converters, auxiliary power supply equipment and control systems	**4,740.5**	5,246.7
Including:		
Locomotives	**1,584.1**	2,214.3
Electric Multiple Units	**2,228.7**	2,537.7
Metropolitan rail transportation equipment	**927.7**	494.7
Train operation safety equipment	**613.2**	439.9
Railway maintenance vehicles related products	**976.2**	597.2
Train-borne electrical systems	**6,329.9**	6,283.8
Power semiconductor components	**489.5**	498.7
Sensors and related products	**102.0**	107.7
Other products	**295.1**	234.6
Electric components	**886.6**	841.0
Total revenue	**7,216.5**	7,124.8

The Group's revenue increased by RMB91.7 million or 1.3% from RMB7,124.8 million for the year ended 31 December 2011 to RMB7,216.5 million for the year ended 31 December 2012. In 2012, the Group recorded revenue of RMB295.1 million from other products, which mainly comprised of revenue from products such as busbar and PCB.

In 2012, the revenue from locomotives and electric multiple units was decreased, but growth was seen in revenue from most of various product categories of the Group. Among these, the Group recorded the strongest growth in revenue from metropolitan rail transportation equipment with an increase of RMB433.0 million. Such increase was mainly due to the delivery of products for Guangzhou Metro and Beijing Metro. The second strongest growth in revenue was recorded in railway maintenance vehicles related products with an increase of RMB379.0 million, mainly due to the delivery of tamping machine products.

Cost of sales

The Group's cost of sales increased by 4.0% from RMB4,598.7 million for the year ended 31 December 2011 to RMB4,781.0 million for the year ended 31 December 2012. The increase in the cost of sales was mainly due to the combined effects of the growth in the Group's turnover and the change of sales mix.

Gross profit

The Group's gross profit decreased by 3.6% from RMB2,526.1 million for the year ended 31 December 2011 to RMB2,435.5 million for the year ended 31 December 2012. The Group's gross profit margin decreased from 35.5% for the year ended 31 December 2011 to 33.7% for the year ended 31 December 2012. The change in gross profit margin was mainly due to the change of sales mix.

Selling expenses

Selling expenses of the Group decreased from RMB347.4 million for the year ended 31 December 2011 (representing 4.9% of the Group's revenue for the whole year) to RMB331.2 million for the year ended 31 December 2012 (representing 4.6% of the Group's revenue for the whole year). As the Group strictly controlled the expenses in 2012, selling expenses decreased by 4.7% over last year. Meanwhile, the percentage of the Group's selling expenses as a ratio of the annual revenue decreased by 0.3 percentage point as compared to last year.

Administrative expenses

The Group's administrative expenses increased by 5.1% from RMB817.7 million for the year ended 31 December 2011 (representing 11.5% of the Group's revenue for the whole year) to RMB859.2 million for the year ended 31 December 2012 (representing 11.9% of the Group's revenue for the whole year). The increase in administrative expenses was due to the increase in business operations and in research and development costs of the Group in 2012.

Finance costs

The Group's finance costs decreased from RMB27.3 million for the year ended 31 December 2011 to negative RMB9.3 million for the year ended 31 December 2012. The decrease in finance costs was mainly due to the increase in exchange gains and the decrease of interest expense during the year.

Asset impairment losses

The Group's asset impairment losses decreased by 83.7% from RMB68.8 million for the year ended 31 December 2011 to RMB11.2 million for the year ended 31 December 2012. The Group tidied up the positions of its assets thoroughly in 2011 and 2012, and made reasonable impairment provisions for assets with signs of impairment. The Group made an impairment provision of RMB45.2 million for inventories with signs of impairment in 2011, and an impairment provision of RMB5.8 million for inventories with signs of impairment in 2012.

Non-operating income

The Group's non-operating income increased by 9.1% from RMB112.2 million for the year ended 31 December 2011 to RMB122.4 million for the year ended 31 December 2012. The increase in non-operating income was due to the increase in the one-off government subsidy during the year.

Non-operating expenses

The Group's non-operating expenses decreased by 7.7% from RMB1.3 million for the year ended 31 December 2011 to RMB1.2 million for the year ended 31 December 2012. The decrease in non-operating expenses was due to the decrease in loss on disposal of assets as compared to last year.

Total profit

The Group's total profit increased by 1.4% from RMB1,380.9 million for the year ended 31 December 2011 to RMB1,400.6 million for the year ended 31 December 2012. The increase in total profit was mainly due to the increase in revenue. The Group's profit margins for the years ended 31 December 2011 and 31 December 2012 were 19.38% and 19.41% respectively.

Income tax expense

The Group's income tax expense decreased by 8.1% from RMB193.9 million for the year ended 31 December 2011 to RMB178.1 million for the year ended 31 December 2012.

The Company, Ningbo CSR Times Sensor Technology Co., Ltd., Zhuzhon Times Equipment 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%.

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%.

The effective income tax rates of the Group for the years ended 31 December 2011 and 31 December 2012 were 14.0% and 12.7% respectively.

Net profit attributable to the shareholders of the Parent

Net profit attributable to the shareholders of the Parent increased by 3.1% from RMB1,184.4 million for the year ended 31 December 2011 to RMB1,221.1 million for the year ended 31 December 2012. The increase in the net profit attributable to the shareholders of the Parent was mainly due to increase in revenue.

Minority interests

Minority interests decreased by 46.2% from RMB2.6 million for the year ended 31 December 2011 to RMB1.4 million for the year ended 31 December 2012. The decrease in minority interests was mainly due to the decrease in net profit from the Group's non-wholly owned subsidiaries as compared to last year.

Earnings per share

Earnings per share increased by RMB0.04 from RMB1.09 for the year ended 31 December 2011 to RMB1.13 for the year ended 31 December 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 increase in cash and cash equivalent of the Group amounted to RMB243.6 million for the year.

Net cash flows from operating activities

The Group's net cash inflows from operating activities increased by 0.4% from RMB1,241.8 million for the year ended 31 December 2011 to RMB1,246.7 million for the year ended 31 December 2012, which was mainly due to the strengthen of fund management by the Group.

Net cash flows from investing activities

For the year ended 31 December 2012, the Group's net cash inflows from investing activities was approximately RMB16.0 million. Cash inflow items in investing activities mainly represented the cash received from returns on investments of RMB62.4 million.

Net cash flows used in financing activities

For the year ended 31 December 2012, the Group's net cash flows used in financing activities amounted to approximately RMB1,019.1 million. Cash outflow items in financing activities mainly represented the cash payment of dividends and interests of RMB397.1 million and the cash payment for the repayment of short-term bonds and borrowing of RMB500.0 million and RMB140.0 million respectively.

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:

	31 December 2012 ***(RMB million)***	31 December 2011 *(RMB million)*
Contracted but not provided:		
Purchase of fixed assets	**166.3**	142.0
Purchase of intangible assets	**23.5**	10.1
Investment commitments	**16.6**	49.9
Sub-total	**206.4**	202.0
Approved but not contracted:		
Purchase of fixed assets	**698.0**	820.8
Purchase of intangible assets	**0.5**	11.1
Sub-total	**698.5**	831.9
Total	**904.9**	1,033.9

Indebtedness

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

	31 December 2012 ***(RMB million)***	31 December 2011 *(RMB million)*
Short-term borrowings	**—**	139.0
Short-term bonds payable	**—**	500.0
Long-term borrowings (inclusive of amounts due within 1 year)	**69.7**	60.3
Total	**69.7**	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, 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 6.4% as at 31 December 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 interest rate risk. Details of the risks are set out in notes to the financial statements.

Policy risk

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

Proposed distribution of final dividends

The Board of the Company proposed distribution of a cash dividend of RMB0.350 per share (including applicable tax) for the year.

Pursuant to the provisions of the Corporate Income Tax Law of the People's Republic of China and the Implementing Regulations of the Corporate Income Tax Law of the People's Republic of China, effective from 1 January 2008, any PRC domestic enterprise shall withhold the corporate income tax upon the distribution of dividends payable to the shareholders being non-resident enterprises (legal persons) for accounting periods starting from 1 January 2008, and the payer shall serve as the withholding agent. The Company will strictly abide by the law and identify all shareholders who are subject to the withholding and payment of corporate income tax, whose names appear in the Company's register of members as holders of H shares on the record date and who are not individuals (including HKSCC Nominees Limited, other corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders). The Company will distribute the relevant dividends after deducting the corporate income tax of 10%.

Pursuant to the requirements of "Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi No. [1994]020) 《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》 (財稅字[1994]020號), individual foreigners exempt from individual income tax on dividend and bonus from foreign-invested enterprises in the PRC. As the Company is a foreign-invested joint stock limited company, thus the individual shareholders which hold the H shares of the Company and whose names appear in the H-share registrar are not required to pay the individual income tax of PRC.

The proposed dividend to be distributed is subject to the approval of the shareholders at the annual general meeting to be held on 10 June 2013.

Closure of register

In order to ascertain the shareholder capacity to attend the forthcoming annual general meeting to be held on 10 June 2013, the register of members of the Company will be temporarily closed from 11 May 2013 to 10 June 2013 (both days inclusive), during which no transfer of shares will be registered. In order to attend the annual general meeting and vote in the meeting, all transfer documents of the holders of H shares of the Company must be lodged at the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10 May 2013.

In order to ascertain the entitlements of the shareholders to receive the final dividend, the register of members of the Company will be temporarily closed from 15 June 2013 to 20 June 2013 (both days inclusive), during which no transfer of shares will be registered. All transfer documents together with the relevant share certificates and form of transfer must be delivered to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14 June 2013.

Purchase, redemption or sale of listed securities of the Company

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

CORPORATE GOVERNANCE REPORT

The Company has always been dedicated to improving the quality of its corporate governance, and maximizing long-term shareholder value by increasing the Group's accountability and transparency through strict implementation of corporate governance.

I Corporate Governance Practices

The Company places great emphasis on the superiority, stability and reasonability of its corporate governance. On 1 April 2012, the Code on Corporate Governance Practices ("Previous CG Code") as set out in Appendix 14 of 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 31 December 2012, the Company has complied with all the code provisions of the Previous CG Code and the New CG Code.

The Board of Directors and the management of the Company make every effort to comply with the CG Code in order to protect and enhance interests of the Company's shareholders. As the Company continues to grow, in order to ensure compliance with the general regulations and standards required by shareholders, the Company will monitor and, when necessary, revise its corporate governance policy on an ongoing basis.

In accordance with relevant laws and regulations, the Company has set up a structure with general meetings, the Board, committees of the Board, the Supervisory Committee and the management check and balance one another. The divisions of responsibilities among the general meetings, the Board, committees of the Board, the Supervisory Committee and the management are distinct, and each of them is assigned with clearly defined responsibilities. The Board has delegated the execution and daily operations of the Group's business to the management. However, clear directions are given to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group. The Company will continue to perfect its corporate governance mechanism, exercise discipline in the fulfilment of corporate duties, and strengthen the disclosure of information.

II 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.

Having made specific inquiries in relation to the compliance with Model Code for securities transactions by the Directors, the Company confirmed that all Directors have complied with the relevant standards for securities transactions by Directors set out in the Model Code during the reporting period.

REVIEW BY THE AUDIT COMMITTEE

The Company's annual results for the year ended 31 December 2012 and this results announcement have been reviewed and confirmed by the audit committee of the Board.

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

Changsha, China, 28 March 2013

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.