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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 2013

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 2013 which have been prepared in accordance with the “Accounting Standards for Business Enterprises” and set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as below:

Consolidated Balance Sheet

30 June 2013

| | <i>Note</i> | 30 June 2013 (Unaudited) | 31 December 2012 (Audited) |
|--|-------------|---|----------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and bank balances | | 1,582,982,464 | 2,318,915,451 |
| Bills receivable | | 859,825,261 | 890,637,187 |
| Trade receivables | 3 | 3,386,156,611 | 2,737,063,058 |
| Prepayments | | 133,404,029 | 87,946,123 |
| Other receivables | | 60,173,263 | 54,126,114 |
| Inventories | | 1,580,722,701 | 1,109,921,460 |
| Non-current assets due within one year | | 1,200,018 | 1,163,640 |
| Other current assets | | <u>30,592,481</u> | <u>3,264,824</u> |
| Total current assets | | <u>7,635,056,828</u> | <u>7,203,037,857</u> |
| NON-CURRENT ASSETS | | | |
| Long-term receivables | | — | 609,036 |
| Long-term equity investments | | 251,220,072 | 255,424,853 |
| Fixed assets | | 1,418,792,522 | 1,452,286,623 |
| Construction in progress | | 301,563,678 | 248,507,584 |
| Intangible assets | | 201,271,877 | 204,704,556 |
| Development expenditure | | 51,855,957 | 51,855,957 |
| Goodwill | | 57,352,802 | 60,776,186 |
| Deferred tax assets | | 93,063,705 | 92,779,141 |
| Other non-current assets | | <u>67,109,408</u> | <u>79,729,478</u> |
| Total non-current assets | | <u>2,442,230,021</u> | <u>2,446,673,414</u> |
| TOTAL ASSETS | | <u>10,077,286,849</u> | <u>9,649,711,271</u> |

Consolidated Balance Sheet (continued)

30 June 2013

| | <i>Note</i> | 30 June 2013 (Unaudited) | 31 December 2012 (Audited) |
|--|-------------|---|----------------------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Short-term borrowings | | 15,798,592 | — |
| Bills payable | | 651,345,989 | 713,768,911 |
| Trade payables | 4 | 1,565,929,401 | 1,273,648,373 |
| Receipts in advance | | 339,813,280 | 291,978,737 |
| Employee benefits payable | | 91,037,689 | 63,912,163 |
| Taxes payable | | 95,721,105 | 356,194,164 |
| Dividend payable | | 379,489,473 | — |
| Other payables | | 148,100,209 | 129,848,739 |
| Non-current liabilities due within one year | | <u>162,393,534</u> | <u>202,220,874</u> |
| Total current liabilities | | <u>3,449,629,272</u> | <u>3,031,571,961</u> |
| NON-CURRENT LIABILITIES | | | |
| Long-term borrowings | | 49,525,627 | 28,336,915 |
| Deferred tax liabilities | | 12,112,741 | 16,285,166 |
| Provisions | | 130,445,889 | 131,327,630 |
| Other non-current liabilities | | <u>128,174,007</u> | <u>129,227,463</u> |
| Total non-current liabilities | | <u>320,258,264</u> | <u>305,177,174</u> |
| Total liabilities | | <u>3,769,887,536</u> | <u>3,336,749,135</u> |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | 1,084,255,637 | 1,084,255,637 |
| Capital reserve | | 1,693,508,949 | 1,693,508,949 |
| Special reserve | | 1,471,395 | — |
| Surplus reserve | | 528,775,417 | 469,062,942 |
| Retained earnings | 5 | 2,913,034,394 | 2,952,057,924 |
| Exchange fluctuation reserve | | <u>(37,615,649)</u> | <u>(20,660,520)</u> |
| Total equity attributable to shareholders of the Parent | | <u>6,183,430,143</u> | <u>6,178,224,932</u> |
| Minority interests | | <u>123,969,170</u> | <u>134,737,204</u> |
| Total shareholders' equity | | <u>6,307,399,313</u> | <u>6,312,962,136</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>10,077,286,849</u> | <u>9,649,711,271</u> |

Consolidated Income Statement
For the six months ended 30 June 2013

| | <i>Note</i> | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|---|-------------|--|--|
| Revenue | 6 | 2,624,390,170 | 3,199,737,292 |
| Less: Cost of sales | 6 | 1,627,642,424 | 2,069,638,947 |
| Business taxes and surcharges | | 20,992,015 | 26,117,226 |
| Selling expenses | | 131,443,570 | 142,709,708 |
| Administrative expenses | | 366,290,455 | 433,751,674 |
| Finance costs/(income) | 7 | (27,759,130) | (908,536) |
| Asset impairment losses/(reversal of losses) | 8 | 23,404,551 | (12,020,950) |
| Add: Investment income/(losses) including: share of profits/(losses) of associates and a jointly-controlled entity | 9 | (4,704,781) | 45,246,157 |
| | | <u>(4,704,781)</u> | <u>23,579,958</u> |
| Operating profit | | 477,671,504 | 585,695,380 |
| Add: Non-operating income | 10 | 9,933,606 | 44,839,869 |
| Less: Non-operating expenses including: loss on disposal of non-current assets | 11 | 185,655 | 213,769 |
| | | <u>115,551</u> | <u>182,546</u> |
| Total profit | | 487,419,455 | 630,321,480 |
| Less: Income tax expense | 12 | 94,024,145 | 92,250,388 |
| Net profit | | <u>393,395,310</u> | <u>538,071,092</u> |
| Net profit attributable to shareholders of the Parent | | <u>400,178,418</u> | <u>546,099,224</u> |
| Minority interests | | <u>(6,783,108)</u> | <u>(8,028,132)</u> |
| Earnings per share (Yuan/Share) | 13 | | |
| Basic | | <u>0.37</u> | <u>0.50</u> |
| Diluted | | <u>0.37</u> | <u>0.50</u> |
| Other comprehensive income/(loss) | | <u>(21,176,463)</u> | <u>671,906</u> |
| Total comprehensive income | | <u>372,218,847</u> | <u>538,742,998</u> |
| Including: | | | |
| Total comprehensive income attributable to shareholders of the Parent | | <u>383,223,289</u> | <u>546,522,481</u> |
| Total comprehensive loss attributable to minority interests | | <u>(11,004,442)</u> | <u>(7,779,483)</u> |

Notes:

I. CORPORATE INFORMATION

Zhuzhou CSR Times Electric Co., Ltd. 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 number 430000000009725. The H shares of the Company are 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 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 2013, 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 2012. 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 2012.

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 2013 (Unaudited) | 31 December 2012 (Audited) |
|------------------------------|---|----------------------------------|
| Within 6 months | 2,527,602,033 | 2,424,630,824 |
| 6 months to 1 year | 721,129,399 | 246,686,191 |
| 1 to 2 years | 179,138,050 | 83,905,920 |
| 2 to 3 years | 32,342,493 | 11,500,065 |
| Over 3 years | <u>6,347,822</u> | <u>13,257,908</u> |
| | 3,466,559,797 | 2,779,980,908 |
| Less: provision for bad debt | <u>80,403,186</u> | <u>42,917,850</u> |
| | <u>3,386,156,611</u> | <u>2,737,063,058</u> |

4. TRADE PAYABLES

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

The aging analysis of the trade payables is as follows:

| | 30 June 2013 (Unaudited) | 31 December 2012 (Audited) |
|--------------------|---|----------------------------------|
| Within 3 months | 1,044,170,109 | 914,106,974 |
| 3 months to 1 year | 364,435,775 | 204,113,602 |
| 1 to 2 years | 143,121,395 | 139,793,516 |
| 2 to 3 years | 3,983,889 | 7,194,408 |
| Over 3 years | <u>10,218,233</u> | <u>8,439,873</u> |
| | <u>1,565,929,401</u> | <u>1,273,648,373</u> |

5. RETAINED EARNINGS

| | For the six months ended 30 June 2013 (Unaudited) | 2012 (Audited) |
|--|--|----------------------|
| Retained earnings at the end of last period/year | 2,952,057,924 | 2,218,523,143 |
| Add: Net profit attributable to shareholders of the Parent | 400,178,418 | 1,221,110,195 |
| Less: Appropriation to statutory surplus reserve | 59,712,475 | 118,928,497 |
| Cash dividends paid | <u>379,489,473</u> | <u>368,646,917</u> |
| Retained earnings at the end of the period/year | <u>2,913,034,394</u> | <u>2,952,057,924</u> |

The 2012 scheme of profit distribution of the Company has been reviewed and approved in the 2012 Annual General Meeting held on 10 June 2013, pursuant to which a final dividend of RMB0.350 (including tax) was paid on each of the 1,084,255,637 shares in issue, amounting to a total cash dividend of RMB379,489,473.

The board of directors do not recommend the payment of an interim dividend (six months ended 30 June 2012: nil).

6. 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 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|-----------------------------------|--|--|
| Revenue from principal operations | 2,591,609,757 | 3,163,569,724 |
| Other operating income | <u>32,780,413</u> | <u>36,167,568</u> |
| | <u>2,624,390,170</u> | <u>3,199,737,292</u> |

Cost of sales is stated as follows:

| | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|---|--|--|
| Cost of sales from principal operations | 1,608,015,372 | 2,056,529,040 |
| Other operating costs | <u>19,627,052</u> | <u>13,109,907</u> |
| | <u>1,627,642,424</u> | <u>2,069,638,947</u> |

Details of revenue are listed as follows:

| | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|---------------|--|--|
| Sale of goods | 2,617,472,600 | 3,190,115,935 |
| Rental income | 3,744,575 | 4,088,533 |
| Others | <u>3,172,995</u> | <u>5,532,824</u> |
| | <u>2,624,390,170</u> | <u>3,199,737,292</u> |

7. FINANCE COSTS/(INCOME)

| | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|---|--|--|
| Interest expenses: | | |
| — Interest on bank loans due for full repayment within 5 years | 1,089,532 | 4,944,449 |
| — Interest on short-term bonds | <u>—</u> | <u>11,599,180</u> |
| | 1,089,532 | 16,543,629 |
| Less: Interest income | 13,769,174 | 6,285,532 |
| Exchange gains | (17,524,452) | (13,559,039) |
| Others | <u>2,444,964</u> | <u>2,392,406</u> |
| | <u>(27,759,130)</u> | <u>(908,536)</u> |

8. ASSET IMPAIRMENT LOSSES/(REVERSAL OF LOSSES)

| | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|---|--|--|
| Bad debt loss | 37,255,762 | 7,548,282 |
| Impairment loss/(reversal of losses) of inventories | <u>(13,851,211)</u> | <u>(19,569,232)</u> |
| | <u>23,404,551</u> | <u>(12,020,950)</u> |

9. INVESTMENT INCOME/(LOSSES)

| | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|---|--|--|
| Income from non-listed investments: | | |
| Long-term equity investments income/(losses) under the equity method | | |
| — associates | (2,443,329) | 8,844,000 |
| — jointly-controlled entity | (2,261,452) | 14,735,958 |
| Gain on bank financial products | <u>—</u> | <u>21,666,199</u> |
| | <u>(4,704,781)</u> | <u>45,246,157</u> |

As at 30 June 2013, the repatriation of the Group's investment income was not subject to significant restriction.

10. NON-OPERATING INCOME

| | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|--|--|--|
| Gain on disposal of non-current assets | 172,721 | 121,286 |
| Refunds of value added tax | 3,071,175 | 39,100,535 |
| Government grants | 5,136,957 | 2,808,283 |
| Unsettled payment | — | 1,037,243 |
| Penalty income and default compensation income | 833,758 | 348,529 |
| Others | <u>718,995</u> | <u>1,423,993</u> |
| | <u>9,933,606</u> | <u>44,839,869</u> |

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

| | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|-----------------------------|--|--|
| Technology projects funding | 1,619,000 | 2,610,000 |
| Others | <u>3,517,957</u> | <u>198,283</u> |
| | <u>5,136,957</u> | <u>2,808,283</u> |

11. NON-OPERATING EXPENSES

| | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|--|--|--|
| Loss on disposal of non-current assets | 115,551 | 182,546 |
| Loss on penalties and compensation | 70,104 | 25,000 |
| Others | <u>—</u> | <u>6,223</u> |
| | <u>185,655</u> | <u>213,769</u> |

12. INCOME TAX EXPENSE

| | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|-------------------------------|--|--|
| Current income tax expense | | |
| — Mainland China | 96,225,227 | 90,160,383 |
| — Other countries and regions | <u>6,013</u> | <u>312,506</u> |
| | 96,231,240 | 90,472,889 |
| Deferred tax expense | <u>(2,207,095)</u> | <u>1,777,499</u> |
| | <u>94,024,145</u> | <u>92,250,388</u> |

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 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|--|--|--|
| Earnings | | |
| Net profit for the period attributable to ordinary shareholders of the Company | <u>400,178,418</u> | <u>546,099,224</u> |
| Shares | | |
| Weighted average number of ordinary shares in issue of the Company | <u>1,084,255,637</u> | <u>1,084,255,637</u> |
| Basic earnings per share (Yuan/share) | <u>0.37</u> | <u>0.50</u> |
| Diluted earnings per share (Yuan/share) | <u>0.37</u> | <u>0.50</u> |

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 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|---|--|--|
| Rolling stock and its extension products and services | <u>2,624,390,170</u> | <u>3,199,737,292</u> |

Geographical information

Revenue from external customers

| | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
|-----------------------------|--|--|
| Mainland China | 2,479,870,582 | 3,023,725,155 |
| Other countries and regions | <u>144,519,588</u> | <u>176,012,137</u> |
| | <u>2,624,390,170</u> | <u>3,199,737,292</u> |

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

Total non-current assets

| | 30 June 2013 (Unaudited) | 31 December 2012 (Audited) |
|-----------------------------|---|----------------------------------|
| Mainland China | 2,098,539,477 | 2,077,728,204 |
| Other countries and regions | <u>250,626,839</u> | <u>275,557,033</u> |
| | <u>2,349,166,316</u> | <u>2,353,285,237</u> |

14. SEGMENT REPORTING (continued)

Group information (continued)

Geographical 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 2013, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB1,177,483,142 (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 that customer) (six months ended 30 June 2012: RMB1,474,022,857 (unaudited) from a single customer).

15. OTHER INFORMATION

| | 30 June 2013 (Unaudited) | 31 December 2012 (Audited) |
|---------------------------------------|--|--|
| Net current assets | 4,185,427,556 | 4,171,465,896 |
| Total assets less current liabilities | <u>6,627,657,577</u> | <u>6,618,139,310</u> |
| | For the six months ended 30 June 2013 (Unaudited) | For the six months ended 30 June 2012 (Unaudited) |
| Depreciation | 68,509,108 | 72,603,287 |
| Amortisation of intangible assets | <u>10,306,722</u> | <u>9,048,008</u> |

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

Railway is an important national infrastructure and civil engineering, it is a resource-saving and environment-friendly mode of transportation.

In 2013, market-oriented reform initiated in the railway sector of the PRC. The Ministry of Railways has been dissolved, and the China Railway Corporation (hereinafter referred as the “CRC”) has been established and related adjustments to the organizational structures and personnels have been made accordingly, debt financing have been facilitated and freight organization reform started.

In the first half of 2013, the CRC was basically under internal adjustment and did not conduct any tendering for equipments. For the Company, historic orders for locomotives and EMUs have been fully delivered in 2012. Accordingly, the corresponding businesses from the original Ministry of Railways were basically in a vacuum status during the last half year.

To deal with the changing external environment, the Company has adopted various measures, strengthened the development of private railways and local railways and speeded up the expansion of the urban railway market and overseas market. Meanwhile, based on business nature, customer base and changes of scale, the Company has adjusted its internal organizational structure and set up a number of divisions in respect of railway business, urban railway business, railway engineering machinery business, communication and signaling business and overseas business in order to capture future opportunities and promote the development of the Company. The revenue of the Company has an increase of 173% in the second quarter when compared with the first quarter, and a growth of 393% in net profit.

In the second half of 2013, Premier Li Keqiang has chaired a meeting to plan the reform of the railway investment and financing scheme and speed up the railway construction in the central and western regions and poverty-stricken areas. The CRC gradually launched the tendering for railway equipments. The railway investment plan of 2013 has been adjusted to RMB690 billion, in which invested amount for the first half of the year was RMB215.9 billion. The Twelfth Five Year Plan has also been raised to RMB3.3 trillion from RMB2.8 trillion. In addition, the central government

provided preferential policies to the CRC in land development, subsidies, taxes and volatility in freight rates, which will also benefit the future development of the railway industry. The Company believes that this reform will bring about profound effects on the future of the overall railway industry.

In light of the reasons aforesaid, the Company anticipates that the production and operation of the Company during the second half of 2013 and the next couple of years will be quite busy.

Revenue

| | For the six months ended 30 June 2013 (RMB million) | For the six months ended 30 June 2012 (RMB million) |
|--|--|--|
| Train power converters, auxiliary power supply equipment and control systems | <u>1,545.7</u> | <u>1,938.7</u> |
| Including: | | |
| Locomotives | 810.7 | 352.2 |
| Electric Multiple Units | 313.6 | 1,104.2 |
| Metropolitan rail transportation equipment | <u>421.4</u> | <u>482.3</u> |
| Train operation safety equipment | 222.7 | 411.2 |
| Railway maintenance vehicles related products | <u>448.8</u> | <u>347.7</u> |
| Train-borne electrical systems | <u>2,217.2</u> | <u>2,697.6</u> |
| Power semiconductor components | 211.1 | 257.0 |
| Sensors and related products | 43.0 | 43.2 |
| Other products | <u>153.1</u> | <u>201.9</u> |
| Electric components | <u>407.2</u> | <u>502.1</u> |
| Total revenue | <u>2,624.4</u> | <u>3,199.7</u> |

The Group's revenue decreased by RMB575.3 million from RMB3,199.7 million for the six months ended 30 June 2012 to RMB2,624.4 million for the six months ended 30 June 2013.

The decrease in Group's revenue for the first half of 2013 was mainly due to the decrease in revenue from Electric Multiple Units by RMB790.6 million from RMB1,104.2 million for the six months ended 30 June 2012 to RMB313.6 million for the six months ended 30 June 2013.

Cost of sales

The Group's cost of sales decreased by RMB442.0 million from RMB2,069.6 million for the six months ended 30 June 2012 to RMB1,627.6 million for the six months ended 30 June 2013. 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 RMB133.3 million from RMB1,130.1 million for the six months ended 30 June 2012 to RMB996.8 million for the six months ended 30 June 2013. The Group's gross profit margin increased from 35.3% for the six months ended 30 June 2012 to 38.0% for the six months ended 30 June 2013. The change in gross profit margin was mainly due to the change of sales mix.

Selling expenses

The Group's selling expenses decreased by RMB11.3 million from RMB142.7 million for the six months ended 30 June 2012 to RMB131.4 million for the six months ended 30 June 2013. The selling expenses decreased with the decrease in business operations.

Administrative expenses

The Group's administrative expenses decreased by RMB67.5 million from RMB433.8 million for the six months ended 30 June 2012 to RMB366.3 million for the six months ended 30 June 2013. The decrease in administrative expenses was mainly due to the Group's stringent cost control.

Finance costs/(income)

The Group's finance costs decreased by RMB26.9 million from negative RMB0.9 million for the six months ended 30 June 2012 to negative RMB27.8 million for the six months ended 30 June 2013. The decrease in finance costs was mainly due to the increase of interest income.

Asset impairment losses/(reversal of losses)

The Group's asset impairment losses increased by RMB35.4 million from negative RMB12.0 million for the six months ended 30 June 2012 to RMB23.4 million for the six months ended 30 June 2013. The increase in asset impairment losses of the Group was due to the increase in the provisions for bad debt of the Group as compared to the same period of last year.

Non-operating income

The Group's non-operating income decreased by RMB34.9 million from RMB44.8 million for the six months ended 30 June 2012 to RMB9.9 million for the six months ended 30 June 2013. The decrease in non-operating income was mainly due to a decrease 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 for the six months ended 30 June 2013 was RMB0.2 million, which is the same as for the six months ended 30 June 2012.

Total profit

The Group's total profit decreased by RMB142.9 million from RMB630.3 million for the six months ended 30 June 2012 to RMB487.4 million for the six months ended 30 June 2013. The decrease in total profit was mainly due to the decrease in revenue and investment income. The Group's sales profit margins for the six months ended 30 June 2012 and 2013 were 19.7% and 18.6% respectively.

Income tax expense

The Group's income tax expense increased by RMB1.7 million from RMB92.3 million for the six months ended 30 June 2012 to RMB94.0 million for the six months ended 30 June 2013.

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

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 the preferential corporate income tax rate of 15%.

The effective income tax rates of the Group for the six months ended 30 June 2012 and 30 June 2013 were 14.6% and 19.3% respectively.

Net profit attributable to the shareholders of the Parent

Net profit attributable to the shareholders of the Parent decreased by RMB145.9 million from RMB546.1 million for the six months ended 30 June 2012 to RMB400.2 million for the six months ended 30 June 2013. The Group's sales net profit margins for the six months ended 30 June 2012 and 2013 were 17.1% and 15.2% respectively.

Minority interests

Minority interests increased by RMB1.2 million from negative RMB8.0 million for the six months ended 30 June 2012 to negative RMB6.8 million for the six months ended 30 June 2013. 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 decreased by RMB0.13 from RMB0.50 for the six months ended 30 June 2012 to RMB0.37 for the six months ended 30 June 2013.

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. Compared with 31 December 2012, the cash and cash equivalents of the Group decreased RMB733.1 million for the six months ended 30 June 2013, which was mainly due to the increase in net cash outflows from operating activities of the Group for the first half of 2013.

Net cash flows used in operating activities

The Group's net cash flows used in operating activities for the six months ended 30 June 2013 was RMB643.3 million, and the cash flows items used in operating activities was mainly for purchase of goods and services of RMB1,346.1 million.

Net cash flows used in investing activities

For the six months ended 30 June 2013, the Group's net cash flows used in investing activities was approximately RMB99.9 million. Cash outflow items in investing activities was mainly for purchase of fixed assets, intangible assets and other long-term assets of RMB100.0 million.

Net cash flows from financing activities

For the six months ended 30 June 2013, the Group's net cash flows from financing activities amounted to approximately RMB10.1 million. Cash inflow items in financing activities mainly represented the cash received from borrowings of RMB 46.0 million.

Liquidity

The Board agrees 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:

| | 30 June 2013 | 31 December 2012 |
|-----------------------------------|-------------------------|----------------------|
| | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Capital commitments: | | |
| Contracted, but not provided for | 243.9 | 189.8 |
| Authorised but not contracted for | 413.8 | 698.5 |
| | <u>657.7</u> | <u>888.3</u> |
| Investment commitments: | | |
| Contracted, but not fulfilled | 12.0 | 16.6 |
| Authorised but not contracted for | 91.1 | — |
| | <u>103.1</u> | <u>16.6</u> |

Indebtedness

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

| | 30 June 2013 | 31 December 2012 |
|---|---------------------------|----------------------|
| | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Short-term borrowings | 15.8 | — |
| Long-term borrowings (inclusive of amounts due within one year) | <u>59.4</u> | <u>69.7</u> |
| Total | <u><u>75.2</u></u> | <u><u>69.7</u></u> |

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, bills payable, trade payables, receipts in advance, employee benefits payable, taxes payable (excluding income tax payable), dividend payable, other payables and long-term borrowings (inclusive of amounts due within one year), less cash and cash equivalents. The Group's gearing ratio was 6.4% as at 31 December 2012 and 21.7% as at 30 June 2013.

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 the superiority, stability and reasonability on corporate governance.

During the reporting period ended 30 June 2013, the Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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 the securities transactions of the directors of the Company (“Directors”). 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 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 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, 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 2013 prepared based on the "Accounting Standards for Business Enterprise" 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 an inspection on the implementation of the internal control system among subsidiaries and branches to ensure its effectiveness in implementation; continuing to enhance risk management work, revising risk alert value and improving response measures to alert, effectively enhancing the capabilities in the management and control of prevention of risk. Such activities enabled the Company to respond to changes in business and external environment in financial, operational and risk management aspects in order to protect the safety of the Company's assets and interests of shareholders.

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

As at 30 June 2013, 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 2012 final dividends

Having been considered and approved by shareholders of the Company at the 2012 annual general meeting, the Company distributed a cash dividend of RMB0.350 per share (applicable taxes inclusive) as final dividend for 2012 to all shareholders based on the Company's total share capital of 1,084,255,637 shares as at the end of 2012, with a total amount of approximately RMB379.5 million. Implementation of the dividend distribution plan has been completed before the end of July 2013.

2. 2013 interim profit distribution plan

The Board did not recommend the distribution of interim dividend for the six months ended 30 June 2013.

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 the CSR 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), and the review opinions regarding such transactions would be disclosed to shareholders by way of announcements.

VII. EMPLOYEES AND TRAINING

As at 30 June 2013, the Company had 5,333 employees (including that of Dynex). 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 has formulated 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 talent fostering work. During the first half of 2013, the Company has conducted a series of relevant fostering works: development of internationalized talents and backup management personnel, improvement in the quality of staff of functional departments and construction of learning organizations, etc., all having achieved satisfactory results. In order to activate internal training resources, the Company has developed numerous internal training activities, such as happy learning class hall (樂學講堂) and expert forum. More than 300 persons were enrolled in the first session of the happy learning class hall, strongly triggering the enthusiasm of internal trainers to teach as well as the interest of staff on internal training. The expert forum is hosted by technical experts of the Company who transmitted experience and technologies, which enabled the inheritance of the Company's core technologies, thus laying a solid talent foundation for the Company to establish competitiveness in core technologies.

Review by Audit Committee

The Group's unaudited interim results for the six months ended 30 June 2013 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, 21 August 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.