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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 2013

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 2013, together with the comparative figures in 2012, set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as follows.

Consolidated Statement of Financial Position

31 December 2013

	<i>Notes</i>	31 December 2013	31 December 2012 (Restated)
ASSETS			
CURRENT ASSETS			
Cash and bank balances		3,136,090,686	2,318,915,451
Bills receivable		2,213,628,831	890,637,187
Trade receivables	5	2,693,866,426	2,737,063,058
Prepayments		98,175,195	87,946,123
Other receivables		58,087,799	54,126,114
Inventories		1,428,041,311	1,109,921,460
Non-current assets due within one year		609,036	1,163,640
Other current assets		84,179,832	3,264,824
Held-to-maturity investments		1,100,000,000	—
Total current assets		10,812,679,116	7,203,037,857
NON-CURRENT ASSETS			
Financial assets available-for-sale		900,000	400,000
Long-term receivables		31,660,131	609,036
Long-term equity investments		232,953,448	255,024,853
Fixed assets		1,595,275,624	1,454,471,457
Construction in progress		235,123,615	248,507,584
Intangible assets		233,054,144	210,266,744
Development expenditure		60,690,061	51,855,957
Goodwill		13,770,533	60,776,186
Deferred tax assets		129,399,467	92,779,141
Other non-current assets		52,976,184	79,729,478
Total non-current assets		2,585,803,207	2,454,420,436
TOTAL ASSETS		13,398,482,323	9,657,458,293

Consolidated Statement of Financial Position (continued)

31 December 2013

	<i>Notes</i>	31 December 2013	31 December 2012 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings		31,172,421	—
Bills payable		928,918,770	713,768,911
Trade payables	6	1,749,671,703	1,273,648,373
Receipts in advance		388,087,463	291,978,737
Employee benefits payable		88,860,161	63,912,163
Taxes payable		199,377,520	356,194,164
Other payables		200,627,465	131,729,207
Non-current liabilities due within one year		<u>233,800,674</u>	<u>202,220,874</u>
Total current liabilities		<u>3,820,516,177</u>	<u>3,033,452,429</u>
NON-CURRENT LIABILITIES			
Long-term borrowings		52,179,757	28,336,915
Deferred tax liabilities		15,383,539	16,285,166
Provisions		209,494,751	131,327,630
Other non-current liabilities		<u>150,787,851</u>	<u>129,227,463</u>
Total non-current liabilities		<u>427,845,898</u>	<u>305,177,174</u>
Total liabilities		<u>4,248,362,075</u>	<u>3,338,629,603</u>
SHAREHOLDERS' EQUITY			
Share capital		1,175,476,637	1,084,255,637
Capital reserve		3,354,300,202	1,693,508,949
Special reserve		1,148,151	—
Surplus reserve		624,621,343	469,062,942
Retained earnings	7	3,882,348,394	2,957,924,478
Exchange fluctuation reserve		<u>(21,995,965)</u>	<u>(20,660,520)</u>
Total equity attributable to shareholders of the Parent		<u>9,015,898,762</u>	<u>6,184,091,486</u>
Non-controlling interests		<u>134,221,486</u>	<u>134,737,204</u>
Total shareholders' equity		<u>9,150,120,248</u>	<u>6,318,828,690</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>13,398,482,323</u></u>	<u><u>9,657,458,293</u></u>

Consolidated Statement of Profit or Loss
For the year ended 31 December 2013

	<i>Notes</i>	2013	2012 (Restated)
Revenue	8	8,855,963,562	7,248,862,828
Less: Cost of sales	8	5,694,547,809	4,802,748,506
Business taxes and surcharges		75,281,302	62,809,993
Selling expenses		498,498,928	334,261,940
Administrative expenses		1,005,151,727	863,169,182
Finance costs	9	(27,487,384)	(9,162,690)
Asset impairment losses	10	8,149,479	11,183,891
Add: Investment income	11	12,578,234	98,674,730
including: share of profits and losses of associates and a joint venture		12,578,234	77,503,842
Operating profit		1,614,399,935	1,282,526,736
Add: Non-operating income	12	90,254,941	122,410,654
Less: Non-operating expenses	13	1,074,718	1,156,129
including: loss on disposal of non-current assets		713,310	605,759
Total profit		1,703,580,158	1,403,781,261
Less: Income tax expense	14	237,355,271	178,591,908
Net profit		1,466,224,887	1,225,189,353
Including: the acquiree's net profit before a business combination involving an enterprise under common control		1,682,415	2,679,146
Net profit attributable to shareholders of the Parent		1,467,020,759	1,223,789,341
Non-controlling interests		(795,872)	1,400,012
Earnings per share (Yuan/Share)	15		
Basic		1.33	1.13
Diluted		1.33	1.13
Other comprehensive income/(losses)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange fluctuation reserve		(1,096,328)	11,414,278
Total comprehensive income		1,465,128,559	1,236,603,631
Including:			
Total comprehensive income attributable to shareholders of the Parent		1,465,685,314	1,232,890,138
Total comprehensive income attributable to non-controlling interests		(556,755)	3,713,493

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.

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

As at 31 December 2013, the Company had issued an aggregate of 1,175,476,637 shares as share capital.

The Group’s parent and ultimate holding company are CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (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” issued by the China Ministry of Finance in February 2006, together with specific accounting standards, application guidance, interpretations and other related regulations issued and revised thereafter (“Accounting Standards for Business Enterprises”, collectively).

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

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

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

The change of accounting policies by reason of the adoption of the above Accounting Standards for Business Enterprises has been applied to the Company for the current year’s financial statements and retrospective adjustments have been made to the comparative financial information.

The application of Accounting Standards for Business Enterprises No.2 Long-term equity investments has affected the accounting for non-listed available-for-sale investments instruments. The Group accounted non-listed available-for-sale equity instruments as financial assets available-for-sale. Retrospective adjustments have been made to financial data in 2012 and adjustments have no effect on capital reserve, surplus reserve, retained earnings and non-controlling interests of the Group both as at 31 December 2013 and 31 December 2012.

4. A BUSINESS COMBINATION INVOLVING AN ENTERPRISE UNDER COMMON CONTROL OCCURRED IN THE CURRENT YEAR

In December 2013, Zhuzhou Times Equipment Technology Co., Ltd., a subsidiary of the Company, purchased the assets related to metro energy feedback devices, urban rail braking energy absorption devices, metro rectifiers, special rectifiers and motor test power supply (“Certain Assets”) from Zhuzhou National Engineering Research Centre of Converters Co., Ltd. for a consideration of RMB36,010,126. The consideration was resulting from the valuation of Certain Assets as at 30 June 2013 by an independent valuer. Zhuzhou National Engineering Research Centre of Converters Co., Ltd., the transferor of Certain Assets, is a wholly-owned subsidiary of CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd., which is the Company’s parent company. The Certain Assets and the Company were ultimately controlled by CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. before and after the business combination and that control is not transitory, hence the business combination is the business combination involving an enterprise under common control. The business combination date was determined as at 31 December 2013. When preparing the financial statements of the current year, the Group has restated some comparative figures.

5. 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 2013	31 December 2012 (Restated)
Within 6 months	2,359,481,905	2,424,630,824
6 months to 1 year	232,133,840	246,686,191
1 to 2 years	167,177,563	83,905,920
2 to 3 years	6,688,434	11,500,065
Over 3 years	12,921,980	13,257,908
	2,778,403,722	2,779,980,908
Less: provision for bad debt	52,877,165	42,917,850
	2,725,526,557	2,737,063,058
Less: classified as non-current assets	31,660,131	—
	2,693,866,426	2,737,063,058

6. TRADE PAYABLES

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

	31 December 2013	31 December 2012 (Restated)
Within 3 months	1,288,551,535	914,106,974
3 months to 1 year	303,215,820	204,113,602
1 to 2 years	55,258,225	139,793,516
2 to 3 years	91,891,313	7,194,408
Over 3 years	10,754,810	8,439,873
	<u>1,749,671,703</u>	<u>1,273,648,373</u>

7. RETAINED EARNINGS

	2013	2012 (Restated)
Retained earnings at the end of last year	2,952,057,924	2,218,523,143
Add: A business combination involving an enterprise under common control	<u>5,866,554</u>	<u>3,187,408</u>
Retained earnings at the beginning of the year	2,957,924,478	2,221,710,551
Add: Net profit attributable to shareholders of the Parent	1,467,020,759	1,223,789,341
A business combination involving an enterprise under common control	(7,548,969)	—
Less: Appropriation to statutory surplus reserve (Note 1)	155,558,401	118,928,497
Cash dividends paid (Note 2)	<u>379,489,473</u>	<u>368,646,917</u>
Retained earnings at the end of the year	<u>3,882,348,394</u>	<u>2,957,924,478</u>

Note1: As at 31 December 2013, 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 RMB3,856,712 (31 December 2012 (Restated): RMB2,747,757).

Note2: Pursuant to Year 2012 Annual General Meeting held on 10 June 2013, a final dividend of RMB0.35 was paid on each of the 1,084,255,637 shares in issue, amounting to a total cash dividend of RMB379,489,473. The dividend was paid during 2013.

Pursuant to Year 2011 Annual General Meeting held on 8 June 2012, a final dividend of RMB0.34 was paid on each of the 1,084,255,637 shares in issue, amounting to a total cash dividend of RMB368,646,917. The dividend was paid during 2012.

7. RETAINED EARNINGS (CONTINUED)

Pursuant to the board of directors meeting held on 25 March 2014, a proposed final dividend of RMB0.35 was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB411,416,823. The above proposal needs to be approved at the Annual General Meeting. Before the approval of the General Meeting of shareholders, it will not form part of the Company's liabilities, therefore it was not reflected in the current financial statements.

8. 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:

	2013	2012 (Restated)
Revenue from principal operations	8,732,681,851	7,178,312,782
Other operating income	123,281,711	70,550,046
	<u>8,855,963,562</u>	<u>7,248,862,828</u>

Cost of sales is stated as follows:

	2013	2012 (Restated)
Cost of sales from principal operations	5,621,160,614	4,764,384,152
Other operating costs	73,387,195	38,364,354
	<u>5,694,547,809</u>	<u>4,802,748,506</u>

Details of revenue are listed as follows:

	2013	2012 (Restated)
Sale of goods	8,828,864,276	7,219,892,525
Rendering of services	3,929,269	6,344,770
Rental income	11,235,640	14,071,560
Others	11,934,377	8,553,973
	<u>8,855,963,562</u>	<u>7,248,862,828</u>

9. FINANCE COSTS

	2013	2012 (Restated)
Interest expenses:		
—Interest on bank loans due for full repayment within 5 years	2,785,260	4,572,947
—Interest on short-term bonds	—	11,381,031
	<u>2,785,260</u>	<u>15,953,978</u>
Interest income	(20,655,853)	(11,281,079)
Exchange gains	(13,636,288)	(20,583,407)
Others	4,019,497	6,747,818
	<u>(27,487,384)</u>	<u>(9,162,690)</u>

10. ASSET IMPAIRMENT LOSSES

	2013	2012 (Restated)
Bad debt loss	10,554,296	5,410,764
Impairment losses/(reversal) of inventories	(48,922,775)	5,773,127
Impairment losses of goodwill	46,517,958	—
	<u>8,149,479</u>	<u>11,183,891</u>

11. INVESTMENT INCOME

	2013	2012 (Restated)
Income from non-listed investments:		
Long-term equity investment income under the equity method	12,578,234	77,503,842
Income from entrusted loans	—	9,410,938
Bank financial product income	—	11,759,950
	<u>12,578,234</u>	<u>98,674,730</u>

11. INVESTMENT INCOME (CONTINUED)

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

Investees	2013	2012 (Restated)
Siemens Traction Equipment Ltd., Zhuzhou	(124,995)	55,068,245
Zhuzhou Shiling Transportation Equipment Company, Ltd.	16,182,854	25,514,521
Hunan CSR Webtec Railway Transportation Technology Co., Ltd.	(3,479,625)	(3,078,924)
	<u>12,578,234</u>	<u>77,503,842</u>

As at 31 December 2013, the repatriation of the Group's investment income was not subject to significant restriction.

12. NON-OPERATING INCOME

	2013	2012 (Restated)
Gain on disposal of non-current assets	444,998	240,284
Refunds of value-added tax	68,055,389	89,100,535
Government grants	16,529,825	25,654,127
Unsettled payment	1,575,525	996,636
Penalty income and default compensation income	2,785,775	3,718,457
Others	863,429	2,700,615
	<u>90,254,941</u>	<u>122,410,654</u>

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

	2013	2012 (Restated)
Technology projects funding	9,971,012	9,460,000
Others	6,558,813	16,194,127
	<u>16,529,825</u>	<u>25,654,127</u>

13. NON-OPERATING EXPENSES

	2013	2012 (Restated)
Loss on disposal of non-current assets	713,310	605,759
Loss on penalties and compensation	217,388	31,328
Others	144,020	519,042
	<u>1,074,718</u>	<u>1,156,129</u>

14. INCOME TAX EXPENSE

	2013	2012 (Restated)
Current income tax expense		
— Mainland China	270,889,114	211,865,276
— Other countries and regions	39,694	5,732
	<u>270,928,808</u>	<u>211,871,008</u>
Deferred tax expense	(33,573,537)	(33,279,100)
	<u>237,355,271</u>	<u>178,591,908</u>

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

14. INCOME TAX EXPENSE (CONTINUED)

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

	2013	2012 (Restated)
Total profit	<u>1,703,580,158</u>	<u>1,403,781,261</u>
Income tax expense at statutory tax rate of 25% (note)	425,895,039	350,945,315
Effect of different income tax rates for overseas entities	(5,564)	(98,751)
Tax exemption	(178,064,276)	(143,162,136)
Profits and losses attributable to associates and a joint venture	(1,886,735)	(11,625,576)
Income not subject to tax	(556,762)	(795,089)
Expenses not deductible for tax	16,454,964	12,921,005
Income tax benefits on research and development expenditure	(26,558,591)	(20,265,085)
Tax losses not recognized	8,383,630	6,081,320
Utilisation of tax losses carried forward in previous periods	(827,739)	(1,864,246)
Others	<u>(5,478,695)</u>	<u>(13,544,849)</u>
Tax expense at the Group's effective tax rate	<u>237,355,271</u>	<u>178,591,908</u>

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.

15. 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.

15. EARNINGS PER SHARE (CONTINUED)

The calculation of basic earnings per share is as follows:

	2013	2012 (Restated)
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	<u>1,467,020,759</u>	<u>1,223,789,341</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>1,101,000,314</u>	<u>1,084,255,637</u>
Basic earnings per share (Yuan/share)	<u>1.33</u>	<u>1.13</u>
Diluted earnings per share (Yuan/share)	<u>1.33</u>	<u>1.13</u>

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

16. DIVIDENDS

	2013	2012 (Restated)
Proposed final dividend - RMB0.35 (2012 (Restated): RMB0.35) per ordinary share	<u>411,416,823</u>	<u>379,489,473</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

17. SEGMENT REPORTING

Operating segments

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

Group information

Products and services information

Revenue from external customers

	2013	2012 (Restated)
Rolling stock and its extension products and services	<u>8,855,963,562</u>	<u>7,248,862,828</u>

Geographical information

Revenue from external customers

	2013	2012 (Restated)
Mainland China	8,579,561,711	6,911,030,530
Other countries and regions	<u>276,401,851</u>	<u>337,832,298</u>
	<u>8,855,963,562</u>	<u>7,248,862,828</u>

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

17. SEGMENT REPORTING (CONTINUED)

Group information (continued)

Total non-current assets

	31 December 2013	31 December 2012 (Restated)
Mainland China	2,230,244,200	2,085,075,226
Other countries and regions	193,599,409	275,557,033
	<u>2,423,843,609</u>	<u>2,360,632,259</u>

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 2013, the Group's operating revenue of RMB4,856,311,188 (which accounted for more than 10% of the Group's total revenue) 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 (2012 (Restated): RMB3,638,231,364 from a single customer, including sales to a group of entities which are known to be under the control of the customer.)

18. OTHER INFORMATION

	31 December 2013	31 December 2012 (Restated)
Net current assets	6,992,162,939	4,169,585,428
Total assets less current liabilities	<u>9,577,966,146</u>	<u>6,624,005,864</u>
	2013	2012 (Restated)
Depreciation	138,462,059	128,604,095
Amortisation of intangible assets	<u>21,900,548</u>	<u>18,227,525</u>

PERFORMANCE REVIEW

The Group's revenue in 2013 amounted to RMB8,856.0 million (2012 (Restated): RMB7,248.9 million), representing an increase of 22.2% year-on-year. Net profit attributable to shareholders of the Parent amounted to RMB1,467.0 million (2012 (Restated): RMB1,223.8 million), representing an increase of 19.9% year-on-year. Basic earnings per share amounted to RMB1.33 (2012 (Restated): RMB1.13), representing an increase of 17.7% year-on-year. The Company proceeded with a share placement in October 2013 and its number of issued shares increased by 8.4% from 1,084,255,637 shares to 1,175,476,637 shares.

BUSINESS REVIEW

In 2013, there was a significant change in the railway operating mechanism. Faced with the policy adjustment of the railway industry and the challenging market environment, the Group, adhered to its "efficient organization" and "global operation" strategies and with "Dual Efficient CSR" as our guiding principle, achieved its annual target with growth in the overall businesses and profits via synergy of market research and development and management.

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

In respect of the traction systems for locomotives, the extensive application of 9600kW electric locomotives and passenger electric locomotives with a speed of 160 km/h were promoted. The Company started to deliver electric locomotives to South Africa and completed the environmental test and trial operation on the 4,400hp diesel locomotive.

In respect of the traction systems for electric multiple units, the high-speed railway market grew steadily. The Company completed the whole locomotive type test and commenced promoting the application of its own CRH6-160 inter-city electric multiple units traction system.

In respect of urban railway and metro, the Company's own traction systems continued to lead the domestic market, which consolidated its market share, broadened the market influence of its own brand in the market and expanded application in the international market. The Changsha Metro Line 2 Project, in which the Company's integrated supply of three critical systems — traction, braking and signalling was used for the first time and was progressing smoothly.

In respect of engineering machinery, rail flaw detection vehicles were delivered in batches. Safety monitoring products were basically steady. The sector of parts and components was developing steadily. The high power IGBT module developed by the Company began to be applied gradually/in batches in the rail transport sector and passed the flexible direct current transmission application test.

During the past year, the Company also emphasized on organizational performance and optimized the organizational structure, laying a solid foundation for business development.

OUTLOOK

Railway transportation has played an important role in the economic development of China. The trunk line cargo market continues to explore its potential and expand. The high-speed railway and urban rail markets are still under the period of rapid development. New technologies and changes in connection with railway transportation are continually improving people's lives and promote sustainable economic construction in China.

Entering 2014, following the reform of the railway operating mechanism in China, the demand trend for mobile devices such as locomotives has gradually become apparent. There are still many uncertainties associated with the policy and the market. For railway operations, more attention will be paid to operating efficiency.

Faced with the market condition, the Company will persist in its existing strategy to strengthen its core sectors and consolidate its competitive advantages. We will insist on the coordination of the two major lines of "technology" and "market" to provide quality services to customers and steadily expand into the international market.

In the field of locomotives and electric multiple units, the Company will strengthen and expand the 9,600kW electric locomotive, 160km/h passenger electric locomotive, HXD1C plateau locomotive, South Africa electric locomotive and 4,400hp diesel locomotive using its own systems to strive for market opportunities in relation to electric multiple units, develop the inter-city electric multiple unit market and step up its efforts in expanding the overhaul service business.

In the field of urban railway and metro, the Company will step up its efforts in maintaining quality and on schedule deliveries, make full efforts to strive for a larger market share and increase the influence of its own brand within the industry. In addition, the Company will proceed with overall planning and promote related products through cooperation.

In the field of engineering machinery, the Company will enhance its capability for delivering diversified products in small quantities, strengthen the two-way integration between technology and the market and facilitate the commercialization of new technologies. In the field of communication and signaling, the Company will consolidate the existing market and seek for new market opportunities.

OUTLOOK (CONTINUED)

For the industrialization of high power IGBT devices, the Company intends to establish its capability for mass production. The Company will persist in emphasizing both technology development and market expansion to promote product seriation, expedite the promotion of extensive application and develop the component market.

Looking ahead to the coming year, we are confident in expanding our competitive edge in all business sectors while consolidating our status in the industry and enhancing management to achieve a healthy and stable development of the Group, thereby creating greater value for our 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.

Revenue

	2013 <i>(RMB million)</i>	2012 (Restated) <i>(RMB million)</i>
Locomotives power converters, auxiliary power supply equipment and control systems	2,906.2	1,584.1
Electric Multiple Units power converters, auxiliary power supply equipment and control systems	2,315.1	2,228.7
Metropolitan rail transportation equipment power converters, auxiliary power supply equipment and control systems	955.7	927.7
Railway maintenance vehicles related products	1,102.9	976.2
Train operation safety equipment	571.0	613.2
Power semiconductor modules	522.9	489.5
Other products	482.2	429.5
Total revenue	8,856.0	7,248.9

Revenue (continued)

The Group's revenue increased by RMB1,607.1 million or 22.2% from RMB7,248.9 million for the year ended 31 December 2012 (Restated) to RMB8,856.0 million for the year ended 31 December 2013.

In 2013, other than a small decrease in the revenue from train operation safety equipment, other product series recorded increases in revenue at various growth levels. Among these, the strongest growth in revenue was from locomotive power converters, auxiliary power supply equipment and control systems with an increase of RMB1,322.1 million. Such increase was mainly due to the delivery of 9600kW electric locomotives.

Cost of sales

The Group's cost of sales increased by 18.6% from RMB4,802.7 million for the year ended 31 December 2012 (Restated) to RMB5,694.5 million for the year ended 31 December 2013. The increase in the cost of sales was mainly due to the combined effects of the growth in the Group's revenue and the change of product sales mix.

Gross profit

The Group's gross profit increased by 29.2% from RMB2,446.2 million for the year ended 31 December 2012 (Restated) to RMB3,161.5 million for the year ended 31 December 2013. The Group's gross profit margin increased from 33.7% for the year ended 31 December 2012 (Restated) to 35.7% for the year ended 31 December 2013. The change in gross profit margin was mainly due to the change of product sales mix.

Selling expenses

Selling expenses of the Group increased by 49.1% from RMB334.3 million for the year ended 31 December 2012 (Restated) to RMB498.5 million for the year ended 31 December 2013. Selling expenses increased with increases in business operations.

Administrative expenses

The Group's administrative expenses increased by 16.5% from RMB863.2million for the year ended 31 December 2012 (Restated) (representing 11.9% of the Group's revenue for the whole year) to RMB1,005.2 million for the year ended 31 December 2013 (representing 11.4% 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 2013. However, as strict control was exercised over expenses by the Group, the share of the Group's administrative expenses in the full year revenue decreased by 0.5 percentage point as compared to last year.

Finance costs

The Group's finance costs decreased from negative RMB9.2 million for the year ended 31 December 2012 (Restated) to negative RMB27.5 million for the year ended 31 December 2013. The decrease in finance costs was mainly due to the increase in interest income during the year.

Investment income

The Group's investment income decreased by 87.2% from RMB98.7 million for the year ended 31 December 2012 (Restated) to RMB12.6 million for the year ended 31 December 2013. The decrease in investment income was due to the decrease in the share of profits of associates and a joint venture.

Asset impairment losses

The Group's asset impairment losses decreased by 27.7% from RMB11.2 million for the year ended 31 December 2012 (Restated) to RMB8.1 million for the year ended 31 December 2013.

Non-operating income

The Group's non-operating income decreased by 26.2% from RMB122.4 million for the year ended 31 December 2012 (Restated) to RMB90.3 million for the year ended 31 December 2013. The decrease in non-operating income was due to the decrease in the one-off government grants during the year.

Non-operating expenses

The Group's non-operating expenses decreased by 8.3% from RMB1.2 million for the year ended 31 December 2012 (Restated) to RMB1.1 million for the year ended 31 December 2013. The decrease in non-operating expenses was due to the decrease in donations in the current year as compared to last year.

Total profit

The Group's total profit increased by 21.4% from RMB1,403.8 million for the year ended 31 December 2012 (Restated) to RMB1,703.6 million for the year ended 31 December 2013. The increase in total profit was mainly due to the increase in revenue. The Group's sales profit margins for the years ended 31 December 2012 (Restated) and 31 December 2013 were 19.4% and 19.2% respectively.

Income tax expense

The Group's income tax expense increased by 32.9% from RMB178.6 million for the year ended 31 December 2012 (Restated) to RMB237.4 million for the year ended 31 December 2013.

The Company, Ningbo CSR Times Sensor Technology Co., Ltd., Zhuzhou Times Electronics Technology Co., Ltd. and Zhuzhou Times Equipment Technology Co., Ltd. were accredited as high and new technology enterprises and received approvals from the relevant government authorities, and they were subject to the preferential corporate income tax rate of 15%.

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

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 2012 (Restated) and 31 December 2013 were 12.7% and 13.9% respectively.

Net profit attributable to shareholders of the Parent

Net profit attributable to shareholders of the Parent increased by 19.9% from RMB1,223.8 million for the year ended 31 December 2012 (Restated) to RMB1,467.0 million for the year ended 31 December 2013. The increase in the net profit attributable to shareholders of the Parent was mainly due to the increase in revenue.

Non-controlling interests

Non-controlling interests decreased from RMB1.4 million for the year ended 31 December 2012 (Restated) to negative RMB0.8 million for the year ended 31 December 2013. The decrease in non-controlling 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 RMB0.20 from RMB1.13 for the year ended 31 December 2012 (Restated) to RMB1.33 for the year ended 31 December 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. The net increase in cash and cash equivalents of the Group amounted to RMB821.1million for the year ended 31 December 2013.

Net cash flows from operating activities

The Group's net cash flows from operating activities decreased from RMB1,246.7 million for the year ended 31 December 2012 (Restated) to RMB726.0 million for the year ended 31 December 2013, which was mainly due to the increase in the cash paid for all types of taxes by the Group as compared to last year.

Net cash flows from investing activities

For the year ended 31 December 2013, the Group's net cash from investing activities was approximately negative RMB1,327.3 million. The cash outflow item in investing activities was mainly the cash paid for acquisition of investments of RMB1,100.9 million.

Net cash flows from financing activities

For the year ended 31 December 2013, the Group's net cash flows from financing activities was approximately RMB1,422.4 million. The cash inflow item in financing activities was mainly the amount of RMB1,776.0 million of cash received from capital contribution.

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 2013	31 December 2012 (Restated)
	<i>(RMB million)</i>	<i>(RMB million)</i>
Capital commitments:		
Contracted but not provided for	214.0	189.8
Authorised but not contracted for	315.7	698.5
	<u>529.7</u>	<u>888.3</u>
Investment commitments:		
Authorised but not contracted for	91.1	—
Contracted but not fulfilled	—	16.6
	<u>91.1</u>	<u>16.6</u>

Indebtedness

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

	31 December 2013	31 December 2012 (Restated)
	<i>(RMB million)</i>	<i>(RMB million)</i>
Short-term borrowings	31.2	—
Long-term borrowings (inclusive of amounts due within one year)	64.4	69.7
Total	<u>95.6</u>	<u>69.7</u>

Pledge

As at 31 December 2013, the Group pledged its fixed assets with a net carrying amount of RMB34.9 million (31 December 2012 (Restated): RMB30.3 million) to obtain bank borrowings.

As at 31 December 2013, the Group pledged its intangible assets with a net carrying amount of RMB17.8 million (31 December 2012 (Restated): RMB17.9 million) to obtain bank borrowings.

Gearing ratio

The Group monitors capital management by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio between 1% and 10%. Net debt includes all borrowings, bills payable, trade payables, receipts in advance, employee benefits payable, taxes payable (excluding income tax payable), other payables less cash and cash equivalents. The Group's gearing ratio was 6.4% as at 31 December 2012 (Restated) and 4.0% as at 31 December 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 interest rate risk. Details of such risks are set out in the notes to financial statements.

Policy risk

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

Proposed distribution of final dividends

The Board of the Company proposed to distribute a cash dividend of RMB0.35 per share (inclusive of 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 organizations which are all considered as non-resident enterprise shareholders), the Company will distribute the relevant dividends after deducting corporate income tax of 10%.

Proposed distribution of final dividends (continued)

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 [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 are exempted from individual income tax on dividends and bonus received from foreign-invested enterprises in the PRC. As the Company is a foreign-invested joint stock limited company, thus the individual shareholders who held the H shares of the Company and whose names appeared in the H-share registrar are not required to pay the individual income tax of the PRC.

The proposed dividend to be distributed is subject to the approval of the shareholders at the annual general meeting to be held on 27 June 2014.

Closure of register

In order to ascertain the shareholder capacity to attend the forthcoming annual general meeting to be held on 27 June 2014, the register of members of the Company will be temporarily closed from 28 May 2014 to 27 June 2014 (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 27 May 2014.

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 4 July 2014 to 9 July 2014 (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 3 July 2014.

Purchase, redemption or sale of listed securities of the Company

On 25 October 2013, the Company completed the placement of 91,221,000 H Shares and such shares were placed to not less than six nor more than ten places at the placing price of HKD25.00 per share. For details of shares placement, please refer to the announcements of the Company dated 20 October 2013, 21 October 2013 and 25 October 2013.

Save as disclosed above, 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.

During the reporting period ended 31 December 2013, the Company has fully complied with all the code provisions as set out in the Corporate Governance Code ("CG Code") and Corporate Governance Report, contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") except for Code Provisions A.5.6, A.6.7 and E.1.2 as set out below.

Code Provision A.5.6 provides that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. Despite that the written policy concerning board diversity was not formally adopted before the effective date of such amendments to the Listing Rules (i.e. 1 September 2013), the Board considers that the Company has achieved the purpose of board diversity. The Company adopted the Board Diversity Policy on 11 October 2013.

In addition, Mr. Ding Rongjun and Mr. Li Donglin, the executive directors of the Company, and Mr. Ma Yunkun, the non-executive director of the Company, did not attend the shareholders' meeting due to their other important commitments that deviated the requirements of Code Provision A.6.7. Besides, Mr. Ding Rongjun, the chairman of the Company, did not attend the annual general meeting due to his other important commitments, which deviated the requirements of Code Provision E.1.2.

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

I. Corporate Governance Practices (continued)

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 to 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 structure, exercise discipline in the fulfillment of corporate duties, and strengthen the disclosure of information in practice.

II. Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (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 2013 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

Zhuzhou, China, 25 March 2014

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