



中国通号

China Railway Signal & Communication Corporation Limited\*

中國鐵路通信信號股份有限公司

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

Stock code : 3969



# 2017 Interim Report

\*For identification only

# CONTENTS

<b>Corporate Information</b>	2
<b>Financial Highlights</b>	5
<b>Management Discussion and Analysis</b>	6
<b>Other Events</b>	17
<b>Movements in Share Capital and Information on Shareholders</b>	19
<b>Directors, Supervisors, Senior Management and Employees</b>	22
<b>Report on Review of Interim Condensed Consolidated Financial Statements</b>	31
<b>Interim Condensed Consolidated Financial Statements</b>	32
<b>Notes to the Interim Condensed Consolidated Financial Statements</b>	40
<b>Definition</b>	71

# CORPORATE INFORMATION

The basic information of the Company is set out as below:

## LEGAL NAME OF THE COMPANY

中國鐵路通信信號股份有限公司

## OFFICIAL ENGLISH NAME OF THE COMPANY

China Railway Signal & Communication Corporation Limited \*

## DIRECTORS

### Executive Directors

Mr. ZHOU Zhiliang (*Chairman*)  
Mr. FU Jianguo (*Vice Chairman*)<sup>Note</sup>  
Mr. YIN Gang (*President*)

### Independent Non-executive Directors

Mr. WANG Jiajie  
Mr. SUN Patrick  
Mr. CHEN Jin'en  
Mr. GAO Shutang

## SUPERVISORS

Ms. TIAN Liyan (*Chairwoman*)  
Mr. GAO Fan  
Ms. ZHAO Xiumei

## JOINT COMPANY SECRETARIES

Mr. HU Shaofeng  
Ms. NG Wing Shan (*FCIS, FCS*)

## AUTHORIZED REPRESENTATIVES

Mr. ZHOU Zhiliang  
Ms. NG Wing Shan (*FCIS, FCS*)

## BOARD COMMITTEES

### Strategy and Investment Committee

Mr. ZHOU Zhiliang (*Chairman*)  
Mr. FU Jianguo<sup>Note</sup>  
Mr. WANG Jiajie  
Mr. CHEN Jin'en  
Mr. GAO Shutang

### Remuneration and Evaluation Committee

Mr. GAO Shutang (*Chairman*)  
Mr. SUN Patrick  
Mr. CHEN Jin'en

### Audit and Risk Management Committee

Mr. SUN Patrick (*Chairman*)  
Mr. WANG Jiajie  
Mr. GAO Shutang

### Nomination Committee

Mr. CHEN Jin'en (*Chairman*)  
Mr. FU Jianguo<sup>Note</sup>  
Mr. WANG Jiajie

### Quality and Safety Committee

Mr. YIN Gang (*Chairman*)  
Mr. FU Jianguo<sup>Note</sup>  
Mr. GAO Shutang

\* For identification only.

Note: Mr. Fu Jianguo resigned on 26 June 2017.

# CORPORATE INFORMATION

## REGISTERED OFFICE

B 49 Xisihuan South Road  
Fengtai District  
Beijing, PRC

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

CRSC Building  
1 Compound, Automobile Museum  
Nansihuan West Road  
Fengtai District  
Beijing, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor, Tesbury Centre  
28 Queen's Road East  
Wan Chai  
Hong Kong

## STOCK ABBREVIATION AND STOCK CODE

CHINA CRSC (03969)

## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

## COMPANY WEBSITE

[www.crsc.cn](http://www.crsc.cn)

## INVESTOR RELATIONS

Tel: +86-10-50809077  
Fax: +86-10-51846610  
Email: [ir@crsc.cn](mailto:ir@crsc.cn)  
Address: CRSC Building, 1 Compound,  
Automobile Museum, Nansihuan West Road,  
Fengtai District, Beijing, PRC  
Postal Code: 100070

## LEGAL ADVISERS

### Hong Kong Legal Adviser

Clifford Chance  
27th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

### PRC Legal Adviser

Beijing DeHeng Law Offices  
12th Floor, Tower B  
Focus Place  
19 Finance Street  
Xicheng District  
Beijing, PRC

## AUDITORS

Ernst & Young  
*Certified Public Accountants*  
22nd Floor, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

# CORPORATE INFORMATION

## LANGUAGE AND MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

The Company provides Corporate Communications to the Shareholders based on their respective selected language version and means of receipt. The Shareholders have the following options:

- to read the online version of all Corporate Communications published on the Company's website by electronic means instead of reading the printed version and receive written notice for the publication of the Corporate Communications published on the Company's website;
- to receive printed English version of all Corporate Communications only;
- to receive printed Chinese version of all Corporate Communications only; or
- to receive both printed English and Chinese versions of all Corporate Communications.

The Shareholders may choose and/or change their choice on the language version of our Corporate Communications and/or the way to receive the Corporate Communications at any time. The Shareholders may notify the Company of their option by the following ways:

- by mail: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- by email: [crsc.ecom@computershare.com.hk](mailto:crsc.ecom@computershare.com.hk)

For enquiry on the arrangement of selection of the language version and means of receipt of Corporate Communications, the Shareholders may contact the hotline at +852 2862 8688 at any time.

# FINANCIAL HIGHLIGHTS

Financial data recorded in this interim report are the consolidated data of the Company and its subsidiaries prepared in accordance with the IFRS and denominated in RMB, unless otherwise stated.

## (1) SUMMARY OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June		Period-
	2017	2016	on-period
	RMB'000	RMB'000	change
			%
<b>Revenue</b>			
Design and integration	5,054,852	3,959,979	27.6
Equipment manufacturing	3,041,416	4,344,733	(30.0)
System implementation	4,294,514	3,971,602	8.1
Construction contracting	4,069,140	1,959,627	107.6
Other businesses	53,192	110,748	(52.0)
<b>Total</b>	<b>16,513,114</b>	<b>14,346,689</b>	<b>15.1</b>
<b>Gross profit</b>	<b>4,158,767</b>	<b>3,760,855</b>	<b>10.6</b>
<b>Profit before tax</b>	<b>2,401,568</b>	<b>1,980,538</b>	<b>21.3</b>
<b>Profit for the period</b>	<b>1,962,734</b>	<b>1,666,435</b>	<b>17.8</b>
<b>Profit attributable to owners of the parent</b>	<b>1,878,059</b>	<b>1,600,099</b>	<b>17.4</b>
<b>Basic earnings per Share (RMB)</b>	<b>0.21</b>	<b>0.18</b>	<b>16.7</b>

## (2) SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June	31 December	Change of
			30 June
	2017	2016	2017 as
	RMB'000	RMB'000	compared to
			31 December
			2016
			(%)
<b>ASSETS</b>			
Current assets	47,347,368	41,592,641	13.8
Non-current assets	9,642,385	8,702,366	10.8
<b>Total assets</b>	<b>56,989,753</b>	<b>50,295,007</b>	<b>13.3</b>
<b>LIABILITIES</b>			
Current liabilities	32,268,117	26,398,619	22.2
Non-current liabilities	1,074,958	1,205,917	(10.9)
<b>Total liabilities</b>	<b>33,343,075</b>	<b>27,604,536</b>	<b>20.8</b>
<b>Total equity</b>	<b>23,646,678</b>	<b>22,690,471</b>	<b>4.2</b>
<b>Total equity and liabilities</b>	<b>56,989,753</b>	<b>50,295,007</b>	<b>13.3</b>



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The Group derives revenue mainly from the PRC. The Group is a pioneer and market leader in the PRC rail transportation control system industry and a key enterprise to ensure the safe and efficient operation of rail transportation in the PRC. With a strong focus on product design and R&D and through its “three-in-one” business model for rail transportation control system (that combines design and integration, equipment manufacturing and system implementation), the Group has become the only rail transportation control system solution provider in the world who is capable of independently providing the entire suite of products and services with competitive advantages across the industry chain. The Group’s comprehensive offering covering the whole industry chain enable it to provide its customers with complete and convenient one-stop solutions, which reduces their construction, operation and management costs and mitigates the incompatibility risks of complex rail transportation connections. In turn, the Group’s one-stop solution business model enhances its ability to customize its products and services to address customers’ needs and become more competitive in bidding for new projects. In addition, the Group’s business model also promotes the synergies among its individual business lines, reduces its marketing costs and lays a solid foundation for it to develop its maintenance and upgrade services after its products are put into operation.

In the first half of 2017, the Group continued to leverage the industry growth tendency and abundant resources of the Group to further develop its seven business sectors, including signal and communication, power supply and electrification, construction contracting, capital operation, overseas business, emerging businesses and informatization.

In the first half of 2017, the Group recorded a revenue of RMB16,513.1 million, gross profit of RMB4,158.8 million and profit attributable to equity shareholders of the Company of RMB1,878.1 million.

## FINANCIAL REVIEW

### (I) Analysis on Principal Business

#### Analysis of changes in the relevant items of the income statement

	Six months ended 30 June		
	2017 RMB'000	2016 RMB'000	Period-on-period change %
Revenue	16,513,114	14,346,689	15.1
Cost of sales	12,354,347	10,585,834	16.7
Gross profit	4,158,767	3,760,855	10.6
Other income and gains	144,176	148,906	( 3.2)
Selling and distribution expenses	306,336	341,296	(10.2)
Administrative expenses	1,439,125	1,482,504	( 2.9)
Other expenses	155,475	116,839	33.1
Finance costs	15,752	13,369	17.8
Share of profits and losses of associates and joint ventures	15,313	24,785	(38.2)
Profit before tax	2,401,568	1,980,538	21.3
Income tax expense	438,834	314,103	39.7
Profit for the period	1,962,734	1,666,435	17.8

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Revenue*

The Group generates its revenue primarily from the following products and services:

- Design and integration: mainly includes engineering design and system integration services for rail transportation control system projects, and integrated solutions designed to achieve functionality and performance of control system;
- Equipment manufacturing: mainly includes manufacturing and sales of signal system products, communication information system products and other products;
- System implementation: mainly includes construction, installation, testing and maintenance services for rail transportation control system projects;
- Construction contracting: mainly includes municipal engineering contracting and construction services of other projects; and
- Other businesses: mainly engages in commodity trading and etc.

During the Reporting Period, the Group recorded a revenue of RMB16,513.1 million, representing an increase of 15.1% over the same period last year, mainly due to: (i) the Group adhered to the development strategy of “one core business with diversification into related businesses” to accelerate its transformation and upgrading and strongly expand its business scope, resulting in a rapid growth of its sales business volume, and (ii) the Group stuck to the leading role of technology, enhanced the driving momentum of innovation and spared no efforts in the popularization and application of R&D achievements, resulting in an increase in the revenue from rail transportation control system.

## *Cost of Sales*

During the Reporting Period, the Group’s cost of sales was RMB12,354.3 million, representing an increase of 16.7% over the same period last year, mainly due to an increase in cost of sales arising from an increase in sales business volumes.

## *Gross Profit*

During the Reporting Period, the Group’s gross profit was RMB4,158.8 million, representing an increase of 10.6% over the same period last year. The gross profit margin was 25.2%, representing a decrease of 1.0 percentage point over the same period last year, this was mainly because the lower overall gross profit margin as a result of changes in sales structure.

## *Other Income and Gains*

During the Reporting Period, the Group’s other income and gains were RMB144.2 million, representing a decrease of 3.2% over the same period last year, mainly due to a period-on-period decrease in the exchange gains as a result of exchange rate fluctuation.



# MANAGEMENT DISCUSSION AND ANALYSIS

## *Selling and Distribution Expenses*

During the Reporting Period, the Group's selling and distribution expenses were RMB306.3 million, representing a decrease of 10.2% over the same period last year, mainly due to the decrease in the repairment expenses from after-sale services and field equipment.

## *Administrative Expenses*

During the Reporting Period, the Group's administrative expenses were RMB1,439.1 million, representing a decrease of 2.9% over the same period last year, mainly because the Group proactively controlled its costs and expenses.

## *Other Expenses*

During the Reporting Period, the Group's other expenses were RMB155.5 million, representing an increase of 33.1% over the same period last year, mainly due to the increase of other service expenses of the Group.

## *Finance Costs*

During the Reporting Period, the Group's finance costs were RMB15.8 million, representing an increase of 17.8% over the same period last year, mainly due to an increase in interest expense from increased bank borrowings based on the needs of production and business operation.

## *Share of profits and losses of associates and joint ventures*

During the Reporting Period, the Group's share of profits of associates and joint ventures were RMB15.3 million, representing a decrease of 38.2% over the same period last year, mainly due to a decrease in net profits of associates and joint ventures during the first half of the year.

## *Profit before Tax*

As a result of the foregoing, during the Reporting Period, the Group's profit before tax was RMB2,401.6 million, representing an increase of 21.3% over the same period last year.

## *Income Tax Expenses*

During the Reporting Period, the Group's income tax expenses were RMB438.8 million, representing an increase of 39.7% over the same period last year. During the Reporting Period, the Group's effective income tax rate was approximately 18.3%.

## *Profit for the period*

As a result of the foregoing, during the Reporting Period, the Group's profit for the period was RMB1,962.7 million, representing an increase of 17.8% over the same period last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (II) Net Cash Flows

### Analysis of changes in the relevant items of the statement of cash flow

	For the six months ended	
	30 June	
	2017	2016
	RMB'000	RMB'000
Net cash flow (used in)/from operating activities	(909,786)	1,048,361
Net cash flow (used in)/from investing activities	(1,083,078)	801,793
Net cash flow used in financing activities	(354,569)	(991,354)

During the Reporting Period, the Group recorded the net cash inflow used in operating activities of RMB909.8 million, representing a decrease of RMB1,958.1 million as compared with the net cash flow from operating activities over the same period last year, which was mainly due to the increase in the amounts due from contract customers, trade receivables and financial receivables during the first half of 2017.

During the Reporting Period, the Group recorded the net cash flow used in investing activities of RMB1,083.1 million, representing a decrease of RMB1,884.9 million as compared with the net cash from investing activities over the same period last year, which was mainly due to the purchase of fixed assets and the increased investment in equity during the first half of 2017.

During the Reporting Period, the Group recorded the net cash flow used in financing activities of RMB354.6 million, representing an increase of RMB636.8 million as compared with the net cash used in financing activities over the same period last year, which was mainly due to unpaid dividends during the first half of 2017 and the payment of dividends for the second half of 2015 during the same period of last year.

## (III) Others

### A. *Material changes in the Group's profit composition or sources of profit*

During the Reporting Period, there were no material changes in the Group's profit composition or sources of profit.

### B. *Progress in the implementation of the Groups' material asset reorganisation*

During the Reporting Period, the Group did not conduct any material asset reorganisation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## DEBT STRUCTURE AND LIQUIDITY

### Borrowings

As at 30 June 2017, the Group had total borrowings of approximately RMB594.0 million, representing a decrease of 48.4% from RMB1,151.7 million as at 31 December 2016, mainly due to the partial repayment of short-term borrowings according to contract arrangements.

As at 30 June 2017, the short-term interest-bearing borrowings and long-term interest-bearing borrowings of the Group amounted to RMB573.7 million and RMB20.3 million, respectively. The table below sets forth the maturity profile of the loans and other borrowings repayable by the Group as at 30 June 2017 and 31 December 2016:

	<b>30 June 2017 RMB'000</b>	31 December 2016 RMB'000
<b>Bank loans repayable</b>		
Within one year	<b>573,539</b>	931,123
In the second year	—	200,000
<i>Sub-total</i>	<b>573,539</b>	1,131,123
<b>Other borrowings</b>		
Within one year	<b>146</b>	146
In the second to fifth years, both years inclusive	<b>20,291</b>	20,436
<i>Sub-total</i>	<b>20,437</b>	20,582
<b>Total</b>	<b>593,976</b>	1,151,705

As at 30 June 2017, the Group's total borrowings were RMB594.0 million, of which the total bank and other borrowings at floating interest rates amounted to RMB530.4 million, as compared to RMB945.0 million as at 31 December 2016.

As at 30 June 2017, among the Group's interest-bearing bank borrowings and other borrowings was pledged borrowings which amounted to RMB58.8 million.

### *Net Current Assets*

As at 30 June 2017, the Group's net current assets amounted to RMB15,079.3 million, representing a decrease of 0.8% from that as at 31 December 2016, mainly due to the Group's partial repayment of short-term borrowings.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Commitments

As at 30 June 2017, the Group had capital commitments of RMB924.2 million contracted for but not yet incurred, mainly attributable to the investment in the project of technological revamp for improving the technology and equipment capabilities of the railway transportation safety control system and the establishment of Railway Transportation Research Center. The Group had investment commitments of RMB1,382.9 million contracted for but not yet incurred, mainly attributable to the capital contribution to the joint ventures and associates of the Group. The table below sets forth the Group's commitments as at 30 June 2017 and 31 December 2016:

	<b>30 June 2017 RMB'000</b>	31 December 2016 RMB'000
<b>Contracted, but not provided</b>		
Capital commitments		
– property, plant and equipment	<b>924,197</b>	1,219,828
Investment commitments	<b>1,382,932</b>	963,603
	<b>2,307,129</b>	2,183,431

## Liquidity

As at 30 June 2017, the Group had credit facilities of approximately RMB44,050.0 million granted by commercial banks to the Company, of which approximately RMB38,515.1 million was unutilized and unrestricted. As at 30 June 2017, the Group had cash and cash equivalents of approximately RMB13,437.8 million, of which RMB12,354.8 million was denominated in RMB and RMB1,083.0 million was denominated in foreign currencies.

## Gearing ratio

Gearing ratio is calculated by total debt divided by total equity as of the respective dates and multiplied by 100%. Total debt is defined as the sum of long-term and short-term interest-bearing debts. As at 30 June 2017, the Group's gearing ratio was 2.5%, representing a decrease of 2.6 percentage points from 5.1% as at 31 December 2016, mainly due to a decrease in total debt resulted from partial repayment of short-term borrowings by the Group.

## Pledge of Assets

As at 30 June 2017, the Group obtained bank and other borrowings by pledging certain bills receivable with a carrying amount of RMB58.8 million.

## Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

The Group is exposed to various types of market risks in the ordinary course of its business, including credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group manages its exposure to these and other market risks through regular operating and financing activities.

### Credit Risk

Credit risks of the Group mainly arise from cash and cash equivalents, pledged deposits, trade and bills receivables, financial receivable, available-for-sale investments and financial assets included in prepayments, deposits and other receivables. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution. Substantially all of the Group's cash and cash equivalents and pledged deposits are held in major financial institutions located in the PRC, which management believes are of high credit quality.

### Liquidity Risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. The Group has made use of a wide range of bank loans of varying repayment schedules as well as other loans to ensure a consistently abundant capital supply with flexibility while guaranteeing that the obligation of outstanding loans of the Group does not pose material repayment risk in any given year.

### Interest Rate Risk

The risks of the Group from fluctuations in market interest rates mainly arise from floating rate bank borrowings. The Group manages its interest rate risks by regularly examining the fixed rate and floating rate borrowings portfolio. During the Reporting Period, the Group did not use interest rate swaps to hedge interest rate risks.

### Foreign Currency Risk

The majority of the Group's business transacted in Renminbi. Renminbi is not freely convertible into foreign currencies and conversion of Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As a result of its significant business operations in Mainland China, the effect of the fluctuations in the exchange rates of Renminbi against foreign currencies on the Group's results of operations is therefore minimal and as at the end of the Reporting Period, the Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### (I) Board's Discussion and Analysis on Operations of the Group for the Reporting Period

#### A. Analysis on Core Business

##### (1) Revenue breakdown by business segment and product

The table below sets forth the Group's revenue breakdown by business during the Reporting Period:

	Revenue (RMB'000)	Cost of sales (RMB'000)	Gross profit margin (%)	Increase/ (decrease) in revenue as compared to the same period last year (%)	Increase/ (decrease) in cost of sales as compared to the same period last year (%)	Increase/ (decrease) in gross profit margin as compared to the same period last year (Percentage point)
Design and integration	5,054,852	2,932,514	42.0	27.6	19.2	4.1
Equipment manufacturing	3,041,416	1,889,860	37.9	(30.0)	(30.2)	0.2
System implementation	4,294,514	3,859,483	10.1	8.1	7.9	0.2
Construction contracting	4,069,140	3,634,336	10.7	107.6	107.4	0.1
Other businesses	53,192	38,154	28.3	(52.0)	(57.1)	8.6
<b>Total</b>	<b>16,513,114</b>	<b>12,354,347</b>	<b>25.2</b>	<b>15.1</b>	<b>16.7</b>	<b>(1.0)</b>

Design and integration: revenue from the design and integration business increased by 27.6% over the same period last year, mainly attributable to the Group stuck to the leading role of technology, enhanced the driving momentum of innovation, increased the promotion and application of R&D achievements, resulting in an increase in the business volumes of the sector.

Equipment manufacturing: revenue from the equipment manufacturing business decreased by 30.0% over the same period last year, mainly attributable to the delay in delivery of part of the railway projects, affected by the macro-policy adjustments by the state.

System implementation: revenue from the system implementation business increased by 8.1% over the same period last year, mainly attributable to the increase in the number of orders and business volumes in the system implementation sector due to the government's continuous increasing investment in the urban rail transportation industry in China.

Construction contracting: revenue from the construction contracting business increased by 107.6%, mainly because the Group adhered to the strategy of "one core business with diversification into related businesses". The Group fully expanded the emerging businesses, resulting in a fast growth the revenue in the construction contracting sector.



# MANAGEMENT DISCUSSION AND ANALYSIS

Other businesses: revenue from other business decreased by 52.0% over the same period last year, mainly attributable to the Group's great efforts in reducing goods trading business.

The Group's revenue increased by 15.1% over the same period last year with the percentage of the design and integration business, equipment manufacturing business, system implementation services business, construction contracting business and other businesses in total revenue of 30.6%, 18.4%, 26.0%, 24.7% and 0.3%, respectively.

## (2) Revenue breakdown by region

The table below sets forth the Group's revenue breakdown by region during the Reporting Period:

	Six months ended 30 June 2017		Six months ended 30 June 2016		Period-on- period change (%)
	Revenue (RMB'000)	Percentage (%)	Revenue (RMB'000)	Percentage (%)	
Domestic market	16,091,847	97.4	13,940,564	97.2	15.4
Overseas market	421,267	2.6	406,125	2.8	3.7
<b>Total</b>	<b>16,513,114</b>	<b>100.0</b>	<b>14,346,689</b>	<b>100.0</b>	<b>15.1</b>

During the Reporting Period, the Group's revenue from domestic market increased by 15.4%, while the Group's revenue from overseas market increased by 3.7%, mainly due to: (i) the Group accelerated its transformation and upgrading and strongly expanded its business scope, stuck to the leading role of technology, enhanced the driving momentum of innovation, spared no efforts in the popularization and application of R&D achievements, resulting in an increase in the revenue of domestic market; and (ii) the Group actively participated in the "One Belt, One Road" and the strategy of "Going Global" implemented by the Chinese government, resulting in an increase in the business volumes in overseas market.

## B. Major Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group disposed of CRSC Nufont Technology Co. Ltd.\* (通號新岸線科技有限公司), a joint venture of CRSCD, a subsidiary of the Group.

## C. Core Competitiveness

### 1. Strong technology innovation and system integration capabilities

The Group, as a leading technological company in the railway communication and signal industry in China, engages in the setting of industry standards and specifications of the Chinese railway communication and signal industry. With strong technology innovation capabilities, the Group developed the C3 train control system technology and the CBTC system technology with proprietary intellectual property rights and has strong system integration capabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. Comprehensive advantage of a full industry chain

The Group has set up a relatively complete professional industry chain, and is capable of providing one-stop services including capital operation, research and design, system integration, product manufacturing, technological services and operation and maintenance.

## 3. Leading technical professionals within the industry

During the long period of project practice, the Group has built up a highly professional team with comprehensive capacity. The Group's communication and signal technical professionals, in particular, demonstrate their outstanding capabilities and have significant influence in the industry.

## 4. Excellent customer relationship

The Group has undertaken a large number of key state projects over the years and accumulated rich technology experience. Through business operations and engineering practice, the Group has built up a solid customer base and accumulated excellent cooperation resources.

## 5. High quality assets and sufficient room for financing

With good operations results in the past few years, the Group has maintained sound business development. With a low gearing ratio that maintains at a good industry standard, the Group has high quality assets and good financing capability featuring multiple channels and low costs, which can well support the transformation and upgrading development needs of the Company.

### D. *Employees and Remuneration Policies*

Cultivating and maintaining a team of capable and motivated administrative, technical and other employees are critical to the Group's success. The Group's recruitment and retaining policies for employees take into account of a number of factors, including market conditions, its business demands and expansion plans. The Group carries out employee performance appraisals, and its subsidiaries have established diversified forms of dynamic appraisal mechanisms. The employee performance appraisals are conducted on a regular basis and, the result of which will have an impact on employees' salary and remuneration. As of 30 June 2017, the Group had 17,342 full-time employees, and its total labor costs for the six months ended 30 June 2017 reached RMB1,713.4 million. The Group aims to recruit, train and retain talented professionals through a multiple recruiting and training process and offers competitive performance-based remuneration packages and career development opportunities. The Group believes that these measures have contributed to the improvement of the employees' performance and abilities.

The remuneration of the Directors, Supervisors and Senior Management of the Company is determined with reference to factors including the salaries paid by peer companies, time commitment and responsibilities of the Directors, Supervisors and Senior Management, employment conditions of the other positions in the Company and advisability of performance-based remuneration. The remuneration and evaluation committee of the Company is responsible for reviewing and examining the remuneration policies and plans of the Directors, president and other Senior Management of the Company from time to time.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *E. Use of Proceeds*

Gross proceeds from the initial public offering of the Group was approximately HK\$11,025.0 million. The net proceeds will be applied according to the section headed “Future Plans and Use of Proceeds” in the prospectus dated 28 July 2015 of the Company.

## **(II) Business Outlook for the Second Half of 2017**

During the first half of 2017, China’s economy remained on a stable and positive path, with economic growth performing within a reasonable range, the economic quality and efficiency being improved and the national new type urbanization stepping into a new level, the investment in the urban rail transportation industry further increased, and there will be a summit of approvals on railway projects during the second half of the year. The abovementioned macro economy and national economic policies will continuously be beneficial to the rail transportation industry and the Group’s principal businesses, promote the continuous optimization of the Group’s industrial structure and give benefits to the accumulation of the new driving momentum of the enterprises.

Aiming to further increase the market share, the Group will continue to capitalize on the core competitive advantages in the whole industrial chain of “Three-In-One” to conduct its traditional businesses professionally and promote its dominant sectors vigorously. Moreover, while taking various measures to actively explore the international market, the Group steadily and methodically tapped into the diversified and strategic emerging sectors through approaches including the integration of industrial and financial sectors and investment driving force. During the first half of 2017, the Group accumulated contracted amount of RMB30.81 billion, representing a period-on-period increase of 21.4%. Currently, by sticking to the strategy of “one core business with diversification into related businesses” as the guidance for its operation and placing emphasis on the overall operation planning for the second half of the year, in order to stimulate the corporate vitality across the enterprise, the Group will further optimize its regional operation layout and the integration of operating resources, continue to improve its two-tier operation system, enhance its level of diversification and develop its operation incentive mechanism. It is expected that the Group will continue its healthy and steady growth momentum and achieve its existing annual business objectives.

### CORPORATE GOVERNANCE CODE

The Company strives to maintain high standards of corporate governance to safeguard the interests of its Shareholders and to enhance corporate value and accountability.

In order to ensure that the Company is able to fully perform its obligations under the Listing Rules, the Company has established a modern and effective corporate governance structure and endeavored to continuously improve its internal control and corporate governance mechanism.

The Company also operates in strict compliance with the Articles of Association of the Company, operating procedures for board Committees, the Company Law and the requirements of the applicable laws, regulations and regulatory documents, as well as the relevant rules and regulations of the Hong Kong Stock Exchange in relation to corporate information disclosure and investors' relations management and services.

Since 26 June 2017, Mr. Fu Jianguo has resigned as an executive Director, a vice chairman of the Board, a member of the strategy and investment committee, nomination committee, and quality and safety committee of the Board of the Company due to personal job change. Following the resignation of Mr. Fu Jianguo, the number of members of the Board and each of the strategy and investment committee, the nomination committee and the quality and safety committee of the Board will not meet the minimum number requirement under the relevant terms of references. The Company will appoint a suitable Director and members of the aforesaid Board committees as soon as possible.

During the Reporting Period, the Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code of Appendix 14 to the Listing Rules. The Board is of the view that, save as disclosed above, the Company has complied with all the code provisions as set out in the Corporate Governance Code throughout the Reporting Period.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### PROFIT DISTRIBUTION

#### Final Dividends for 2016

Upon the approval by the Shareholders of the Company on 19 May 2017, the Company paid the final dividends for 2016 on 17 July 2017 of RMB0.10 per Share in cash (tax inclusive). For details, please refer to the announcement published by the Company dated 19 May 2017.

#### Interim Dividends for 2017

The Board did not propose to pay any interim dividend for 2017.

## OTHER EVENTS

### REVIEW OF THE INTERIM RESULTS BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the Company consists of Mr. SUN Patrick (the chairman of the committee), Mr. WANG Jiajie and Mr. GAO Shutang. The audit and risk management committee has reviewed the unaudited interim condensed consolidated financial statements, the interim results announcement and the interim report of the Company for the six months ended 30 June 2017.

### SUBSEQUENT EVENTS

Save as disclosed above, there were no significant subsequent events which have occurred since 30 June 2017 and up to the Latest Practicable Date.

# MOVEMENTS IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## CHANGES IN SHARE CAPITAL

Upon approval from the approval authority authorized by the State Council, the Company issued 4,500,000,000 Shares to its promoters upon its establishment on 29 December 2010, representing 100% of the total issuable ordinary shares of the Company, among which, CRSC Corporation Group held 4,357,540,000 Shares (96.8343%), China National Machinery Industry Corporation held 41,900,000 Shares (0.9311%), China Chengtong Holdings Group Ltd. held 41,900,000 Shares (0.9311%), China Reform Holdings Corporation Ltd. held 41,900,000 Shares (0.9311%) and CICC Jiacheng Investment Management Co., Ltd. held 16,760,000 Shares (0.3724%).

On 6 December 2013, the Company issued 2,500,000,000 ordinary Shares to its original Shareholders by way of capital increase on a pro-rata basis, whereby the Company's total number of Shares was changed to 7,000,000,000 ordinary Shares, among which, CRSC Corporation Group held 6,778,390,000 Shares (96.8343%), China National Machinery Industry Corporation held 65,180,000 Shares (0.9311%), China Chengtong Holdings Group Ltd. held 65,180,000 Shares (0.9311%), China Reform Holdings Corporation Ltd. Held 65,180,000 Shares (0.9311%) and CICC Jiacheng Investment Management Co., Ltd. held 26,070,000 Shares (0.3724%).

Upon approval by the CSRC under Zheng Jian Xu Ke [2015] No.1630 (證監許可[2015]1630號文), the Company initially issued to foreign investors 1,789,819,000 overseas-listed foreign ordinary Shares (including an over-allotment of 39,819,000 overseas-listed foreign ordinary Shares), which were listed on the Hong Kong Stock Exchange. Pursuant to the Provisional Measures for the Administration of the Reduction of the Holding of State-Owned Shares in Order to Raise Social Security Funds (《減持國有股籌集社會保障資金管理暫行辦法》) and relevant regulations of the State Council, the Company's state-owned Shareholders, simultaneously with the issuance of the overseas-listed foreign Shares, transferred 178,982,000 state-owned Shares held by it into the possession of the National Council for Social Security Fund, which were converted into overseas-listed foreign Shares. Upon completion of the afore-said issuances, the Company had the total share capital of 8,789,819,000 Shares, consisting of a total of 8,789,819,000 ordinary Shares, of which 6,821,018,000 Shares were Domestic Shares, accounting for 77.6% of the Company's total issued ordinary Shares; and 1,968,801,000 Shares were overseas-listed foreign Shares (including the overseas-listed foreign Shares held by National Council for Social Security Fund) accounting for 22.4% of the Company's total issued ordinary Shares.

There was no change in the share capital of the Company during the Reporting Period.

As of 30 June 2017, the Company's total share capital was RMB8,789,819,000, divided into 8,789,819,000 Shares with a nominal value of RMB1.00 each, of which, 6,821,018,000 Shares were Domestic Shares and 1,968,801,000 Shares were H Shares.



# MOVEMENTS IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## DIRECTORS', SUPERVISORS' AND THE COMPANY'S CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, none of the Directors, Supervisors or chief executive of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, so far as is known to the Directors, the following persons (other than Directors, Supervisors or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Class of Shares	Capacity	Number of Shares held	Approximate percentage of Shares in the relevant class of Shares of the Company	Approximate percentage of Shares in the total issued Shares of the Company
CRSC Corporation Group	Domestic Shares	Beneficial owner	6,604,426,424 (Long position)	96.82%	75.14%
China Shipping (Group) Company <sup>(1)</sup>	H Shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%
China Shipping (Hong Kong) Holdings Co., Limited <sup>(1)</sup>	H Shares	Beneficial owner	123,063,000 (Long position)	6.25%	1.40%
Shanghai Zhenhua Heavy Industries Co., Ltd. <sup>(2)</sup>	H Shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%
Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited <sup>(2)</sup>	H Shares	Beneficial owner	123,063,000 (Long position)	6.25%	1.40%
National Council for Social Security Fund of the PRC	H Shares	Beneficial owner	178,982,000 (Long position)	9.09%	2.04%
China Railway Group Investment (Hong Kong) Limited <sup>(3)</sup>	H Shares	Beneficial owner	123,063,000 (Long position)	6.25%	1.40%

# MOVEMENTS IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of Shareholder	Class of Shares	Capacity	Number of Shares held	Approximate percentage of Shares in the relevant class of Shares of the Company	Approximate percentage of Shares in the total Shares in issue of the Company
China Railway Engineering Corporation <sup>(3)</sup>	H Shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%
China Railway Group Limited <sup>(3)</sup>	H Shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%
China Railway International Group Co., Limited <sup>(3)</sup>	H Shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%

## Notes:

As at 30 June 2017, the number of issued Shares of the Company was 8,789,819,000 Shares, of which 1,968,801,000 Shares were H Shares and 6,821,018,000 Shares were Domestic Shares.

1. China Shipping (Group) Company was interested in such Shares through China Shipping (Hong Kong) Holdings Co., Limited.
2. Shanghai Zhenhua Heavy Industries Co., Ltd. was interested in such Shares through Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited.
3. China Railway Engineering Corporation was interested in such shares through China Railway Group Limited, China Railway International Group Co., Limited and China Railway Group Investment (Hong Kong) Limited.

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any persons (other than Directors, Supervisors, or chief executive of the Company) who had interests and/or short positions in the Shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

As at the Latest Practicable Date, the Directors, Supervisors and Senior Management of the Company are as follows:

## DIRECTORS

Name	Age	Present Title	Roles and Responsibilities
ZHOU Zhiliang (周志亮)	52	Executive Director, Chairman	Overseeing the overall work of the Board, and formulating the Company's strategies
YIN Gang (尹剛)	55	Executive Director, President	Overseeing the management of the Company's daily production and operation
WANG Jiajie (王嘉傑)	66	Independent Non-executive Director	Providing advices with regard to the corporate governance, connected transactions, the Company's business strategies, the nomination of the Directors and Senior Management of the Company, and auditing and risk management
SUN Patrick (辛定華)	58	Independent Non-executive Director	Providing advices with regard to the corporate governance, connected transactions, remuneration of Directors and Senior Management of the Company, and auditing and risk management
CHEN Jin'en (陳津恩)	62	Independent Non-executive Director	Providing advices with regard to the corporate governance, connected transactions, the Company's business strategies, nomination and remuneration of Directors and Senior Management of the Company
GAO Shutang (高樹堂)	67	Independent Non-executive Director	Providing advices with regard to the corporate governance, connected transactions, the Company's business strategies, remuneration of Directors and Senior Management of the Company, auditing and risk management, and production safety and product quality management

## SUPERVISORS

Name	Age	Present Title	Roles and Responsibilities
TIAN Liyan (田麗豔)	43	Chairwoman of the Supervisory Committee	Overseeing the overall work of the Supervisory Committee, organizing and supervising the Board of Directors and the management, and making relevant suggestions
GAO Fan (高帆)	41	Supervisor	Supervising operations and financial activities
ZHAO Xiumei (趙秀梅)	43	Supervisor (Employee Representative Supervisor)	Supervising operations and financial activities

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## SENIOR MANAGEMENT

Name	Age	Present Title	Roles and Responsibilities
YIN Gang (尹剛)	55	President, Executive Director	Overseeing the management of the Company's daily production and operation
KONG Ning (孔寧)	52	Vice President	Assisting the president in daily production and operation
HU Shaofeng (胡少峰)	50	Chief Accountant, Board Secretary	In charge of the Company's financial work, in charge of information disclosure, investor relationship coordination, and preparation of Shareholders' general meetings and Board meetings
CHEN Hong (陳紅)	54	Vice President	Assisting the president in daily production and operation
HUANG Weizhong (黃衛中)	51	Vice President	Assisting the president in daily production and operation

Biographies of the Directors, Supervisors and Senior Management mentioned above are set out from pages 24 to 29 in this report.

## SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions of the Company carried out by all the Directors and Supervisors. The Company has made specific enquiries to all the Directors and Supervisors, and all the Directors and Supervisors have confirmed that they have complied with the standards as set out in the Model Code throughout the period ended 30 June 2017.

## CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Fu Jianguo has resigned as an executive Director, a vice chairman of the Board, a member of the strategy and investment committee, nomination committee, and quality and safety committee of the Board of the Company due to personal job change, with effect from 26 June 2017.

Save as disclosed above, as at the Latest Practicable Date, there had not been other changes in the Director, Supervisor or Senior Management of the Company.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. ZHOU Zhiliang**, aged 52, has been the Company's chairman since January 2012, and is mainly responsible for overseeing the overall work of the Board and formulating the Company's strategies. Mr. Zhou has been the general manager of CRSC Corporation Group since January 2012. Mr. Zhou was a vice president of CRCC (listed on the Stock Exchange, stock code: 1186; listed on the Shanghai Stock Exchange, stock code: 601186) from October 2007 to January 2012, during which Mr. Zhou served as the chairman of China Railway Construction Investment Group Co., Ltd. (中國鐵建投資有限公司) from March 2011 to January 2012. From December 2004 to October 2007, Mr. Zhou was a deputy general manager of China Railway Construction Corporation (中國鐵道建築總公司). From November 2001 to December 2004, Mr. Zhou was the director of China Railway No.4 Survey & Design Group Co., Ltd. (鐵道部第四勘察設計院). From January 2000 to November 2001, Mr. Zhou served as the chairman of Labor Union of China Railway No.4 Survey & Design Group Co., Ltd. From November 1996 to January 2000, Mr. Zhou served as the director at No.2 Railway Survey and Design Department (第二勘測設計處) of China Railway No.4 Survey & Design Group Co., Ltd..

Mr. Zhou graduated from China University of Mining & Technology (中國礦業學院) in July 1985 with a bachelor's degree in engineering and majored in hydrogeology and engineering geology, and from Tsinghua University School of Economic and Management with an EMBA degree in January 2008. In December 2010, Mr. Zhou was conferred the title of Professor of Engineering by Technological Qualification Review Committee for Senior Engineers of CRCC (中國鐵建股份有限公司工程系列正高級專業技術職務任職資格評審委員會).

**Mr. YIN Gang**, aged 55, has been appointed as an executive Director and the president of the Company since May 2015, and is mainly responsible for overseeing the management of the Company's daily production and operation. From December 2010 to May 2015, Mr. Yin was a vice president of the Company, during which, Mr. Yin served as the chairman of CRSCD from January 2012 to November 2012 and as the Board secretary of our Company from April 2011 to May 2013. From August 2001 to May 2015, Mr. Yin was a deputy general manager of CRSC Corporation Group. From December 1996 to August 2001, Mr. Yin successively served as a deputy general manager and the general manager of Shenyang Railway Signal Factory (瀋陽鐵路信號工廠) (the predecessor of Shenyang Railway Communication Co., Ltd. (瀋陽鐵路信號有限責任公司)).

Mr. Yin graduated from Dalian Railway Institute (大連鐵道學院) in July 1983, with a bachelor's degree in engineering and majored in metal material and heat treatment. In December 1999, he was conferred the title of senior engineer by the Qualification Review Committee for Senior Engineering Technical Position of China Railway Signal & Communication Company (中國鐵路通信信號總公司工程系列高級技術職務任職資格評審委員會).

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## Independent Non-executive Directors

**Mr. WANG Jiajie**, aged 66, has been appointed as the Company's independent non-executive Director since May 2015, and is mainly responsible for providing advice with regard to corporate governance, connected transactions, the Company's business strategies, nomination of the Directors and Senior Management of the Company and auditing and risk management. Mr. Wang is currently an arbitrator of China International Economic and Trade Arbitration Commission and the arbitrator of Beijing Arbitration Commission. Before joining our Company, Mr. Wang served in several positions in China General Technology (Group) Holding Co., Ltd. (中國通用技術 (集團) 控股有限責任公司), including serving as its general counsel from December 2004 to December 2010 and as the general manager of its legal department from July 1999 to December 2004. Mr. Wang also served in several positions in China National Technical Imp. & Exp. Corp. (中國技術進出口總公司), including serving as the general manager of its legal department from November 1998 to July 1999; a vice general manager of its legal department from December 1991 to November 1998.

Mr. Wang graduated from the law school of Renmin University of China with a master's degree in laws in July 1987 and from the legal department of the second campus of Renmin University of China with a bachelor's degree in law in February 1983.

**Mr. SUN Patrick**, aged 58, has been appointed as the Company's independent non-executive Director since May 2015. Mr. Sun currently serves as an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Trinity Limited (利邦控股有限公司), Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司), China NT Pharma Group Company (中國泰凌醫藥集團有限公司) and Kunlun Energy Company Limited (昆侖能源有限公司). Mr. Sun is also an independent non-executive director of several companies listed on both the Shanghai Stock Exchange and Hong Kong Stock Exchange, including CRRC Corporation Limited (中國中車股份有限公司) and CRCC. Mr. Sun is a vice chairman of the Chamber of Hong Kong Listed Companies and formerly served as the honorary secretary general of the Chamber (2013-2015).

Mr. Sun served as an independent non-executive director and non-executive chairman of Solomon Systech (International) Limited, a non-executive director of Renhe Commercial Holdings (人和商業控股有限公司), an executive director of Value Convergence Holdings Limited (滙盈控股有限公司) and Sunwah Kingsway Capital Holdings Limited (滙富金融控股有限公司) as well as an independent non-executive director of CREC (those are Hong Kong-listed companies), as well as the independent non-executive director of The Link Management Limited (the manager of The Link Real Estate Investment Trust (領匯房地產投資信託基金) in Hong Kong), the senior country officer and head of investment banking for Hong Kong of JPMorgan Chase and group executive director and head of investment banking for Greater China of Jardine Fleming Holdings Limited (怡富控股有限公司). He was a member of the Takeovers & Mergers Panel and the Takeovers Appeal Committee, a deputy convenor of the Listing Committee of the Stock Exchange and a council member of the Stock Exchange.

Mr. Sun obtained a bachelor's degree in economics from the Wharton School of University of Pennsylvania in 1981 and completed the Stanford Executive Program at Stanford Graduate School of Business in 2000. Mr. Sun is a fellow of the Association of Chartered Certified Accountants, United Kingdom, and a fellow of the Hong Kong Institute of Certified Public Accountants.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. CHEN Jin'en**, aged 62, has been appointed as an independent non-executive Director since May 2015, and is mainly responsible for providing advice with regard to corporate governance, connected transactions, the Company's business strategies, nomination and remuneration of the Directors and Senior Management of the Company. Before joining our Company, from March 2010 to August 2013, Mr. Chen was a vice chairman of China Energy Conservation and Environmental Protection Group (中國節能環保集團公司). Mr. Chen also served as a non-executive director of Billion Industrial Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 2299) from September 2012 to March 2013. Mr. Chen also served several positions in China Energy Conservation Investment Co., Ltd. (中國節能投資公司), including serving as its deputy general manager from October 2004 to March 2010, its vice chairman from September 2001 to October 2004. From November 2000 to September 2001, Mr. Chen was a head of the working department of the supervisory committee of Central Work Committee for Enterprises (中央企業工委). From August 1998 to November 2000, Mr. Chen was a deputy director of General Administration Office of Special Inspector of Ministry of Personnel (人事部稽查特派員總署辦公室). From July 1988 to August 1998, Mr. Chen served as a deputy director, director and assistant supervisor of the Department of Title of Ministry of Personnel (人事部職稱司).

Mr. Chen graduated from City University of Macau with a master's degree in business administration in July 2000, and from Nanjing University of Aeronautics and Astronautics (南京航空航天大學), majoring in aircraft design in July 1978.

**Mr. GAO Shutang**, aged 67, has been appointed as an independent non-executive Director since May 2015, and is mainly responsible for providing advice with regard to corporate governance, connected transactions, the Company's business strategies, remuneration of Directors and Senior Management, auditing and risk management, and product quality and production safety management. Before joining in our Company, Mr. Gao served as a director of China Railway Engineering Corporation (中國鐵路工程總公司) from September 2006 to September 2007 and as the chairman of the supervisory committee of CREC (listed on the Hong Kong Stock exchange, stock code: 390; listed on the Shanghai Stock Exchange, stock code: 601390) from September 2007 to June 2009, during which periods, from September 2007 to December 2009, he served as the director of China Railway Group Limited Hongda Center (中鐵宏達中心). From May 2001 to September 2006, Mr. Gao was the deputy Party secretary and the secretary to the disciplinary committee of China Railway Engineering Corporation. Mr. Gao served as the chairman of China Railway Group Limited the Fifth Bureau Group (中鐵五局集團有限公司) from August 2002 to December 2003. He also served as the chairman of China Railway Electrification Engineering Group Co. (中鐵電氣化局集團有限公司) from December 2003 to January 2008. From July 2009 to July 2013, Mr. Gao was the chairman of the third session of the supervision committee of Beijing Public Company Association (北京上市公司協會).

Mr. Gao graduated from the Correspondence School of Party School of CPC Central Committee (中央黨校函授學院) in the PRC in December 1996, majored in economics and management.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## Supervisors

**Ms. TIAN Liyan**, aged 43, has been appointed as the chairwoman of the Supervisory Committee of our Company since May 2015, and is mainly responsible for overall work of the Supervisory Committee, organizing and supervising the management and the Board and making relevant suggestions. Ms. Tian also serves as the head of the audit department of the Company. Ms. Tian has served several positions in CRSCD, including serving as its general counsel from August 2013 to July 2015, as one of its directors from February 2012 to July 2015 and as its chief accountant from February 2007 to July 2015. Ms. Tian has also been a director of Thales Transport Automation Control Systems (Beijing) Co., Ltd. (北京泰雷茲交通自動化控制系統有限公司) from October 2013 to July 2015. From June 2012 to October 2013, Ms. Tian was a supervisor of Thales Transport Automation Control Systems (Beijing) Co., Ltd. From November 2005 to February 2007, Ms. Tian was a deputy chief accountant and head of the asset and finance department of the CRSCD; from October 2005 to November 2005, Ms. Tian was an accountant and deputy head of the asset and finance department of CRSCD; from July 1999 to October 2005, Ms. Tian was also a manager of the audit department of Deloitte Touche Tohmatsu CPA Ltd. (Beijing Branch).

Ms. Tian graduated from the accounting department of Dongbei University of Finance (東北財經大學) with a master's degree in economics in April 1997, and graduated from the accounting department of Shanxi Finance and Economics College with a bachelor's degree in economics in July 1994. Ms. Tian obtained CPA certificate in January 2000 and was qualified as a senior accountant by the Senior Accountant Specialised Technique Qualification Evaluation Committee of Government Offices Administration of the State Council in May 2012.

**Mr. GAO Fan**, aged 41, has been appointed as a Supervisor of the Company since May 2015, and is mainly responsible for supervising operations and financial activities. Since March 2016, Mr. Gao has been the general manager of public equity department of China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司). He was a deputy general manager of the investment development department of China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) from July 2014 to March 2016 and was a deputy general manager of comprehensive business department of China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) from January 2012 to October 2014. Mr. Gao also served as the general manager of business development department of Zhuhai Zhen Rong Company (珠海振戎公司) from February 2004 to December 2011 and a project manager of Zhen Rong International Petroleum Company Limited (振戎國際石油有限公司) from December 2001 to November 2006. From April 1999 to November 2001, Mr. Gao was also a project manager of corporate business department in the headquarters of the Bank of China Limited.

Mr. Gao graduated from the international finance department of Harbin Institute of Technology (哈爾濱工業大學) in August 1998, with a bachelor's degree in economics.

**Ms. ZHAO Xiumei**, aged 43, has been appointed as an employee representative Supervisor since May 2015, and is mainly responsible for supervising operations and financial activities. Ms. Zhao has served as a supervisor of the legal department of our Company since December 2010. Ms. Zhao also served as a supervisor of the legal department of CRSC Corporation Group from December 2005 to December 2010, and a translator and an administrative supervisor of the general office of CRSC Corporation Group from May 2002 to December 2005. Ms. Zhao worked at CRSC Corporation Group Three Series System Control Communication Technology Co., Ltd. (中國通號集團三系程控通信技術公司) from August 1996 to June 2002, during which, Ms. Zhao served as a translator of the Committee of Railway Cooperation Organization (Warsaw, Poland) from May 1998 to April 2002.

Ms. Zhao graduated from Northern Jiaotong University (北方交通大學) with a bachelor's degree in arts and majored in Russian (Technology) in July 1996, and graduated from Renmin University of China (中國人民大學) with a master's degree in law and majored in economic law in January 2008. Ms. Zhao has obtained PRC enterprise legal adviser qualification certificate in October 2006 and PRC legal profession qualification certificate in March 2017.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## Senior Management

**Mr. YIN Gang**, aged 55, is the president of the Company. For biography of Mr. Yin, please see the section headed “—Directors”.

**Mr. KONG Ning**, aged 52, has been the Company’s vice president since July 2016, and is mainly assisting the president in daily production and operation. He served as the Company’s chief accountant from December 2010 to July 2016, and is mainly in charge of our financial work. Mr. Kong was the chief accountant of CRSC Corporation Group from November 2004 to May 2015, and served as head of finance department in the finance department of China Huanqiu Contracting & Engineering Corporation (中國寰球工程公司) and the chief accountant of HQCEC (HB) (華北規劃設計院) from August 2001 to November 2004; as the deputy chief of financial department of Medicament Joint Venture Company (安徽省醫藥聯合經營公司) in Anhui province (renamed as Anhui Hua Shi Medicament Co., Ltd. (安徽華氏醫藥有限公司)) from April 1996 to August 2001.

Mr. Kong graduated from Anhui Ma’anshan Business Technical College (安徽省馬鞍山商業專科學校) in July 1986, with a college diploma in business financial accounting; in June 2009, he graduated from Dongbei University of Finance and Economics (東北財經大學), with an EMBA degree. In November 2003, Mr. Kong was conferred the title of Senior Accountant by the Qualification Review Committee for Senior Accountant Professional Technology Positions of China National Nonmetallic Mineral Industry (Group) Corporation (中國非金屬礦工業(集團)總公司).

**Mr. HU Shaofeng**, aged 50, has been the Company’s chief accountant since July 2016, and is mainly in charge of the Company’s financial work. He has been the Company’s Board Secretary since May 2013. Mr. Hu has been the director of CRSC Innovation Investment Company Ltd. (通號創新投資有限公司) since August 2012. He served as the Company’s deputy chief accountant from July 2012 to July 2016. Mr. Hu served as deputy general manager, chief accountant and general counsel of China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司) from December 2011 to July 2012. Mr. Hu served as the chief accountant of China Railway Track Systems Group Co., Ltd. (中鐵軌道系統集團有限公司) from May 2007 to December 2011. Mr. Hu served as deputy chief accountant of the China Railway No.4 Survey & Design Group Co., Ltd. (鐵道部第四勘察設計院) from February 2004 to October 2006, as the director of financial department of the China Railway No. 4 Survey & Design Group Co., Ltd. from February 2004 to April 2005, as the assistant to director and deputy director of financial department of the China Railway No. 4 Survey & Design Group Co., Ltd. from February 2002 to February 2004.

Mr. Hu graduated from Zhongnan University of Economics (中南財經大學) in July 1990, with a bachelor’s degree in economics and majoring in industrial economics; in June 2007, Mr. Hu graduated from Wuhan University (武漢大學) with a Master’s degree in software engineering (financial informatization major). In December 2005, Mr. Hu was conferred the title of Senior Engineer by Qualification Review Committee for Senior Accounting Professional Technical Positions of China Railway Construction Corporation.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. CHEN Hong**, aged 54, has been the Company's vice president since April 2013, and is mainly responsible for assisting the president in daily production and operation. Mr. Chen was an employee representative Director from December 2010 to May 2015, chairman of our labor union from April 2011 to April 2013, and assistant to president of our Company from February 2012 to April 2013. Mr. Chen was chairman of CRSCS from September 2013 to October 2014, chairman of CRSC Innovation Investment Company Ltd. (通號創新投資有限公司) from August 2012 to February 2014. Mr. Chen was the chairman of labor union of CRSC Corporation Group from March 2007 to April 2013. Mr. Chen also served as office director of CRSC Corporation Group from November 2004 to March 2007. Mr. Chen successively served as deputy general manager of CRSCS from June 2000 to November 2004, and office manager, project manager and assistant to general manager of this company from June 1992 to June 2000.

Mr. Chen graduated from Luoyang Railway Electrical Engineering School (洛陽鐵路電務工程學校) as a secondary student majoring in railway communications in July 1981, and graduated from the Correspondence School of Party School of the CPC Central Committee (中央黨校函授學院) with a bachelor's degree in administrative management in December 2001. In December 2009, Mr. Chen was conferred the title of Senior Engineer by Technological Qualification Review Committee for Senior Engineers of CRSC Corporation Group.

**Mr. HUANG Weizhong**, aged 51, has been the Company's vice president since April 2013, mainly responsible for assisting the president in daily production and operation. Mr. Huang served as the chairman of CRSCD from November 2012 to September 2014, as the director and general manager of CRSCD from November 2010 to November 2012, as the vice president of CRSCD from January 2004 to November 2010, as the director of CRSCD from December 1996 to January 2004.

Mr. Huang graduated from Southwest Jiaotong University (西南交通大學) in July 1987, with a bachelor's degree in engineering and majoring in automatic control; and graduated from Fordham University in the United States in May 2003, with an MBA degree. In December 2005, Mr. Huang was conferred the title of Senior Engineer by the Qualification Review Committee for Senior Engineers of the MOR.

## EMPLOYEES

### Staff Composition

As at 30 June 2017, the Group had a total of 17,342 full-time employees. The number of employees of the respective entities is set out as below:

Distribution	Number of Employees
The Company	146
Subsidiaries of the Company	17,196
Total	<u>17,342</u>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## Staff Incentive

The Group has established a comprehensive performance evaluation system, linking the annual operation targets with the performance evaluation of all departments and employees. With an all-round performance evaluation system covering the Company, department, branch, subsidiary and personal levels, the Group breaks down the key indicators layer by layer to ensure they are all covered, and performs management level by level to assure indicators are being accomplished and implemented. With multiple measures and multi-dimensional approaches, the operational status of the Company and personal incentive are intertwined and bound together, thereby fully stimulating organizational and personal creativity. Upholding the business philosophy of being responsible to Shareholders and the society, the Group is dedicated to realizing the long-term development of the enterprise.

## Staff Training

The Group places high importance on establishing a corporate culture and focuses on improving the overall employee quality by proactively implementing a comprehensive staff training initiative by levels and layers. During the Reporting Period, in accordance with the Company's strategy and key task arrangement for the first half of 2017 and supported by the training system infrastructure of the Company, the Group focused on co-ordinating and planning company-level training programs, covering aspects including system, course, teaching staff and management, vigorously developed the training for departments and subsidiaries.

## Employee Evaluation and Remuneration

In conjunction of the human resources strategy, the Group, based on different position categories, has established a performance and capability oriented employee remuneration system as well as formulated a competitive remuneration standard with reference to the remuneration standard in the Beijing area and related enterprises in the same industry. As such, the Group has effectively safeguarded the capability of the Company's human resources strategy to recruit, retain and incentivize talents.

## Pension Scheme

The retired employees of the Company are entitled to the endowment insurance scheme approved by the Ministry of Labour and Social Security of the local government. The Company has established an enterprise annuity system which serves as a supplementary pension system providing a certain level of income security for retired employees who fulfil certain requirements and participate on a voluntary basis. The Company and participating employees make contributions according to certain ratios while the trustee commissions a third-party legal entity to act as account manager, custodian and investment manager to perform fund management and investment operation. According to the provisions of this pension system, the pension payment will be made when the employee retires.



# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

Tel: +852 2846 9888  
Fax: +852 2868 4432  
ey.com

## To the shareholders of China Railway Signal & Communication Corporation Limited

(A joint stock limited liability company established in the People's Republic of China)

### INTRODUCTION

We have reviewed the accompanying interim condensed consolidated statement of financial position of China Railway Signal & Communication Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

25 August 2017

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
REVENUE	4	16,513,114	14,346,689
Cost of sales		(12,354,347)	(10,585,834)
Gross profit		4,158,767	3,760,855
Other income and gains	4	144,176	148,906
Selling and distribution expenses		(306,336)	(341,296)
Administrative expenses		(1,439,125)	(1,482,504)
Other expenses		(155,475)	(116,839)
Finance costs	5	(15,752)	(13,369)
Share of profits and losses of:			
Joint ventures		6,390	14,489
Associates		8,923	10,296
PROFIT BEFORE TAX	6	2,401,568	1,980,538
Income tax expense	7	(438,834)	(314,103)
PROFIT FOR THE PERIOD		1,962,734	1,666,435
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:			
Re-measurement gains/(losses) on defined benefit plans, net of tax		(68,281)	970
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:			
Effective portion of changes in fair value of hedging instrument arising during the period, net of tax		(2,024)	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(70,305)	970
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		1,892,429	1,667,405



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Notes			
	Profit attributable to:		
	Owners of the parent	1,878,059	1,600,099
	Non-controlling interests	84,675	66,336
		<u>1,962,734</u>	<u>1,666,435</u>
	Total comprehensive income attributable to:		
	Owners of the parent	1,807,754	1,601,069
	Non-controlling interests	84,675	66,336
		<u>1,892,429</u>	<u>1,667,405</u>
	Earnings per share attributable to ordinary equity holders of the parent:		
	Basic and diluted (expressed in RMB per share)	8 0.21	0.18

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	3,988,158	3,755,006
Prepaid land lease payments		2,160,818	2,292,068
Investment properties		238,434	—
Goodwill		267,894	267,894
Other intangible assets		415,580	470,370
Investments in joint ventures		334,028	394,614
Investments in associates		627,777	237,705
Available-for-sale investments		153,820	153,820
Deferred tax assets		272,999	215,002
Trade receivables	11	279,622	600,771
Financial receivables		700,429	255,116
Prepayments, deposits and other receivables	12	202,826	60,000
<b>Total non-current assets</b>		<b>9,642,385</b>	<b>8,702,366</b>
<b>CURRENT ASSETS</b>			
Prepaid land lease payments		59,883	60,797
Inventories		3,442,857	3,242,961
Trade and bills receivables	11	12,801,389	11,023,531
Prepayments, deposits and other receivables	12	2,701,761	2,147,598
Amounts due from contract customers	10	14,714,847	9,414,068
Tax recoverable		4,721	11,539
Pledged deposits	13	184,131	171,610
Cash and cash equivalents	13	13,437,779	15,520,537
<b>Total current assets</b>		<b>47,347,368</b>	<b>41,592,641</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	20,182,520	15,645,157
Amounts due to contract customers	10	3,658,049	3,812,861
Other payables, advances from customers and accruals	15	7,398,897	5,647,534
Interest-bearing bank and other borrowings	16	573,685	931,269
Provisions for supplementary retirement benefits		70,705	70,701
Tax payable		294,542	223,180
Government grants		8,653	8,959
Provisions		81,066	58,958
<b>Total current liabilities</b>		<b>32,268,117</b>	<b>26,398,619</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NET CURRENT ASSETS		<u>15,079,251</u>	<u>15,194,022</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,721,636</u>	<u>23,896,388</u>
NON-CURRENT LIABILITIES			
Trade payables	14	19,662	19,380
Interest-bearing bank and other borrowings	16	20,291	220,436
Provisions for supplementary retirement benefits		699,252	656,489
Deferred tax liabilities		50,795	59,405
Government grants		175,195	125,123
Provisions		<u>109,763</u>	<u>125,084</u>
Total non-current liabilities		<u>1,074,958</u>	<u>1,205,917</u>
Net assets		<u>23,646,678</u>	<u>22,690,471</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		8,789,819	8,789,819
Reserves		<u>13,795,590</u>	<u>12,866,818</u>
		<u>22,585,409</u>	<u>21,656,637</u>
Non-controlling interests		<u>1,061,269</u>	<u>1,033,834</u>
Total equity		<u>23,646,678</u>	<u>22,690,471</u>

**Zhou Zhiliang**  
Director

**Yin Gang**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent							Total equity RMB'000 (Unaudited)
	Share capital RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Special reserve RMB'000 (Unaudited)	Statutory surplus reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	
As at 1 January 2017	8,789,819	7,250,635	159,953	707,325	4,748,905	21,656,637	1,033,834	22,690,471
Profit for the period	—	—	—	—	1,878,059	1,878,059	84,675	1,962,734
Other comprehensive income for the period:								
Effective portion of changes in fair value of hedging instrument arising during the period, net of tax	—	(2,024)	—	—	—	(2,024)	—	(2,024)
Re-measurement losses on defined benefit plans, net of tax	—	(68,281)	—	—	—	(68,281)	—	(68,281)
Total comprehensive income/(loss) for the period	—	(70,305)	—	—	1,878,059	1,807,754	84,675	1,892,429
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	100,800	100,800
Disposal of non-controlling interests	—	—	—	—	—	—	(1,212)	(1,212)
Dividends declared(note (i))	—	—	—	—	(878,982)	(878,982)	—	(878,982)
Dividends declared to non-controlling interests	—	—	—	—	—	—	(156,828)	(156,828)
Transfer to special reserve (note (ii))	—	—	162,128	—	(162,128)	—	—	—
Utilisation of special reserve (note (ii))	—	—	(107,568)	—	107,568	—	—	—
As at 30 June 2017	<u>8,789,819</u>	<u>7,180,330*</u>	<u>214,513*</u>	<u>707,325*</u>	<u>5,693,422*</u>	<u>22,585,409</u>	<u>1,061,269</u>	<u>23,646,678</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Capital reserve	Special reserve	Statutory surplus reserve	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
As at 1 January 2016	8,789,819	7,266,883	142,831	651,833	1,991,923	18,843,289	891,893	19,735,182	
Profit for the period	—	—	—	—	1,600,099	1,600,099	66,336	1,666,435	
Other comprehensive income for the period:									
Re-measurement gains on defined benefit plans, net of tax	—	970	—	—	—	970	—	970	
Total comprehensive income for the period	—	970	—	—	1,600,099	1,601,069	66,336	1,667,405	
Dividends declared	—	—	—	—	(219,745)	(219,745)	—	(219,745)	
Dividends declared to non-controlling interests	—	—	—	—	—	—	(11,111)	(11,111)	
Transfer to special reserve (note (ii))	—	—	103,661	—	(103,661)	—	—	—	
Utilisation of special reserve (note (ii))	—	—	(70,969)	—	70,969	—	—	—	
As at 30 June 2016	<u>8,789,819</u>	<u>7,267,853</u>	<u>175,523</u>	<u>651,833</u>	<u>3,339,585</u>	<u>20,224,613</u>	<u>947,118</u>	<u>21,171,731</u>	

\* As at 30 June 2017, these reserve accounts comprise the consolidated reserves of RMB13,795,590,000 (Unaudited) in the interim condensed consolidated statement of financial position.

## Notes:

- (i) On 19 May 2017, the Company's shareholders approved the final dividend of RMB0.10 per share in cash (tax inclusive) for the year ended 31 December 2016 at the annual general meeting. Up to 30 June 2017, the Company has not paid the final dividend for the year ended 31 December 2016.
- (ii) In the preparation of the interim condensed consolidated financial statements, the Company and its subsidiaries have appropriated certain amounts of retained profits to a special reserve fund for each of the six months ended 30 June 2017 and 2016 respectively, for safety production expense purposes as required by the directives issued by the relevant PRC government authorities. The Group charged the safety production expenses to profit or loss when such expenses were incurred, and at the same time the corresponding amounts of special reserve fund were utilised and transferred back to retained profits.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Notes			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	Profit before tax	<b>2,401,568</b>	1,980,538
	Adjustments for:		
	Finance costs	5 <b>15,752</b>	13,369
	Foreign exchange differences, net	<b>30,969</b>	(16,272)
	Interest income	4 <b>(84,265)</b>	(86,629)
	Share of profits and losses of associates and joint ventures	<b>(15,313)</b>	(24,785)
	Losses on forward commodity purchase contracts	6 <b>71</b>	—
	Gain on disposal of a subsidiary and a joint venture	6 <b>(7,536)</b>	—
	Depreciation of items of property, plant and equipment	6 <b>177,761</b>	165,825
	Depreciation of investment properties	6 <b>2,074</b>	89
	Amortisation of other intangible assets	6 <b>67,227</b>	75,377
	Amortisation of prepaid land lease payments	6 <b>26,303</b>	29,930
	Impairment/(reversal of impairment) of trade receivables	6 <b>83,351</b>	(43,787)
	Impairment of deposits and other receivables	6 <b>22,874</b>	115,464
	Reversal of write-down of inventories to net realisable value	6 <b>(449)</b>	(36)
	Provision/(reversal of provision) for foreseeable losses on contracts	6 <b>(1,912)</b>	404
	Losses/(gains) on disposal of items of property, plant and equipment, net	6 <b>(762)</b>	156
	Government grants	<b>(18,454)</b>	(3,732)
		<b>2,699,259</b>	2,205,911
	Decrease/(increase) in inventories	<b>(192,777)</b>	73,728
	Changes in amounts with contract customers	<b>(5,453,679)</b>	(2,391,979)
	Increase in trade and bills receivables	<b>(1,731,782)</b>	(1,627,872)
	Increase in financial receivables	<b>(445,313)</b>	—
	Increase in prepayments, deposits and other receivables	<b>(703,658)</b>	(347,665)
	Decrease/(increase) in pledged deposits	<b>(12,521)</b>	51,090
	Increase in trade and bills payables	<b>4,537,645</b>	2,644,499
	Increase in other payables, advances from customers and accruals	<b>745,914</b>	775,091
	Decrease in provisions for supplementary retirement benefits	<b>(25,514)</b>	(28,759)
	Increase in provisions	<b>6,787</b>	16,147
	Increase/(decrease) in government grants	<b>68,220</b>	(368)
	Cash generated from operations	<b>(507,419)</b>	1,369,823
	Interest received	<b>24,894</b>	19,146
	Income tax paid	<b>(427,261)</b>	(340,608)
	Net cash flows from/(used in) operating activities	<b>(909,786)</b>	1,048,361

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Notes			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	Payments for acquisition of items of property, plant and equipment	(512,141)	(281,419)
	Payments for prepaid land lease payments	—	(121,165)
	Payments for acquisition of other intangible assets	(12,437)	(15,308)
	Addition of investments in a joint venture and associates	(399,449)	(108,000)
	Proceeds from disposals of items of property, plant and equipment	2,709	1,406
	Dividends received from associates and a joint venture	24,000	13,645
	Proceeds from disposal of a subsidiary and a joint venture	50,513	—
	Decrease/(increase) in non-pledged time deposits with original maturity of more than three months	(295,644)	1,245,151
	Interest received	59,371	67,483
	Net cash flows from/(used in) investing activities	(1,083,078)	801,793
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	New bank loans and other borrowings	68,789	645,713
	Repayment of bank loans and other borrowings	(434,795)	(428,445)
	Interest paid	(15,763)	(13,381)
	Dividends paid to shareholders	—	(943,145)
	Dividends paid to non-controlling shareholders	(73,600)	(63,753)
	Payments of share issue expenses	—	(188,343)
	Capital contribution from non-controlling shareholders	100,800	—
	Net cash flows used in financing activities	(354,569)	(991,354)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(2,347,433)</b>	858,800
	Cash and cash equivalents at beginning of the period	14,190,033	11,419,938
	Effect of exchange rate changes on cash and cash equivalents	(30,969)	12,232
	<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>11,811,631</b>	<b>12,290,970</b>
13			



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 1. CORPORATE INFORMATION

China Railway Signal & Communication Corporation Limited (the “Company”) was established as a joint stock company with limited liability on 29 December 2010 in the People’s Republic of China (the “PRC”). The shares of the Company have been issued and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) from 7 August 2015. The registered office of the Company is located at B 49 Xisihuan South Road, Fengtai District, Beijing, the PRC.

The Company and its subsidiaries (collectively referred to as the “Group”) are primarily engaged in rail transportation control system projects in the PRC.

In the opinion of the directors of the Company, the Company’s holding company is China Railway Signal & Communication Corporation (“CRSC Corporation Group”), which is wholly owned by the State Council of the PRC.

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (“IASB”) and in compliance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures 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 2016.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for forward commodity purchase contracts which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousands, except when otherwise indicated.

### 2.2 Impact of new and revised International Financial Reporting Standards (“IFRSs”)

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

### 2.2 Impact of new and revised International Financial Reporting Standards (“IFRSs”) (Continued)

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

#### *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

#### *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group’s financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

#### *Amendments to IFRS 12 included in Annual Improvements Cycle 2014-2016 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendment is not expected to have any significant impact on the Group’s interim condensed consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

### 2.3 Issued but not yet effective international financial reporting standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions<sup>1</sup></i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts<sup>1</sup></i>
IFRS 9	<i>Financial Instruments<sup>1</sup></i>
Amendments to IAS 40	<i>Transfers of Investment Property<sup>1</sup></i>
IFRIC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration<sup>1</sup></i>
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatments<sup>2</sup></i>
IFRS 15	<i>Revenue from Contracts with Customers<sup>1</sup></i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers<sup>1</sup></i>
IFRS 16	<i>Leases<sup>2</sup></i>
IFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
Annual Improvements 2014-2016 Cycle	<i>Amendments to IFRS 1 and Amendments to IAS 28<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to their nature. Each of the Group's operating segments represents a strategic business unit that provides services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

- (a) Rail transportation control system segment engages in design and integration, equipment manufacturing and system implementation with a focus on product design and research and development and through its "three-in-one" business model (that combines design and integration, equipment manufacturing and system implementation) relating to rail transportation control system industry;
- (b) Construction contracting segment engages in the provision of services relating to municipal and other construction projects; and
- (c) "Others" segment mainly engages in commodity trading and etc.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment.

Segment assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 3. OPERATING SEGMENT INFORMATION (Continued)

### Six months ended 30 June 2017 (Unaudited)

	Rail transportation control system RMB'000	Construction contracting RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
<b>Segment revenue</b>					
Sales to external customers	12,390,782	4,069,140	53,192	—	16,513,114
Intersegment sales	110,792	152,428	47,509	(310,729)	—
	12,501,574	4,221,568	100,701	(310,729)	16,513,114
<b>Segment profit</b>	1,821,941	175,549	2,320	(37,076)	1,962,734
<b>Other segment information</b>					
Share of profits and losses of associates and joint ventures	13,167	2,146	—	—	15,313
Depreciation and amortisation	265,240	8,080	45	—	273,365
Impairment/(reversal of impairment) of trade receivables	84,670	(1,192)	(127)	—	83,351
Impairment of deposits and other receivables	147	22,727	—	—	22,874
Product warranty provision:					
Additional provision	34,707	—	—	—	34,707
Reversal of provision	(370)	—	—	—	(370)
Capital expenditure	542,897	23,708	8	—	566,614
<b>As at 30 June 2017</b>					
<b>Segment assets</b>	41,354,912	16,747,248	249,295	(1,361,702)	56,989,753
<b>Segment liabilities</b>	22,093,353	11,422,102	161,517	(333,897)	33,343,075
<b>Other segment information</b>					
Available-for-sale investments	153,820	—	—	—	153,820
Investments in associates and joint ventures	827,089	134,716	—	—	961,805

\* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 3. OPERATING SEGMENT INFORMATION (Continued)

### Six months ended 30 June 2016 (Unaudited)

	Rail transportation control system RMB'000	Construction contracting RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
<b>Segment revenue</b>					
Sales to external customers	12,276,314	1,959,627	110,748	—	14,346,689
Intersegment sales	1,558	176,063	39,123	(216,744)	—
	12,277,872	2,135,690	149,871	(216,744)	14,346,689
<b>Segment profit</b>	1,625,248	60,931	2,805	(22,549)	1,666,435
<b>Other segment information</b>					
Share of profits and losses of associates and joint ventures	27,646	(2,861)	—	—	24,785
Depreciation and amortisation	269,643	1,486	92	—	271,221
Impairment/(reversal of impairment) of trade receivables	(47,213)	2,887	539	—	(43,787)
Impairment of deposits and other receivables	50,301	65,163	—	—	115,464
Product warranty provision:					
Additional provision	42,891	—	—	—	42,891
Reversal of provision	(1,944)	—	—	—	(1,944)
Capital expenditure	307,596	7,148	329	—	315,073
<b>As at 31 December 2016 (Audited)</b>					
<b>Segment assets</b>	38,526,561	12,631,881	492,942	(1,356,377)	50,295,007
<b>Segment liabilities</b>	20,240,857	7,716,872	316,275	(669,468)	27,604,536
<b>Other segment information</b>					
Available-for-sale investments	153,820	—	—	—	153,820
Investments in associates and joint ventures	587,652	44,667	—	—	632,319

\* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents: (1) the net invoiced value of goods sold, after allowances for returns and trade discounts and excludes sales taxes and intra-group transactions; (2) the values of services rendered, and (3) revenue from construction contracting.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Revenue</b>		
Rail transportation control system		
– Design and integration	5,054,852	3,959,979
– Equipment manufacturing	3,041,416	4,344,733
– System implementation	4,294,514	3,971,602
	<b>12,390,782</b>	12,276,314
Construction contracting	4,069,140	1,959,627
Others	53,192	110,748
	<b>16,513,114</b>	14,346,689
<b>Other income and gains</b>		
Interest income	84,265	86,629
Government grants	36,719	26,930
Gains on disposal of items of property, plant and equipment, net	762	—
Others	22,430	35,347
	<b>144,176</b>	148,906

## 5. FINANCE COSTS

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest on bank loans and other borrowings	13,765	11,773
Interest on discounted bills receivable	1,987	1,596
	<b>15,752</b>	13,369



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cost of sales		12,354,347	10,585,834
Depreciation of items of property, plant and equipment		177,761	165,825
Depreciation of investment properties		2,074	89
Amortisation of prepaid land lease payments		26,303	29,930
Amortisation of other intangible assets		67,227	75,377
Total depreciation and amortisation		<u>273,365</u>	<u>271,221</u>
Impairment/(reversal of impairment) of trade receivables		83,351	(43,787)
Impairment of deposits and other receivables		22,874	115,464
Reversal of write-down of inventories to net realisable value		(449)	(36)
Provision/(reversal of provision) for foreseeable losses on contracts		(1,912)	404
Lease expenses under operating leases of land and buildings		60,492	47,254
Auditors' remuneration		1,400	1,300
Employee benefit expenses (including Directors' and Supervisors' remuneration):			
Wages, salaries and allowances		1,130,924	1,051,361
Retirement benefit costs			
– Defined contribution retirement schemes		230,733	210,532
– Defined benefit retirement schemes and early retirement costs		9,904	10,579
Total retirement benefit costs		<u>240,637</u>	<u>221,111</u>
Welfare and other expenses		341,843	295,559
Research and development costs		499,908	440,515
Government grants	4	(36,719)	(26,930)
Product warranty provision:			
Additional provision		34,707	42,891
Reversal of provision		(370)	(1,944)
		<u>34,337</u>	<u>40,947</u>
Interest income	4	(84,265)	(86,629)
(Gains)/losses on disposal of items of property, plant and equipment, net	9	(762)	156
Losses on forward commodity purchase contracts		71	—
Gains on disposal of a subsidiary and a joint venture		(7,536)	—
Foreign exchange differences, net		<u>31,938</u>	<u>(19,117)</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 7. INCOME TAX EXPENSE

Certain subsidiaries have been accredited as “high and new technology enterprises” and were entitled to a preferential income tax rate of 15% for the six months ended 30 June 2017 and 2016 in accordance with the PRC Corporate Income Tax Law. Other entities within the Group in Mainland China have been subject to corporate income tax at the statutory rate of 25%.

In addition, one of the subsidiaries of the Company is entitled to the preferential tax rate of 15% as it operates in the western region in the Mainland China and engages in the industries which are entitled to preferential tax treatment pursuant to the applicable tax laws and regulations.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the six months ended 30 June 2017 and 2016.

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax - Mainland China:		
Charge for the period	458,630	340,249
Underprovision for the prior periods	46,965	7,511
Deferred income tax	(66,761)	(33,657)
Tax charge for the period	<u>438,834</u>	<u>314,103</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 7. INCOME TAX EXPENSE (Continued)

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the six months ended 30 June 2017 and 2016 is as follows:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Profit before tax	<u>2,401,568</u>	<u>1,980,538</u>
Income tax charge at the statutory income tax rate of 25%	600,392	495,135
Effect of the different income tax rates for some entities	(172,358)	(128,439)
Income not subject to tax	(11,931)	(16,384)
Expenses not deductible for tax purposes	8,590	13,336
Tax losses and deductible temporary differences not recognised	13,631	6,072
Utilisation of tax losses and deductible temporary differences not recognised in previous periods	(2,067)	(31,928)
Additional tax deduction for research and development costs	(25,903)	(24,864)
Tax effect of share of profits and losses of joint ventures and associates	(3,828)	(5,764)
Adjustments in respect of current tax of previous periods	46,965	7,511
Effect of change in tax rate on deferred income tax balance at the beginning of the period	(13,369)	—
Others	(1,288)	(572)
Tax charge for the period	<u>438,834</u>	<u>314,103</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the six months ended 30 June 2017 and 2016.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 and 2016.

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	<u>1,878,059</u>	<u>1,600,099</u>

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	<u>8,789,819,000</u>	<u>8,789,819,000</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB554,177,000 (Unaudited) (six months ended 30 June 2016: RMB193,946,000 (Unaudited)).

In addition, during the same period, property, plant and equipment with an aggregate net carrying value of approximately RMB1,947,000 (Unaudited) (six months ended 30 June 2016: RMB1,562,000 (Unaudited)) were disposed of which resulted in a net gain on disposal of approximately RMB762,000 (Unaudited) (six months ended 30 June 2016: a net loss of RMB156,000 (Unaudited)).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 10. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Amounts due from contract customers	<b>14,714,847</b>	9,414,068
Amounts due to contract customers	<b>(3,658,049)</b>	(3,812,861)
	<b><u>11,056,798</u></b>	<u>5,601,207</u>
	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Contract costs incurred plus recognised profits less recognised losses to date	<b>115,168,611</b>	102,434,296
Less: Progress billings	<b>(104,111,813)</b>	(96,833,089)
	<b><u>11,056,798</u></b>	<u>5,601,207</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period offered by the Group is six months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

	Note	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade receivables		12,835,158	10,788,285
Provision for impairment		(590,415)	(507,064)
Trade receivables, net		12,244,743	10,281,221
Bills receivable		836,268	1,343,081
		13,081,011	11,624,302
Portion classified as non-current assets	(i)	(279,622)	(600,771)
Current portion		12,801,389	11,023,531

(i) The non-current portion of trade receivables mainly represents the amounts of retentions held by customers and other long term receivables from certain construction projects.

As at 30 June 2017 and 31 December 2016, the amounts of retentions held by customers for contract works included in trade receivables are as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Amounts of retentions in trade receivables	955,314	1,090,111

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 11. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the Group's trade and bills receivables, based on the billing date and net of provision for impairment of trade receivables, as at 30 June 2017 and 31 December 2016 is as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Within 1 year	10,152,362	9,197,201
1 to 2 years	2,163,559	1,712,902
2 to 3 years	505,891	531,239
Over 3 years	259,199	182,960
	<b>13,081,011</b>	<b>11,624,302</b>

The movements in provision for impairment of trade receivables are as follows:

	<b>Six months ended 30 June 2017 RMB'000 (Unaudited)</b>	Year ended 31 December 2016 RMB'000 (Audited)
At beginning of the period/year	507,064	545,395
Impairment losses recognised	92,337	120,382
Acquisitions of subsidiaries	—	1,674
Amounts written off as uncollectible	—	(823)
Impairment losses reversed	(8,986)	(159,564)
At end of the period/year	<b>590,415</b>	<b>507,064</b>

Included in the above provision for impairment of trade receivables were provisions for individually impaired trade receivables of RMB33,717,000 (Unaudited) (31 December 2016: RMB30,409,000) with an aggregate carrying amount before provision of RMB98,597,000 (Unaudited) as at 30 June 2017 (31 December 2016: RMB115,524,000).

The individually impaired trade receivables relate to customers that were in default in principal payments or were in financial difficulties and only a portion of the receivables is expected to be recovered.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 11. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Neither past due nor impaired	<b>1,230,680</b>	1,015,794
Past due but not impaired:		
Less than 6 months past due	<b>30,406</b>	48,263
Over 6 months past due	<b>65,554</b>	55,852
	<b><u>1,326,640</u></b>	<u>1,119,909</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The amounts due from CRSC Corporation Group, a non-controlling shareholder's affiliates, associates, a fellow subsidiary and an associate of a fellow subsidiary included in the trade receivables are as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
CRSC Corporation Group	<b>81,814</b>	73,140
A non-controlling shareholder's affiliates	<b>15,162</b>	—
Associates	<b>5,661</b>	—
A fellow subsidiary	<b>251</b>	251
An associate of a fellow subsidiary	<b>43</b>	10,782
Total	<b><u>102,931</u></b>	<u>84,173</u>

The above amounts are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to other major customers of the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Deposits and other receivables		2,011,251	1,607,124
Provision for impairment of deposits and other receivables		(161,952)	(139,078)
		<b>1,849,299</b>	1,468,046
Prepayments to suppliers		729,304	580,562
Deductible input VAT		285,943	142,493
Dividend receivables		19,361	—
Other prepayments		20,680	16,497
		<b>2,904,587</b>	2,207,598
Portion classified as non-current assets	(i)	(202,826)	(60,000)
Current portion		<b>2,701,761</b>	<b>2,147,598</b>

Note:

- (i) The non-current portion of deposits and other receivables includes advance payments and performance guarantee amounts held by customers as at 30 June 2017 and 31 December 2016.

The movements in provision for impairment of deposits and other receivables are as follows:

	Six months ended 30 June 2017 RMB'000 (Unaudited)	Year ended 31 December 2016 RMB'000 (Audited)
At beginning of the period/year	139,078	36,122
Impairment losses recognised	23,118	107,511
Impairment losses reversed	(244)	(3,929)
Amount written off as uncollectible	—	(626)
At end of the period/year	<b>161,952</b>	<b>139,078</b>

Included in the above provision for impairment of other receivables were provisions for individually impaired other receivables of RMB61,121,000 (Unaudited) (31 December 2016: RMB43,771,000) with an aggregate carrying amount before provision of RMB66,725,000 (Unaudited) as at 30 June 2017 (31 December 2016: RMB44,070,000).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

An aged analysis of the deposits and other receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Neither past due nor impaired	<b>923,517</b>	809,406
Past due but not impaired:		
Less than 6 months past due	<b>163,938</b>	155,641
Over 6 months past due	<b>74,635</b>	61,255
	<b><u>1,162,090</u></b>	<u>1,026,302</u>

The financial assets except for the deposits and other receivables above are neither past due or impaired and related to balances for which there was no recent history of default.

The amounts due from CRSC Corporation Group, associates, a non-controlling shareholder's affiliates, fellow subsidiaries, an associate of a fellow subsidiary and a joint venture included in prepayments, deposits and other receivables are as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
CRSC Corporation Group	<b>39,607</b>	39,478
Associates	<b>18,367</b>	477
A non-controlling shareholder's affiliates	<b>12,122</b>	7,234
Fellow subsidiaries	<b>2,963</b>	3,022
An associate of a fellow subsidiary	<b>1,060</b>	266
A Joint venture	<b>28</b>	67
Total	<b><u>74,147</u></b>	<u>50,544</u>

The above balances are unsecured, non-interest-bearing and have no fixed terms of settlement.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Cash and bank balances	<b>7,132,603</b>	7,595,683
Time deposits	<b>6,489,307</b>	8,096,464
	<b>13,621,910</b>	15,692,147
Less: Pledged bank balances for performance guarantees and the issuance of bank's acceptance bills	<b>(184,131)</b>	(171,610)
Cash and cash equivalents in the condensed consolidated statement of financial position	<b>13,437,779</b>	15,520,537
Less: Non-pledged time deposits with original maturity of more than three months when acquired	<b>(1,626,148)</b>	(1,330,504)
Cash and cash equivalents in the condensed consolidated statement of cash flows	<b>11,811,631</b>	14,190,033
Cash and bank balances and time deposits denominated in		
– RMB	<b>12,538,946</b>	14,596,926
– Other currencies	<b>1,082,964</b>	1,095,221
	<b>13,621,910</b>	15,692,147

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods mainly depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 14. TRADE AND BILLS PAYABLES

	Note	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade payables		19,816,554	15,171,700
Bills payable		385,628	492,837
		<b>20,202,182</b>	15,664,537
Portion classified as non-current liabilities	(i)	<b>(19,662)</b>	(19,380)
Current portion		<b>20,182,520</b>	15,645,157

Note:

- (i) The non-current portion of trade payables mainly represents the amount of retentions payable to suppliers of the Group as at 30 June 2017 and 31 December 2016.

An aged analysis of the trade and bills payables as at 30 June 2017 and 31 December 2016, based on the invoice date, is as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 1 year	16,818,369	12,594,777
1 to 2 years	2,089,525	1,881,512
2 to 3 years	910,871	842,197
Over 3 years	383,417	346,051
	<b>20,202,182</b>	15,664,537

Trade payables are non-interest-bearing and are normally settled within six to eight months.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 14. TRADE AND BILLS PAYABLES (Continued)

The amounts due to fellow subsidiaries, a non-controlling shareholder's affiliates, associates of fellow subsidiaries, associates, an associate of CRSC Corporation Group, a joint venture and CRSC Corporation Group included in the trade payables are as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Fellow subsidiaries	194,939	145,169
A non-controlling shareholder's affiliates	65,132	58,723
Associates of fellow subsidiaries	44,349	84,382
Associates	20,510	42,674
An associate of CRSC Corporation Group	1,011	943
A Joint venture	149	102
CRSC Corporation Group	7	—
	<b>326,097</b>	<b>331,993</b>

The above balances are unsecured, non-interest-bearing and have no fixed terms of settlement.

## 15. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Advances from customers	3,130,801	2,565,601
Accrued salaries, wages and benefits	474,485	369,844
Other taxes payable	288,824	607,904
Dividends payable	978,887	17,249
Payables for acquisition of items of property, plant and equipment	863,919	821,883
Other payables	1,661,981	1,265,053
	<b>7,398,897</b>	<b>5,647,534</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 15. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS (Continued)

The amounts due to CRSC Corporation Group, a non-controlling shareholder's affiliates, fellow subsidiaries, an associate of a fellow subsidiary and an associate included in other payables, advances from customers and accruals are as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
CRSC Corporation Group	722,709	64,064
A non-controlling shareholder's affiliates	73,670	14,454
Fellow subsidiaries	3,736	3,972
An associate of a fellow subsidiary	—	170
An associate	—	6,414
	<b>800,115</b>	<b>89,074</b>

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

## 16. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Note	As at 30 June 2017 (Unaudited)			As at 31 December 2016 (Audited)		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:							
Bank loans – secured	(i)	5.83-7.9	2017	58,789	3.09-6.70	2017	201,723
Bank loans – unsecured		2.65-5.7	2017-2018	514,750	2.65-5.88	2017	729,400
Other loans – unsecured		3.30	2018	146	3.30	2017	146
				573,685			931,269
Non-current:							
Bank loans – unsecured		—	—	—	2.65	2018	200,000
Other loans – unsecured		3.30	2020	20,291	3.30	2020	20,436
				20,291			220,436
Total				593,976			1,151,705
Interest-bearing bank and other borrowings denominated in:							
– RMB				593,976			1,151,705

Note:

- (i) Certain bills receivable with carrying amounts of RMB58,789,000 at 30 June 2017 were pledged for interest-bearing bank loans.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 16. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

The maturity profile of the interest-bearing bank loans and other borrowings as at 30 June 2017 and 31 December 2016 are as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Bank loans repayable:		
Within one year	573,539	931,123
In the second year	—	200,000
	<u>573,539</u>	<u>1,131,123</u>
Other borrowings repayable:		
Within one year	146	146
In the second to fifth years	20,291	20,436
	<u>20,437</u>	<u>20,582</u>
	<u><u>593,976</u></u>	<u><u>1,151,705</u></u>

## 17. OPERATING LEASE ARRANGEMENTS

### As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 June 2017 and 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its terms falling due as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Within one year	15,821	—
In the second to fifth years, inclusive	77,796	—
	<u>93,617</u>	<u>—</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 17. OPERATING LEASE ARRANGEMENTS (Continued)

### As lessee

As at 30 June 2017 and 31 December 2016, the Group had the total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	<b>As at 31 December 2016 RMB'000 (Audited)</b>
Within one year	<b>31,709</b>	28,058
In the second to fifth years, inclusive	<b>39,080</b>	26,795
After five years	<b>22,338</b>	22,616
	<b>93,127</b>	77,469

## 18. COMMITMENTS

The Group had the following capital commitments as at 30 June 2017 and 31 December 2016:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	<b>As at 31 December 2016 RMB'000 (Audited)</b>
Contracted, but not provided for:		
Capital expenditure in respect of:		
Property, plant and equipment	<b>924,197</b>	1,219,828
Capital contributions to joint ventures and associates	<b>1,382,932</b>	963,603
	<b>2,307,129</b>	2,183,431

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 19. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties for the six months ended 30 June 2017 and 2016:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Sales of products:</b>		
Associates	26,545	24,776
A non-controlling shareholder's affiliates	16,719	—
CRSC Corporation Group	8,673	—
Associates of fellow subsidiaries	5,589	18,768
A joint venture	258	1,039
	<u>57,784</u>	<u>44,583</u>
<b>Purchases of products:</b>		
A non-controlling shareholder's affiliates	35,609	158,132
Fellow subsidiaries	34,757	31,230
Associates	15,314	52,721
Associates of fellow subsidiaries	12,156	20,319
An associate of CRSC Corporation Group	732	1,375
A joint venture	260	290
	<u>98,828</u>	<u>264,067</u>
<b>Services provided to:</b>		
An associate	<u>369,656</u>	<u>82</u>
<b>Services provided by:</b>		
A fellow subsidiary	<u>1,691</u>	<u>1,299</u>
<b>Rental expenses paid or payable to:</b>		
Fellow subsidiaries	<u>695</u>	<u>171</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 19. RELATED PARTY TRANSACTIONS (Continued)

- (a) The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively “State-owned Enterprises” (“SOEs”)). During the six months ended 30 June 2017 and 2016, the Group entered into extensive transactions with other SOEs, such as bank deposits, bank borrowings, the rendering and receiving of design and integration, equipment manufacturing and system implementation services, and purchase and sale of inventories and machinery. In the opinion of the Directors, the transactions with SOEs were activities conducted in the ordinary course of business, and the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for rendering services and such pricing policies do not depend on whether or not the customers are SOEs.

- (b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 11, 12, 14 and 15 to the unaudited interim condensed consolidated financial statements.

- (c) Compensation of key management personnel of the Group

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Short term employee benefits	<b>2,117</b>	1,864
Pension scheme contributions	<b>328</b>	301
	<b>2,445</b>	2,165

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (d) Commitments with related parties

As at 30 June 2017 and 31 December 2016, the Group entered into several construction contracts, sale and purchase agreements with related parties. The material commitments are as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	<b>As at 31 December 2016 RMB'000 (Audited)</b>
<b>Services provided to:</b>		
Associates	<u>450,853</u>	<u>515,057</u>
<b>Sales of products:</b>		
A non-controlling shareholder's affiliates	<u>30,755</u>	—
Associates	<u>26,958</u>	<u>38,020</u>
	<u>57,713</u>	<u>38,020</u>
<b>Purchases of products:</b>		
A non-controlling shareholder's affiliates	<u>81,244</u>	140,035
Associates of a fellow subsidiary	<u>9,187</u>	22,819
Fellow subsidiaries	<u>7,663</u>	5,098
Associates	<u>7,057</u>	<u>3,396</u>
	<u>105,151</u>	<u>171,348</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2017 and 31 December 2016 are as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
<b>Financial assets</b>		
Available-for-sale financial investments:		
Available-for-sale investments	<b>153,820</b>	153,820
Loans and receivables:		
Trade and bills receivables	<b>13,081,011</b>	11,624,302
Financial receivables	<b>700,429</b>	255,116
Financial assets included in prepayments, deposits and other receivables	<b>1,889,340</b>	1,468,046
Pledged deposits	<b>184,131</b>	171,610
Cash and cash equivalents	<b>13,437,779</b>	15,520,537
	<b>29,446,510</b>	29,193,431
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:		
Interest-bearing bank and other borrowings	<b>593,976</b>	1,151,705
Trade and bills payables	<b>20,202,182</b>	15,664,537
Financial liabilities included in other payables, advances from customers and accruals	<b>3,504,787</b>	2,104,185
	<b>24,300,945</b>	18,920,427

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values as at 30 June 2017 and 31 December 2016, are as follows:

	Carrying amount		Fair value	
	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
<b>Financial assets</b>				
Loans and receivables:				
Trade receivables, non-current portion	279,622	600,771	241,546	583,797
Financial receivables	700,429	255,116	638,346	202,287
Financial assets included in prepayments, deposits and other receivables, non-current portion	202,826	60,000	182,867	55,087
	<b>1,182,877</b>	<b>915,887</b>	<b>1,062,759</b>	<b>841,171</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost:				
Interest-bearing bank and other borrowings	593,976	1,151,705	590,705	1,143,425
Trade payables, non-current portion	19,662	19,380	19,004	18,836
	<b>613,638</b>	<b>1,171,085</b>	<b>609,709</b>	<b>1,162,261</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and bank balances, pledged deposits, the current portion of trade and bills receivables, the current portion of trade and bills payables, the current portion of financial assets included in prepayments, deposits and other receivables and the current portion of financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. As at 30 June 2017 and 31 December 2016, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with senior management twice a year for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of trade receivables, non-current portion of financial assets included in prepayments, deposits and other receivables, non-current portion of trade payables, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risks for trade and bills payables, and interest-bearing bank and other borrowings as at 30 June 2017 and 31 December 2016 were assessed to be insignificant.

The fair values of unlisted available-for-sale equity investments cannot be measured reliably because they do not have quoted market prices in an active market and the range of reasonable fair value estimates is so significant.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy:

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets for which fair values are disclosed:

30 June 2017

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Trade receivables, non-current portion	—	241,546	—	241,546
Financial receivables	—	638,346	—	638,346
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	182,867	—	182,867
	—	1,062,759	—	1,062,759

31 December 2016

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Trade receivables, non-current portion	—	583,797	—	583,797
Financial receivables	—	202,287	—	202,287
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	55,087	—	55,087
	—	841,171	—	841,171

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy: (continued)

Liabilities for which fair values are disclosed:

30 June 2017

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Trade payables, non-current portion	—	19,004	—	19,004
Interest-bearing bank and other borrowings	—	590,705	—	590,705
	—	609,709	—	609,709

31 December 2016

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Trade payables, non-current portion	—	18,836	—	18,836
Interest-bearing bank and other borrowings	—	1,143,425	—	1,143,425
	—	1,162,261	—	1,162,261

## 22. EVENTS AFTER THE REPORTING PERIOD

Until the approval date of the unaudited interim condensed consolidated financial statements, no material subsequent events of the Group were subject to disclosure.

## 23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2017.

## DEFINITION

“Board” or “Board of Directors”	the board of Directors of the Company
“China” or the “PRC”	the People’s Republic of China excluding, for the purpose of the interim report, Hong Kong, Macau and Taiwan
“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as promulgated after being amended by the Standing Committee of the 12th National People’s Congress of the PRC on 28 December 2013 and effective on 1 March 2014 (as amended, supplemented or otherwise modified from time to time)
“Company” or “our Company”	China Railway Signal & Communication Corporation Limited (中國鐵路通信信號股份有限公司), a joint stock limited liability company established in the PRC on 29 December 2010
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and refers to the controlling shareholder of the Company, being CRSC Corporation Group as of the Latest Practicable Date
“Corporate Communications”	as defined in Rule 1.01 of the Listing Rules, means the documents published or to be published by the Company for the reference of or for actions to be taken by any securities holder of the Company, including but not limited to: (a) annual report and its financial summary report (if applicable) (and including all reports and accounts to be included therein); (b) interim reports and the interim summary report (if applicable) (and including all reports and accounts to be included therein); (c) notices of meetings; (d) listing documents; (e) circulars; (f) proxy forms; and (g) reply slips
“CRCC”	China Railway Construction Corporation Ltd. (中國鐵建股份有限公司), a joint stock limited liability company established in the PRC on 5 November 2007
“CREC”	China Railway Group Ltd. (中國中鐵股份有限公司), a joint stock limited liability company established in the PRC on 12 September 2007
“CRSC” or “Group”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“CRSC Corporation Group”	China Railway Signal & Communication Corporation (中國鐵路通信信號集團公司), a wholly state-owned enterprise approved to be established by MOR on 8 May 1981 and registered in the PRC on 7 January 1984, its sole Controlling Shareholder and one of the promoters of the Company
“CRSCD”	Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd. (北京全路通信信號研究設計院有限公司) (formerly known as Beijing National Railway Research & Design Institute (北京全路通信信號研究設計院)), a limited liability company established in the PRC on 18 November 1994 and a direct wholly-owned subsidiary of the Company
“CRSCS”	China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. (中國鐵路通信信號上海工程局集團有限公司) (formerly known as China Railway Signal & Communication Shanghai Engineering Co., Ltd. (中國鐵路通信信號上海工程有限公司)), a limited liability company established in the PRC on 21 August 1984 and a direct wholly-owned subsidiary of the Company

## DEFINITION

“Director(s)” or “our Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary Shares issued by the Company, with a nominal value of RMB1.00, which are subscribed for or credited as paid in Renminbi
“H Share(s)”	ordinary Shares of the Company, being overseas-listed foreign Shares with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
“HK\$” or “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
“Latest Practicable Date”	1 September 2017, being the latest practicable date for the purposes of ascertaining certain information contained in the interim report
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“MOR”	the former Ministry of Railway of the PRC (前中國鐵道部)
“Reporting Period”	a period of 6 months from 1 January 2017 to 30 June 2017
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of the PRC
“Senior Management”	the senior management of the Company
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary”	shall have the meanings given to it in the Hong Kong Listing Rules, unless the context otherwise requires
“substantial shareholder”	shall have the meanings given to it in the Hong Kong Listing Rules, unless the context otherwise requires
“Supervisors”	the supervisors of the Company
“Supervisory Committee”	the supervisory committee of the Company
“United States” or “U.S.”	the United States of America
“%”	per cent

**CRSC**

**中国通号**

*China Railway Signal & Communication Corporation Limited*  
**中國鐵路通信信號股份有限公司**