



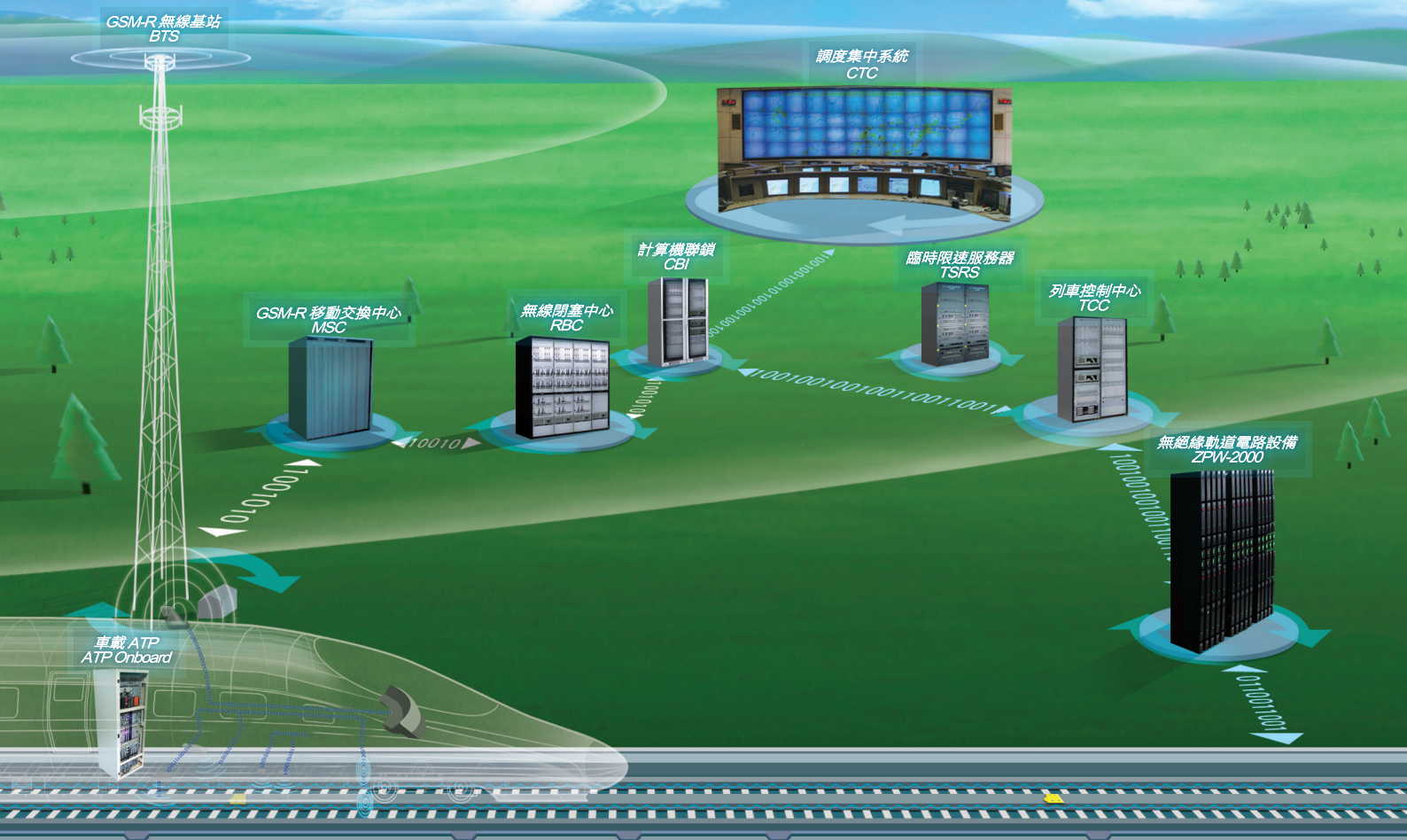
中国通号

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



# 2018 Interim Report

\*For identification only

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# 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. YIN Gang (*President*)

Mr. YANG Yongsheng <sup>Note 1</sup>

### Independent Non-executive Directors

Mr. WANG Jiajie

Mr. CHEN Jin'en

Mr. CHAN Ka Keung Peter <sup>Note 1</sup>

Mr. YAO Guiqing <sup>Note 1</sup>

Mr. SUN Patrick <sup>Note 2</sup>

Mr. GAO Shutang <sup>Note 2</sup>

## SUPERVISORS

Ms. TIAN Liyan (*Chairwoman*)

Mr. WU Zuowei <sup>Note 3</sup>

Mr. CHEN Shikui <sup>Note 1</sup>

Mr. GAO Fan <sup>Note 4</sup>

Ms. ZHAO Xiumei <sup>Note 2</sup>

## 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. YIN Gang <sup>Note 1</sup>

Mr. YANG Yongsheng <sup>Note 1</sup>

Mr. CHEN Jin'en

Mr. YAO Guiqing <sup>Note 1</sup>

Mr. WANG Jiajie <sup>Note 2</sup>

Mr. GAO Shutang <sup>Note 2</sup>

### Remuneration and Evaluation Committee

Mr. CHEN Jin'en (*Chairman*) <sup>Note 1</sup>

Mr. GAO Shutang (*Chairman*) <sup>Note 2</sup>

Mr. CHAN Ka Keung Peter <sup>Note 1</sup>

Mr. YAO Guiqing <sup>Note 1</sup>

Mr. SUN Patrick <sup>Note 2</sup>

### Audit and Risk Management Committee

Mr. CHAN Ka Keung Peter (*Chairman*) <sup>Note 1</sup>

Mr. SUN Patrick (*Chairman*) <sup>Note 2</sup>

Mr. WANG Jiajie

Mr. CHEN Jin'en <sup>Note 1</sup>

Mr. GAO Shutang <sup>Note 2</sup>

### Nomination Committee

Mr. ZHOU Zhiliang (*Chairman*) <sup>Note 1</sup>

Mr. CHEN Jin'en (*Chairman*) <sup>Note 2</sup>

Mr. WANG Jiajie

Mr. YAO Guiqing <sup>Note 1</sup>

\* For identification only

Note 1: Appointed on 28 August 2018.

Note 2: Resigned on 28 August 2018.

Note 3: Appointed on 25 May 2018.

Note 4: Resigned on 25 May 2018.

# CORPORATE INFORMATION

## Quality and Safety Committee

Mr. YIN Gang (*Chairman*)

Mr. WANG Jiajie <sup>Note 1</sup>

Mr. YAO Guiqing <sup>Note 1</sup>

Mr. GAO Shutang <sup>Note 2</sup>

## REGISTERED OFFICE

20th Floor, Building A  
CRSC Building, 1 Compound  
Automobile Museum South Road  
Fengtai District  
Beijing, PRC

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower  
No. 248 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

## INVESTOR RELATIONS

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Fax: +86-10-51846610

Email: ir@crsc.cn

Address: CRSC Building, 1 Compound  
Automobile Museum South 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

Zhong Lun Law Firm  
33, 36, 37/F, SK Tower  
A6 Jianguomenwai Avenue  
Chaoyang District  
Beijing, China

## AUDITORS

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

Note 1: Appointed on 28 August 2018.

Note 2: Resigned on 28 August 2018.

# 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 options 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		
	2018 RMB'000	2017 RMB'000	Period-on- period change %
Revenue			
Design and integration	4,159,640	5,054,852	(17.7)
Equipment manufacturing	2,790,264	3,041,416	(8.3)
System implementation services	6,229,951	4,294,514	45.1
Construction contracting	5,645,730	4,069,140	38.7
Other businesses	19,024	53,192	(64.2)
<b>Total</b>	<b>18,844,609</b>	<b>16,513,114</b>	<b>14.1</b>
Gross profit	4,095,138	4,158,767	(1.5)
Profit before tax	2,622,303	2,401,568	9.2
Profit for the period	2,200,727	1,962,734	12.1
Profit attributable to owners of the Company	2,067,984	1,878,059	10.1
Basic earnings per Share (RMB)	0.24	0.21	14.3

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

	30 June 2018 (RMB'000)	31 December 2017 (RMB'000)	Change of 30 June 2018 as compared to 31 December 2017 (%)
<b>ASSETS</b>			
Current assets	59,193,213	49,126,931	20.5
Non-current assets	12,980,531	12,117,713	7.1
<b>Total assets</b>	<b>72,173,744</b>	<b>61,244,644</b>	<b>17.8</b>
<b>LIABILITIES</b>			
Current liabilities	44,568,995	34,473,646	29.3
Non-current liabilities	1,529,180	1,546,400	(1.1)
<b>Total liabilities</b>	<b>46,098,175</b>	<b>36,020,046</b>	<b>28.0</b>
Total equity	26,075,569	25,224,598	3.4
<b>Total equity and liabilities</b>	<b>72,173,744</b>	<b>61,244,644</b>	<b>17.8</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 research and development, and through its “three-in-one” business model for rail transportation control system (that combines design and integration, equipment manufacturing and system implementation services), the Group has become the only rail transportation control system solution provider in the world which 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 enables 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 keep track on and develop its maintenance and upgrade services after its products are put into operation.

In the first half of 2018, 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 business and informatization.

In the first half of 2018, the Group recorded a revenue of RMB18,844.6 million, gross profit of RMB4,095.1 million and profit attributable to equity shareholders of the Company of RMB2,068.0 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### (I) Analysis on Principal Business

Analysis of changes in the relevant items of the income statement

	Six months ended 30 June		Period-on- period change %
	2018 (RMB'000)	2017 (RMB'000)	
Revenue	<b>18,844,609</b>	16,513,114	14.1
Cost of sales	<b>14,749,471</b>	12,354,347	19.4
Gross profit	<b>4,095,138</b>	4,158,767	(1.5)
Other income and gains	<b>209,302</b>	144,176	45.2
Selling and distribution expenses	<b>215,669</b>	306,336	(29.6)
Administrative expenses	<b>1,453,500</b>	1,439,125	1.0
Other expenses	<b>(14,801)</b>	155,475	(109.5)
Finance costs	<b>50,455</b>	15,752	220.3
Share of profits and losses of associates and joint ventures	<b>22,686</b>	15,313	48.1
Profit before tax	<b>2,622,303</b>	2,401,568	9.2
Income tax expense	<b>421,576</b>	438,834	(3.9)
Profit for the period	<b>2,200,727</b>	1,962,734	12.1

#### *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 services: mainly includes construction, installation, testing and maintenance services for rail transportation control system projects;
- Construction contracting: mainly includes municipal engineering contracting and services for other construction projects; and
- Other businesses: mainly engages in commodity trading etc.



# MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group recorded a revenue of RMB18,844.6 million, representing an increase of 14.1% over the same period last year, mainly due to: (i) the continuous increase in the volume of rail transit businesses resulting from an increase in orders of the Group arising out of greater investments from the PRC government in inter-city rail transit construction and (ii) continuous increase in the volume of construction contracting businesses as a result of active expansion by the Group into new business markets which are compatible with rail transportation including urban infrastructure construction and smart cities under the development strategy of “one core business with diversification into related businesses”.

## *Cost of sales*

During the Reporting Period, the Group’s cost of sales was RMB14,749.5 million, representing an increase of 19.4% 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 RMB4,095.1 million, representing a decrease of 1.5% over the same period last year. The gross profit margin was 21.7%, representing a decrease of 3.5 percentage points over the same period last year, which was mainly due to the decline in gross profit margin resulting from the adjustment of business structure for the period.

## *Other income and gains*

During the Reporting Period, the Group’s other income and gains were RMB209.3 million, representing an increase of 45.2 % over the same period last year, mainly due to increases in the government grants and the interest income from bank deposits.

## *Selling and distribution expenses*

During the Reporting Period, the Group’s selling and distribution expenses were RMB215.7 million, representing a decrease of 29.6% over the same period last year, mainly due to a decrease in corresponding after-sales service fees as a result of the decrease in the volume of sales businesses in the equipment manufacturing sector and continuous improvement in the equipment quality of the Group during the period.

## *Administrative expenses*

During the Reporting Period, the Group’s administrative expenses were RMB1,453.5 million, representing an increase of 1.0% over the same period last year, mainly because the Group adhered to independent innovation in order to improve the core competitiveness of the enterprise and increased its investments in research and development.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Other expenses*

During the Reporting Period, the Group's other expenses were RMB14.8 million, representing a decrease of 109.5% over the same period last year, mainly due to clearance of certain long-aged receivables of the Group and adjustment of bad debt provisions as a result of the implementation of the new accounting standards for financial instruments.

## *Finance costs*

During the Reporting Period, the Group's finance costs were RMB50.5 million, representing an increase of 220.3% 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 RMB22.7 million, representing an increase of 48.1% over the same period last year, mainly due to an increase 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 RMB2,622.3 million, representing an increase of 9.2% over the same period last year.

## *Income tax expense*

During the Reporting Period, the Group's income tax expenses were RMB421.6 million, representing a decrease of 3.9% over the same period last year. During the Reporting Period, the Group's effective income tax rate was approximately 16.1%.

## *Profit for the period*

As a result of the foregoing, during the Reporting Period, the Group's profit for the period was RMB2,200.7 million, representing an increase of 12.1% 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

	Six months ended 30 June	
	2018 (RMB'000)	2017 (RMB'000)
Net cash flow used in operating activities	(1,656,918)	(909,786)
Net cash flow used in investing activities	(2,794,477)	(1,083,078)
Net cash flow from/(used in) financing activities	1,645,814	(354,569)

During the Reporting Period, the Group recorded a net cash inflow used in operating activities of RMB1,656.9 million, representing an increase of RMB747.1 million as compared with the net cash flow used in operating activities over the same period last year, which was mainly due to the increase in the investment funds as a result of the increase in the Group's construction contracting and PPP projects businesses; meanwhile, affected by the government's macro policy of lowering leverage and reducing liabilities, the owners had control over the financing scale for projects, and the fundraising for project construction was not sufficient, which made it difficult to return funds for certain projects.

During the Reporting Period, the Group recorded a net cash flow used in investing activities of RMB2,794.5 million, representing an increase of RMB1,711.4 million as compared with the net cash used in investing activities over the same period last year, which was mainly due to an increase in the number of fixed deposits with a term of more than three months in the first half of 2018.

During the Reporting Period, the Group recorded a net cash flow from financing activities of RMB1,645.8 million, representing an increase of RMB2,000.4 million as compared with the net cash used in financing activities over the same period last year, which was mainly due to an increase in the working capital loan during the first half of 2018.

## (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 of 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 2018, the Group had total borrowings of approximately RMB3,462.3 million, representing an increase of 84.6% from RMB1,875.8 million as at 31 December 2017, mainly due to an increase in the working capital loan according to production and operation requirements.

As at 30 June 2018, all borrowings of the Group were denominated in RMB. Among the interest-bearing bank borrowings and other borrowings of the Group, the pledged borrowings amounted to RMB330.0 million.

As at 30 June 2018, the short-term interest-bearing borrowings and long-term interest-bearing borrowings of the Group amounted to RMB2,884.9 million and RMB577.4 million, respectively. The table below sets forth the maturity profile of the loans and other borrowings repayable by the Group as at 30 June 2018 and 31 December 2017:

	<b>30 June 2018 (RMB'000)</b>	31 December 2017 (RMB'000)
<b>Bank loans repayable</b>		
Within one year	<b>2,884,733</b>	1,328,658
Second to fifth years (both days inclusive)	<b>300,000</b>	417,000
More than five years	<b>257,291</b>	109,688
<i>Sub-total</i>	<b>3,442,024</b>	1,855,346
<b>Other borrowings</b>		
Within one year	<b>146</b>	146
Second to fifth years (both days inclusive)	<b>20,144</b>	20,290
<i>Sub-total</i>	<b>20,290</b>	20,436
<b>Total</b>	<b>3,462,314</b>	1,875,782

As at 30 June 2018, the Group's total borrowings were RMB3,462.3 million, of which the total bank and other borrowings at floating interest rates amounted to RMB579.7 million. As at 31 December 2017, the total borrowings were RMB1,875.8 million, of which the total bank and other borrowings at floating interest rates amounted to RMB542.7 million.

### Net Current Assets

As at 30 June 2018, the Group's net current assets amounted to RMB14,624.2 million, representing a decrease of 0.2% from that as at 31 December 2017, mainly due to the rapid growth of current liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Commitments

As at 30 June 2018, the Group had capital commitments of RMB127.0 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. The Group had investment commitments of RMB461.6 million contracted for but not yet incurred, mainly attributable to the capital contribution to Tianshuitonghao Tramcar Co., Ltd. (天水通號有軌電車有限責任公司) and Siping City Integrated Pipe Network Construction and Operation Co., Ltd. (四平市綜合管廊建設運營有限公司), both of which were associates of the Group. The table below sets forth the Group's commitments as at 30 June 2018 and 31 December 2017:

	<b>30 June 2018 (RMB'000)</b>	31 December 2017 (RMB'000)
<b>Contracted, but not provided</b>		
Capital commitments		
– property, plant and equipment	<b>127,009</b>	187,955
Investment commitments	<b>461,592</b>	549,232
	<b>588,601</b>	737,187

## Liquidity

As at 30 June 2018, the Group had credit facilities of approximately RMB45,400.0 million granted by commercial banks to the Company, of which approximately RMB42,494.3 million was unutilized and unrestricted. As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB12,333.6 million, of which RMB11,128.7 million was denominated in RMB and RMB1,204.9 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 2018, the Group's gearing ratio was 13.3%, representing an increase of 5.9 percentage points from 7.4% as at 31 December 2017, mainly due to the expansion of the Group's business scale and the increase in total liabilities.

## Pledge of Assets

As at 30 June 2018, the Group obtained bank and other borrowings amounting to RMB330.0 million, by pledging certain bills receivable with a carrying amount of RMB53.3 million and contract assets of RMB366.1 million arising out of the usufruct under concession.

## Contingent Liabilities

As at 30 June 2018, 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, equity instruments at fair value through other comprehensive income 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 the Company's 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 businesses are 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 the Group operates a significant part of its businesses 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	Cost of sales	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
	(RMB'000)	(RMB'000)	(%)	(%)	(%)	(Percentage point)
Design and integration	4,159,640	2,722,613	34.5	(17.7)	(7.2)	(7.5)
Equipment manufacturing	2,790,264	1,573,547	43.6	(8.3)	(16.7)	5.7
System implementation services	6,229,951	5,532,269	11.2	45.1	43.3	1.1
Construction contracting	5,645,730	4,913,790	13.0	38.7	35.2	2.3
Other businesses	19,024	7,252	61.9	(64.2)	(81.0)	33.6
<b>Total</b>	<b>18,844,609</b>	<b>14,749,471</b>	<b>21.7</b>	<b>14.1</b>	<b>19.4</b>	<b>(3.5)</b>

**Design and integration:** revenue from the design and integration business decreased by 17.7% over the same period last year, mainly attributable to the recognition of revenue in the sector being affected by slow progress in implementation of projects under new orders as a result of adjustment by owners of the project construction period in response to slowdown in the investment in railway infrastructure construction as a whole in the first half of 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

**Equipment manufacturing:** revenue from the equipment manufacturing business decreased by 8.3% over the same period last year, mainly attributable to the recognition of revenue in the sector being affected by the delay in supply for projects under new orders as a result of adjustment by owners of the project construction period in response to slowdown in the investment in railway infrastructure construction as a whole in the first half of 2018.

**System implementation services:** revenue from the system implementation business increased by 45.1% over the same period last year, mainly attributable to (i) the increase in the number of orders and business volumes in the system implementation sector due to the PRC government's continuous increasing investment in urban metro construction; and (ii) more prominent advantages of market competition and an increase in the number of orders for non-integrated reconstruction businesses as a result of enhancement of overall strength and brand influence through continuous improvement by the Group in construction service quality and relentless promotion of the craftsmanship spirit, resulting in rapid increase in the revenue of the sector.

**Construction contracting:** revenue from the construction contracting business increased by 38.7%, mainly because the Group adhered to the strategy of “one core business with diversification into related businesses”. The Group fully expanded the emerging businesses which are compatible with rail transportation including integrated pipe gallery, sponge city and smart city, resulting in a fast growth of the revenue in the construction contracting sector.

**Other businesses:** revenue from other businesses decreased by 64.2% 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 14.1% 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 22.1%, 14.8%, 33.0%, 30.0% and 0.1%, respectively.



# MANAGEMENT DISCUSSION AND ANALYSIS

## (2) Revenue breakdown by region

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

	<b>Six months ended 30 June 2018</b>		Six months ended 30 June 2017		Period-on- period change
	<b>Revenue (RMB'000)</b>	<b>Percentage (%)</b>	Revenue (RMB'000)	Percentage (%)	
Domestic market	<b>18,580,371</b>	<b>98.6</b>	16,091,847	97.4	15.5
Overseas market	<b>264,238</b>	<b>1.4</b>	421,267	2.6	(37.3)
<b>Total</b>	<b>18,844,609</b>	<b>100.0</b>	16,513,114	100.0	14.1

During the Reporting Period, the Group's revenue from domestic market increased by 15.5%, while the Group's revenue from overseas market decreased by 37.3%, mainly due to: (i) the continuous increase in the volume of construction contracting businesses as a result of active expansion by the Group of new business markets which are compatible with rail transportation including urban infrastructure construction and smart cities under the development strategy of "one core business with diversification into related businesses"; and (ii) the decrease in revenue from businesses in the overseas market in the period as a result of the adjustment of the schedule of overseas projects.

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

During the Reporting Period, there were no major acquisitions and disposals of subsidiaries, associates and joint ventures by the Company.

### 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, and takes the lead in preparing the technical quality standard of communication and signal for rapid transit railways. The standardization level of the Group's railway projects and constructions is the first-class in the industry. With strong technology innovation capabilities, the Group developed C3 and C3+ATO train control system technologies 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 strong overall 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 level, the Group has high quality assets and good financing capability featuring multiple channels and low costs, which can well support the Company's needs of the transformation, upgrading and development.

### 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 2018, the Group had 18,440 full-time employees, and its total labor costs for the six months ended 30 June 2018 reached RMB1,798.9 million. The Group aims to recruit, train and retain talented professionals through a multi-step process including recruiting, training and offering 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

## (II) Business Outlook for the Second Half of 2018

During the first half of 2018, China's economic operation remained stable with good momentum for growth. China witnessed high-quality economic development and had a good start, with further progress in structural adjustment, replacement of old drivers with new drivers, and steady improvement in quality and benefit. However, with change in the midst of steadiness in economic operation, China faced new issues and challenges, especially significant change in external environment.

In the first half of 2018, the investment in railway infrastructure construction and the growth of domestic infrastructure investment slowed down. In particular, the central government made greater efforts in comprehensive assessment and compliance inspection of PPP projects and urban rail transportation projects. In the second half of 2018, the state will make greater efforts to remedy disadvantages in the infrastructure field and boost domestic demand, so the railway investment is expected to reach a record level, and construction of urban rail transportation projects will be accelerated. The aforesaid national economic policy will continue to support the rail transportation industry and principal businesses of the Group, and will promote continuous optimization of the industrial structure of the Group, thus facilitating the creation of new drivers of corporate development.

The Group will actively study and adapt to new situation and new change, and will continue to give play to the core competitiveness advantages of the "Three-In-One" complete industry chain. It will improve traditional businesses and develop businesses in competitive industries. It will, in a timely manner, adjust and optimize operation strategies and further increase the market share. In addition, it will enhance the integration of industry and finance to further give play to the driving and amplification effect of capital, and expand relevant diversified and strategic emerging sectors in a steady and orderly manner. Meanwhile, it will implement the "overseas business expansion" strategy and actively expand the international market through measures including accelerated arrangement for overseas establishments and construction of overseas "platforms".

In the first half of 2018, the total value of contracts of the Group reached RMB32,310 million, representing a period-on-period increase of 4.9%. At present, the Group carries out operations under the strategic guidance of "one core business with diversification into related businesses". In the second half of 2018, the Group will focus on overall operation and planning work: firstly, it will continue to enhance market management work, maintain its advantages in the traditional railway market, and seize opportunities in the metro market, and strengthen the leading position in the rail transportation industry; secondarily, it will create an incubation platform for emerging businesses, and develop new capacity and new drivers for sustainable development of the Group; thirdly, it will make efforts to enhance management of receivables to further strengthen the capital advantages of the Group. The Group is expected to continue to maintain a healthy and steady momentum, ensuring achievement of the operational goal for the year.

### 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 an 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 HongKong 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 under the Board due to personal job change. From the date of resignation of Mr. Fu Jianguo to 28 August 2018, the number of members of the Board, the strategy and investment committee, the nomination committee and quality and safety committee under the Board fail to meet requirements on the minimum number of members under the relevant terms of references. The Company has elected the members of the third session of the Board on 28 August 2018 and appointed the chairman and members of each committee under the third session of the Board. As of the Latest Practicable Date, the Company satisfied requirements on the minimum number of members under relevant terms of references for the Board, the strategy and investment committee, the nomination committee and the quality and safety committee under the Board.

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.

### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 23 January 2018, the proposal on the amendments to the "Articles of Association of China Railway Signal & Communication Corporation Limited", among others, was considered and approved by the Board, mainly to amend provisions of the Articles of Association as to the Company's address, the promoter's name and general requirements of Party building work, and add provisions on the general legal counsel system. The proposal was considered and approved by special resolution at the 2017 Annual General Meeting held on 25 May 2018. The amended Articles of Association came into force on 25 May 2018. The full text of the Articles of Association was published on the website of the Stock Exchange of Hong Kong and the Company's website. For details, see the announcements of the Company dated 23 January and 25 May 2018 and the circular of the Company dated 25 April 2018, which have been published on the website of the Stock Exchange of Hong Kong.

## OTHER EVENTS

### CHANGE OF SUPERVISORS

Mr. Gao Fan has tendered his resignation as a Supervisor of the Company with effect from 25 May 2018, due to his personal work arrangement. For details, see the announcements of the Company dated 29 March 2018 and 25 May 2018, which have been published on the website of the Stock Exchange of Hong Kong.

On 29 March 2018, the Supervisory Committee elected Mr. Wu Zuowei as a Supervisor of the second session of the Supervisory Committee of the Company. The proposal was considered and approved by ordinary resolution at the 2017 Annual General Meeting held on 25 May 2018. The term of office of Mr. Wu Zuowei commenced on 25 May 2018 and will end at the expiry of the term of office for the second session of the Supervisory Committee, and he is eligible for re-election at the expiry of his term of office, in accordance with the Articles of Association. For details, see the announcements of the Company dated 29 March 2018 and 25 May 2018 and the circular of the Company dated 25 April 2018, which have been published on the website of the Stock Exchange of Hong Kong.

### 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 2017

According to the "2017 Profit Distribution Proposal" considered and approved by the Shareholders of the Company at the 2017 Annual General Meeting held on 25 May 2018, the Company paid the 2017 final cash dividend of RMB0.15 per share (inclusive of tax) on 25 July 2018. For details, see the circular of the Company dated 25 April 2018 and the announcement of the Company dated 25 May 2018, which have been published on the website of the Stock Exchange of Hong Kong.

#### Interim Dividends for 2018

The Board did not propose to pay any interim dividend for 2018.

### USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company has been listed on the Main Board of the Hong Kong Stock Exchange since 7 August 2015. The net proceeds (net of Stock Exchange trading fee, Securities and Futures Commission transaction levy, registration fee of Computershare Hong Kong Investor Services and fees charged by the receiving bank) from the Company's initial public offering of new Shares for the purpose of its listing on the Stock Exchange and issue of new Shares upon partial exercise of the over-allotment option amounted to approximately HK\$11,274.7 million, which were intended to be utilized for the proposed use as set out in "Future Plans and Use of Proceeds" of the Prospectus of the Company dated 28 July 2015.

The actual use of proceeds from the Company's initial public offering of new Shares for the purpose of its listing on the Stock Exchange and issue of new Shares upon partial exercise of the over-allotment option is as follows:

As at the end of the Reporting Period, total usage of the proceeds raised amounted to RMB5,389.4 million. Of which, RMB1,330.7 million was used in the construction of the CRSC Railway Transportation Research Center; RMB2,533.7 million was used in the technical overhaul of CRSC Xi'xin, our subsidiary, Zhengzhou Industrial Park, Changsha Industrial Park, Jishou Gannan Industry Park Project and Siping Comprehensive Pipe Gallery Project; RMB625.0 million was used in the Tianshui Tramcar Project; and RMB900.0 million was used in replenishing liquidity. The Company confirmed that the aforesaid use of proceeds is consistent with the use of proceeds as disclosed in the Prospectus.

Save for the use of proceeds mentioned above, the Company's remaining amount of proceeds was approximately HK\$1,059.5 million, and RMB2,858.0 million remained unused and was deposited in the special account maintained by the Company with the bank.

The Company confirmed that during the Reporting Period none of the aforesaid proceeds nor other funds raised through the Hong Kong Stock Exchange was used directly or indirectly to finance or assist (i) any activities or business in connection or carried out with any sanctioned subjects, or any activities or business in connection or carried out with any countries sanctioned by the United States, European Union, Hong Kong, Australia or United Nations or located in such countries, or (ii) any activities or business in connection with CRSC International Holdings Company Ltd., a subsidiary of the Company, considering the amount of annual income of CRSC International Holdings Company Ltd. from projects relating to Iran during the track record period. In addition, the Company also confirmed that the Company did not carry out any sanctioned transaction during the reporting period which may lead the relevant person or the Group to face the risk of being sanctioned. To ensure compliance with the undertakings made to the Hong Kong Stock Exchange, the Group will continue to monitor and evaluate our business and adopt measures to protect the interests of the Group and the Shareholders.

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

The audit and risk management committee of the third session of the Board of Directors of the Company consists of Mr. Chan Ka Keung Peter (Chairman), Mr. Wang Jiajie and Mr. Chen Jin'en. The audit and risk management committee of the third session of the Board of Directors of the Company 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 2018.

### SUBSEQUENT EVENTS

#### Election of the Board of Directors and the Supervisory Committee

The term of office of the second session of the Board of Directors and the Supervisory Committee of the Company expired on 21 May 2018. Members of the second session of the Board of Directors and the Supervisory Committee shall continue to perform their respective responsibilities in accordance with laws, regulations and the Articles of Association until the members of the third session of the Board of Directors and the Supervisory Committee take office.

## OTHER EVENTS

On 9 July 2018, the Board of Directors elected Mr. Zhou Zhiliang, Mr. Yin Gang and Mr. Yang Yongsheng as candidates for executive Directors of the third session of the Board of Directors, and Mr. Wang Jiajie, Mr. Chen Jin'en, Mr. Chan Ka Keung Peter and Mr. Yao Guiqing as candidates for independent non-executive Directors of the third session of the Board of Directors; the Supervisory Committee elected Ms. Tian Liyan as a candidate for the shareholder representative Supervisor and Mr. Wu Zuowei as a candidate for the external Supervisor of the third session of the Supervisory Committee. These proposals were considered and approved by ordinary resolution at the 2018 first extraordinary general meeting held on 28 August 2018. On the same date, with the approval of the employee representative congress, Mr. Chen Shikui was appointed as an employee representative Supervisor of the third session of the Supervisory Committee. The terms of office of the Board of Directors and the Supervisory Committee are three years from 28 August 2018.

On 28 August 2018, the Board resolved to appoint chairmen and members of all committees of the third session of the Board, and to elect Mr. Zhou Zhiliang as chairman of the third session of the Board of the Company. On the same date, the Supervisory Committee resolved to elect Ms. Tian Liyan as chairwoman of the third session of the Supervisory Committee.

For details, see the announcements of the Company dated 9 July 2018 and 28 August 2018 and the circular of the Company dated 13 July 2018, which have been published on the website of the Stock Exchange of Hong Kong.

### **Change of Principal Place of Business in Hong Kong**

The principal place of business of the Company in Hong Kong has been changed from 18th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong to 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong with effect from 30 July 2018.

Save as disclosed above, there were no other significant subsequent events which have occurred since 30 June 2018 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 2018, 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, none of the Directors, Supervisors or chief executives 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 2018, so far as is known to the Directors, the following persons (other than the Directors, the Supervisors or chief executives of the Company) had 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 and, 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
China Railway Signal & Communication Corporation Limited	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%

# 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 issued Shares of the Company
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%
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 2018, 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 2018, the Directors were not aware of any persons (other than Directors, Supervisors, or the Company's chief executives) 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

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

As at the date of this report, the Directors of the third session of the Board, Supervisors of the third session of the Supervisory Committee and Senior Management of the Company are as follows:

### Directors

Name	Age	Title	Roles and Responsibilities	Date of appointment/ Term of appointment
ZHOU Zhiliang (周志亮)	53	Executive Director, Chairman	Overseeing the overall work of the Board, formulating the Company's business strategies, and nomination of the Directors and Senior Management	31 January 2012 to the expiration of the term of the third session of the Board
YIN Gang (尹剛)	56	Executive Director, President	Assisting with the work of the chairman, overseeing the management of the Company's daily production and operations, supervising the implementation of the Board resolutions, and advising on the Company's business strategies and quality and safety management	21 May 2015 to the expiration of the term of the third session of the Board
YANG Yongsheng (楊永勝)	49	Executive Director	Assisting with the work of the chairman, supervising the implementation of the Board resolutions, and advising on the Company's business strategies	28 August 2018 to the expiration of the term of the third session of the Board
WANG Jiajie (王嘉傑)	67	Independent Non-executive Director	Providing advices with regard to the corporate governance, connected transactions, auditing and risk management, nomination of the Directors and Senior Management, and quality and safety management	21 May 2015 to the expiration of the term of the third session of the Board
CHEN Jin'en (陳津恩)	64	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, and auditing and risk management	21 May 2015 to the expiration of the term of the third session of the Board

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Title	Roles and Responsibilities	Date of appointment/ Term of appointment
CHAN Ka Keung Peter (陳嘉強)	67	Independent Non-executive Director	Providing advices with regard to the corporate governance, connected transactions, remuneration of the Directors and Senior Management, and auditing and risk management	28 August 2018 to the expiration of the term of the third session of the Board
YAO Guiqing (姚桂清)	63	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, and quality and safety management	28 August 2018 to the expiration of the term of the third session of the Board

## Supervisors

Name	Age	Title	Roles and Responsibilities	Date of appointment/ Term of appointment
TIAN Liyan (田麗豔)	44	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	21 May 2015 to the expiration of the term of the third session of the Supervisory Committee
WU Zuowei (吳作威)	40	External Supervisor	Supervising operations and financial activities	25 May 2018 to the expiration of the term of the third session of the Supervisory Committee
CHEN Shikui (陳世奎)	43	Employee Representative Supervisor	Supervising operations and financial activities	28 August 2018 to the expiration of the term of the third session of the Supervisory Committee

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## SENIOR MANAGEMENT

Name	Age	Title	Roles and Responsibilities	Date of appointment
YIN Gang (尹剛)	56	Executive Director, President	Assisting with the work of the chairman, overseeing the management of the Company's daily production and operations, supervising the implementation of the Board resolutions, and advising on the Company's business strategies and quality and safety management	22 May 2015
KONG Ning (孔寧)	53	Vice President	Assisting the president in the Company's daily production and operation	27 July 2016
HU Shaofeng (胡少峰)	51	Chief Accountant, the Secretary to the Board of Directors	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	27 July 2016
HUANG Weizhong (黃衛中)	52	Vice President	Assisting the president in the Company's daily production and operation	18 April 2013

Biographies of the above Directors, Supervisors and the Senior Management are set out on pages 28 to 36 of this report.

## SECURITIES TRANSACTIONS CONDUCTED BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code 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 for the period ended 30 June 2018.

## CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 30 June 2018, the second session of the Board of Directors of the Company comprised Mr. Zhou Zhiliang (chairman) and Mr. Yin Gang (president), both of whom were executive Directors; and Mr. Wang Jiajie, Mr. Sun Patrick, Mr. Chen Jin'en and Mr. Gao Shutang, all of whom were independent non-executive Directors. Considering the expiry of the term of office for the second session of the Board of Directors of the Company, the Company convened the 2018 first extraordinary general meeting on 28 August 2018 and elected Mr. Zhou Zhiliang, Mr. Yin Gang and Mr. Yang Yongsheng as executive Directors, and Mr. Wang Jiajie, Mr. Chen Jin'en, Mr. Chan Ka Keung Peter and Mr. Yao Guiqing as independent non-executive Directors to form the third session of the Board of Directors of the Company. Mr. Sun Patrick and Mr. Gao Shutang has ceased to act as Directors of the Company on the same date.

Mr. Gao Fan has resigned as a Supervisor of the Company with effect from 25 May 2018, due to his personal work arrangement. Mr. Wu Zuwei was elected as a Supervisor of the Company at the 2017 Annual General Meeting of the Company, with effect from 25 May 2018.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

On 30 June 2018, the second session of the Supervisory Committee of the Company comprised Ms. Tian Liyan (chairwoman), Mr. Wu Zuowei and Ms. Zhao Xiumei. Considering the expiry of the term of office for the second session of the Supervisory Committee of the Company, the Company convened the 2018 first extraordinary general meeting on 28 August 2018 and elected Ms. Tian Liyan and Mr. Wu Zuowei as non-employee representative Supervisors of the third session of the Supervisory Committee. The third session of the Supervisory Committee comprised the above Supervisors and Mr. Chen Shikui who was successfully and democratically elected as an employee representative Supervisor by employees on 28 August 2018. Ms. Zhao Xiumei has ceased to act as a Supervisor of the Company on the same date.

Mr. Chen Hong has ceased to act as the vice president of the Company with effect from 23 June 2018, due to work reason.

Save as disclosed above, as of the date of this report, there had not been changes in Directors, Supervisors or Senior Management of the Company.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the six months ended 30 June 2018 and as at the date of this report, biographies of the Directors, Supervisors and Senior Management of the Company are as follows:

### DIRECTORS

**Mr. ZHOU Zhiliang**, aged 53, 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 business strategies, and nomination of the Directors and Senior Management. Mr. Zhou has been the chairman of CRSC Corporation Group since May 2017, and was the general manager of CRSC Corporation Group from January 2012 to May 2017. 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 Corp. (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. Zhou was elected as the deputy managing director of the China Railway Society (中國鐵道學會) in January 2017, as a representative of the 15th Beijing Municipal People's Congress in November 2017, and as a director of the Communication and Signal Branch of the China Railway Society (中國鐵道學會通信信號分會) in June 2018.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. YIN Gang**, aged 56, has been appointed as an executive Director and president of the Company since May 2015, and is mainly responsible for overseeing the management of the Company's daily production and operations. From June 2018 to July 2018, he acted as chairman at CRSC (Beijing) Rail Industry Group Co., Ltd.. From December 2010 to May 2015, Mr. Yin was a vice president of the Company, during which, Mr. Yin served as the chairman of 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) from January 2012 to November 2012 and as the Board secretary of the Company from April 2011 to May 2013. Mr. Yin has been the general manager of CRSC Corporation Group since May 2017. From August 2001 to May 2015, Mr. Yin was the deputy general manager of CRSC Corporation Group. From December 1996 to August 2001, Mr. Yin successively served as 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. Mr. Yin was elected as the deputy managing director of China Association of Railway Engineering Construction (中國鐵道工程建設協會) in December 2017 and as the president of China Chamber of International Commerce (中國國際商會) in February 2018.

**Mr. YANG Yongsheng**, aged 49, has been the Company's executive Director since August 2018, and the adjunct professor of China Business Executives Academy, Dalian since June 2018. He has been the extramural tutor of the Executive Education of School of Economics Peking University since November 2017. He has been the deputy secretary of the Party Committee of CRSC Corporation Group since July 2017. Mr. Yang was the provisional secretary of the Party Committee and the chairman of China Urban and Rural Construction Group Ltd. (中國城鄉建設集團有限公司) from April 2017 to July 2017. From February 2016 to April 2017, Mr. Yang was the Party secretary to the disciplinary committee and vice chairman of China Road & Bridge Corporation. From December 2010 to February 2016, Mr. Yang served in several positions in China Communications Construction Company Limited, including serving as the deputy director of the general office, the general manager of the human resources department, the head of the organizational department of the Party Committee, the executive vice president of the management college and the executive deputy principal of the party school. Mr. Yang has been the vice director of the general manager department of Sinohydro Group Ltd. from March 2010 to December 2010. From July 1988 to July 2006, Mr. Yang served in several positions in No.5 Bureau of Sinohydro, including serving as the principal of the staff children secondary school, the director of the education department, the director of the human resources department, the head of the organizational department of the Party Committee, the director of the system reform office, vice director and the chief economist.

Mr. Yang graduated from ISCTE Lisbon University Institute of Portugal in May 2012, with a doctor's degree in management. Mr. Yang is a professor level senior economist and a senior engineer. He has published "From Competitiveness to Core Competitiveness" (China Development Press) and he is an expert entitled to Government Special Allowance by the State Council of the PRC.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. WANG Jiajie**, aged 67, has been the Company's independent non-executive Director since May 2015. Mr. Wang is currently the arbitrator of China International Economic and Trade Arbitration Commission and the arbitrator of Beijing Arbitration Commission. Before joining the 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; and the 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 (中國人民大學) 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. CHEN Jin'en**, aged 64, has been the Company's independent non-executive Director since May 2015. Before joining the Company, from March 2010 to August 2013, Mr. Chen was the vice chairman of China Energy Conservation and Environmental Protection Group (中國節能環保集團公司). Mr. Chen served as a non-executive director of Billion Industrial Holdings Limited (listed on the 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 the 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 the 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. CHAN Ka Keung Peter**, aged 67, has been the Company's independent non-executive Director since August 2018, and the independent non-executive director of Metallurgical Corporation of China Ltd (listed on the Stock Exchange, stock code: 1618; listed on the Shanghai Stock Exchange, stock code: 601618) since November 2014. He was the independent non-executive director of CRRC Corporation Limited (listed on the Stock Exchange, stock code: 1766; listed on the Shanghai Stock Exchange, stock code: 601766) from May 2015 to May 2018. Mr. Chan served as a senior assistant of the assurance department, manager of the tax department and senior manager of china service department in Ernst & Young and the chief financial officer of Dransfield Group. Mr. Chan served as a Beijing-based partner, a Beijing-based managing partner of tax and investment advisory service department and a Beijing-based managing partner of the NPA transaction advisory service department of Ernst & Young from January 1994 to December 2008. He served as a member of the executive committee of Hong Kong Chamber of Commerce in China, and served as the chairman of Hong Kong Chamber of Commerce in China in 2000 and 2003.

Mr. Chan graduated from The Hong Kong Polytechnic University majoring in accounting. He is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants of UK, an associate member of the Institute of Chartered Secretaries and Administrators of UK and a member of CPA Australia.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. YAO Guiqing**, aged 63, has been the Company's independent non-executive Director since August 2018. He served in several positions in China Railway Engineering Corporation from February 1990 to December 2017, including serving as its chairman of the labour union, employee representative director, general manager, director and vice general manager. From September 2007 to October 2017, Mr. Yao served in several positions in China Railway Group Limited (listed on the Stock Exchange, stock code: 390; listed on the Shanghai Stock Exchange, stock code: 601390), including serving as its vice president, chairman of the supervisory committee, vice chairman and chairman of the labour union; and he served as its executive director from August 2010 to June 2017. Mr. Yao was the deputy secretary of the Party Committee of China Railway Construction Engineering Group\* (中鐵建廠工程局) from February 2000 to February 2001. From December 1971 to February 1990, Mr. Yao served in several positions in Engineering No.3 Bureau of the Ministry of Railway\* (中國鐵道部第三工程局), including serving as its head of the organizational department of the committee of the Communist Youth League of China and the secretary to the committee of the Communist Youth League of China.

Mr. Yao graduated from Party School of the Central Committee of the Communist Party of China as an on-the-job graduate in economic management. Mr. Yao is a senior economist.

**Mr. SUN Patrick**, aged 59, has been the Company's independent non-executive Director from May 2015 to August 2018. 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. GAO Shutang**, aged 68, has been an independent non-executive Director from May 2015 to August 2018. Before joining in the 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.

## SUPERVISORS

**Ms. TIAN Liyan**, aged 44, has been appointed as the chairwoman of the Supervisory Committee of the 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 has also served as the head of the audit department of the Company. Ms. Tian has been the general counsel of the Company since September 2017. Ms. Tian has served several positions in Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd., 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 Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd.; from October 2005 to November 2005, Ms. Tian was an accountant and deputy head of the asset and finance department of Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd.; 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 of the PRC in May 2012.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. WU Zuowei**, aged 40, has been the Company's external Supervisor since May 2018, and the head of the Asset Management Division of the capital operation management department of China Reform Holdings Corporation Ltd.\* (中國國新控股有限責任公司) since February 2018. Mr. Wu served as a senior manager of the asset management department (subsequently renamed as the capital operation management department) of China Reform Holdings Corporation Ltd.\* from August 2012 to February 2018. He served as the deputy head of the strategic development department of Zhongbing Optoelectronics Technology Co., Ltd.\* (中兵光電科技股份有限公司) (now known as North Navigation Control Technology Co.,Ltd. \* (中國兵器北方導航控制技術股份有限公司), which is listed on the Shanghai Stock Exchange, Stock Code: 600435) from March 2011 to August 2012. He served as the deputy head of the operation planning department of Zhongbing Optoelectronics Technology Co., Ltd.\* from May 2009 to March 2011. He served as a technician of the technology institute, a staff of the technical reform office, a staff of the development planning department, the deputy head of the asset management department, the deputy head of the asset operation department and the deputy head of the operation planning department of Beijing Huabei Optical Instrument Co., Ltd.\* (北京華北光學儀器有限公司) successively from July 2002 to May 2009.

Mr. Wu graduated from Beijing Institute of Technology in July 2002 with a bachelor's degree in engineering and majored in mechanical engineering and automation, and graduated from University of Science and Technology Beijing in June 2009 with a master's degree in engineering and majored in project management. Mr. Wu was accredited as a senior engineer in December 2011.

**Mr. CHEN Shikui**, aged 43, has been appointed as an employee representative Supervisor since August 2018, and the head of the legal compliance department of our Company since July 2018. Mr. Chen has been a director of CRSC Construction Group Co., Ltd. (通號建設集團有限公司) since August 2016. He also served as the director of CRSC Communication & Information Group Company Ltd. (通號通信信息集團有限公司) since February 2016 and the supervisor of CRSC (Zhengzhou) Electrification Bureau Co., Ltd. (通號(鄭州)電氣化局有限公司) since May 2015. From November 2015 to July 2018, Mr. Chen worked as the deputy head of the legal affairs department of the Company, and from January 2010 to November 2015, Mr. Chen served in several positions in 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), including deputy general counsel, head of legal archives of the enterprise development and legal affairs department and head of enterprise development and legal affairs department. In the meantime, from August 2013 to November 2015, he was an assistant in the legal affairs department of our Company. From July 2007 to January 2010, he served as the assistant economist and economist of the eastern China region operation & command department of China Railway 22nd Bureau Group Co., Ltd.. From May 1997 to September 2004, Mr. Chen worked in the People's Court of Heze City, Shandong Province and the People's Court of Mudan District, Heze City, Shandong Province.

Mr. Chen graduated from Southwest University of Political Science and Law (西南政法大學) with a master's degree in law and majored in criminal law in July 2007.

**Mr. GAO Fan**, aged 43, has been appointed as the external Supervisor from May 2015 to May 2018. Mr. Gao served as a managing director of China Merchants United Development Company Limited (招商局聯合發展有限公司) since July 2017. From March 2016 to July 2017, Mr. Gao has been the general manager of public equity department of CRHC. He was a deputy general manager of the investment development department of CRHC from July 2014 to March 2016 and was a deputy general manager of comprehensive business department of CRHC 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.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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 44, has been appointed as an employee representative Supervisor from May 2015 to August 2018. Ms. Zhao served as the head of the legal compliance department of CRSC International Holdings Company Ltd. (通號國際控股有限公司), a subsidiary of the Company since November 2017. Ms. Zhao has served as a supervisor of the legal department of the Company from December 2010 to November 2017. 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.

## SENIOR MANAGEMENT

**Mr. YIN Gang**, aged 56, is the president of the Company. For biography of Mr. Yin, please see "Directors".

**Mr. KONG Ning**, aged 53, has been the Company's vice president since July 2016. He served as the Company's chief accountant from December 2010 to July 2016, and is mainly in charge of the financial work. Mr. Kong was the chief accountant of CRSC Corporation Group from November 2004 to May 2015, and served as the accountant in the finance department of China Huanqiu Contracting & Engineering Corporation (中國寰球工程公司) and the head of finance department 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 51, has been the Company's chief accountant since July 2016. He has been the Company's Board Secretary since May 2013. Mr. Hu has been the director of CRSC Innovation Investment (創新投資) 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 MOR 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.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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 Accountant by Qualification Review Committee for Senior Accounting Professional Technical Positions of China Railway Construction Corporation.

**Mr. HUANG Weizhong**, aged 52, has been the Company's vice president since April 2013. 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 a 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.

**Mr. CHEN Hong**, aged 55, has been the Company's vice president from April 2013 to June 2018. Mr. Chen was an employee representative Director from December 2010 to May 2015, chairman of the Company's labor union from April 2011 to April 2013, and assistant to president of the Company from February 2012 to April 2013. Mr. Chen was chairman of China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. from September 2013 to October 2014, chairman of CRSC Innovation Investment 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 China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. 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.

### JOINT COMPANY SECRETARIES

**Mr. HU Shaofeng**, has been the Company's joint company secretary since 17 March 2015. Please refer to "Senior Management" in this section for biographical details of Mr. Hu.

**Ms. NG Wing Shan** was appointed as the Company's joint company secretary on 17 March 2015. Ms. Ng is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited) and is responsible for assisting listed companies in professional company secretarial work. She has over 10 years of professional experience in the company secretarial field and is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## EMPLOYEES

### Staff Composition

As at 30 June 2018, the Group had a total of 18,440 full-time employees. The number of employees of the respective entities is set out as below:

Distribution	Number of Employees
The Company	148
Subsidiaries of the Company	18,292
Total	18,440

### 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 year 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

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 regulation of this pension system, the pension payment will be made when the employee retires.

# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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## 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 2018 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

28 August 2018



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

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
REVENUE	4	18,844,609	16,513,114
Cost of sales	7	(14,749,471)	(12,354,347)
Gross profit		4,095,138	4,158,767
Other income and gains	4	209,302	144,176
Selling and distribution expenses		(215,669)	(306,336)
Administrative expenses		(1,453,500)	(1,439,125)
Other expenses	5	14,801	(155,475)
Finance costs	6	(50,455)	(15,752)
Share of profits and losses of:			
Joint ventures		13,596	6,390
Associates		9,090	8,923
PROFIT BEFORE TAX	7	2,622,303	2,401,568
Income tax expense	8	(421,576)	(438,834)
PROFIT FOR THE PERIOD		2,200,727	1,962,734
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:			
Re-measurement losses on defined benefit plans, net of tax		(39,373)	(68,281)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:			
Exchange differences on translation of foreign operations		(53)	—
Effective portion of changes in fair value of a hedging instrument arising during the period, net of tax		(7,799)	(2,024)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(47,225)	(70,305)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		2,153,502	1,892,429



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

For the six months ended 30 June 2018

		Six months ended 30 June	
	Note	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Profit attributable to:			
Owners of the parent		2,067,984	1,878,059
Non-controlling interests		132,743	84,675
		<u>2,200,727</u>	<u>1,962,734</u>
Total comprehensive income attributable to:			
Owners of the parent		2,020,759	1,807,754
Non-controlling interests		132,743	84,675
		<u>2,153,502</u>	<u>1,892,429</u>
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	9	<u>0.24</u>	<u>0.21</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	4,369,280	4,334,707
Prepaid land lease payments		2,112,344	2,137,494
Investment properties		236,845	243,282
Goodwill		267,894	267,894
Other intangible assets		388,784	366,949
Investments in joint ventures		249,096	361,038
Investments in associates		652,714	642,206
Equity instruments at fair value through other comprehensive income	11	379,547	—
Available-for-sale investments		—	156,002
Deferred tax assets		302,292	278,028
Trade receivables	13	1,036,790	901,398
Financial receivables		—	2,131,712
Contract assets	12	2,683,001	—
Prepayments, deposits and other receivables	14	301,944	297,003
<b>Total non-current assets</b>		<b>12,980,531</b>	<b>12,117,713</b>
<b>CURRENT ASSETS</b>			
Prepaid land lease payments		58,055	58,055
Inventories		3,748,777	3,329,667
Trade and bills receivables	13	14,077,999	12,427,803
Prepayments, deposits and other receivables	14	2,740,492	2,551,986
Contract assets	12	26,040,306	—
Amounts due from contract customers		—	17,686,254
Tax recoverable		8,170	5,876
Pledged deposits	15	185,794	187,844
Cash and cash equivalents	15	12,333,620	12,879,446
<b>Total current assets</b>		<b>59,193,213</b>	<b>49,126,931</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	16	30,839,859	24,232,650
Contract liabilities	19	6,504,030	—
Amounts due to contract customers		—	3,244,800
Other payables, advances from customers and accruals	17	3,915,660	5,199,419
Interest-bearing bank and other borrowings	18	2,884,879	1,328,803
Provisions for supplementary retirement benefits		62,779	62,779
Tax payable		300,171	333,236
Government grants		33,666	24,470
Provisions		27,951	47,489
Total current liabilities		<b>44,568,995</b>	34,473,646
<b>NET CURRENT ASSETS</b>		<b>14,624,218</b>	14,653,285
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>27,604,749</b>	26,770,998
<b>NON-CURRENT LIABILITIES</b>			
Trade payables	16	20,594	20,839
Interest-bearing bank and other borrowings	18	577,435	546,979
Provisions for supplementary retirement benefits		698,884	672,940
Deferred tax liabilities		38,077	42,062
Government grants		145,705	156,671
Provisions		48,485	106,909
Total non-current liabilities		<b>1,529,180</b>	1,546,400
Net assets		<b>26,075,569</b>	25,224,598
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		8,789,819	8,789,819
Reserves		15,931,077	15,229,232
		<b>24,720,896</b>	24,019,051
Non-controlling interests		<b>1,354,673</b>	1,205,547
Total equity		<b>26,075,569</b>	25,224,598

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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 31 December 2017	8,789,819	7,181,986	262,399	892,801	6,892,046	24,019,051	1,205,547	25,224,598
Effect of adoption of International Financial Reporting Standard 9, net of tax	—	—	—	—	(370)	(370)	—	(370)
As at 1 January 2018 (Restated)	8,789,819	7,181,986	262,399	892,801	6,891,676	24,018,681	1,205,547	25,224,228
Profit for the period	—	—	—	—	2,067,984	2,067,984	132,743	2,200,727
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	—	(53)	—	—	—	(53)	—	(53)
Effective portion of changes in fair value of hedging instrument arising during the period, net of tax	—	(7,799)	—	—	—	(7,799)	—	(7,799)
Re-measurement losses on defined benefit plans, net of tax	—	(39,373)	—	—	—	(39,373)	—	(39,373)
Total comprehensive income/(loss) for the period	—	(47,225)	—	—	2,067,984	2,020,759	132,743	2,153,502
Capital contribution from non- controlling shareholders	—	—	—	—	—	—	30,000	30,000
Dividends declared (note (i))	—	—	—	—	(1,318,473)	(1,318,473)	—	(1,318,473)
Dividends declared to non-controlling interests	—	—	—	—	—	—	(13,617)	(13,617)
Disposal of an associate	—	(71)	—	—	—	(71)	—	(71)
Transfer to special reserve (note (ii))	—	—	215,844	—	(215,844)	—	—	—
Utilisation of special reserve (note (ii))	—	—	(131,888)	—	131,888	—	—	—
As at 30 June 2018	<u>8,789,819</u>	<u>7,134,690*</u>	<u>346,355*</u>	<u>892,801*</u>	<u>7,557,231*</u>	<u>24,720,896</u>	<u>1,354,673</u>	<u>26,075,569</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Special reserve	Statutory surplus reserve	Retained profits			
	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 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	—	—	—	—	(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>

\* As at 30 June 2018, these reserve accounts comprise the consolidated reserves of RMB15,931,077,000 (Unaudited) in the interim condensed consolidated statement of financial position.

Notes:

- (i) On 25 May 2018, the Company's shareholders approved the final dividend of RMB0.15 per share in cash (tax inclusive) for the year ended 31 December 2017 at the annual general meeting.
- (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 2018 and 2017 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 2018

		Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Notes			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	Profit before tax	<b>2,622,303</b>	2,401,568
	Adjustments for:		
	Finance costs	<b>50,455</b>	15,752
	Foreign exchange differences, net	<b>(6,590)</b>	30,969
	Interest income	<b>(97,949)</b>	(84,265)
	Share of profits and losses of associates and joint ventures	<b>(22,686)</b>	(15,313)
	Losses on forward commodity purchase contracts	<b>249</b>	71
	Losses/(gains) on disposal of a subsidiary	<b>182</b>	(992)
	Losses/(gains) on disposal of an associate and a joint venture	<b>23</b>	(6,544)
	Depreciation of items of property, plant and equipment	<b>172,064</b>	177,761
	Depreciation of investment properties	<b>6,437</b>	2,074
	Amortisation of other intangible assets	<b>37,250</b>	67,227
	Amortisation of prepaid land lease payments	<b>25,150</b>	26,303
	Impairment of trade receivables	<b>22,429</b>	83,351
	(Reversal of impairment)/impairment of deposits and other receivables	<b>(70,691)</b>	22,874
	Impairment of contract assets	<b>32,903</b>	—
	Reversal of write-down of inventories to net realisable value	<b>—</b>	(449)
	Reversal of provision for foreseeable losses on contracts	<b>—</b>	(1,912)
	Losses/(gains) on disposal of items of property, plant and equipment, net	<b>309</b>	(762)
	Government grants	<b>(29,191)</b>	(18,454)
		<b>2,742,647</b>	2,699,259

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Increase in inventories	(419,110)	(192,777)
Increase in contract assets	(9,095,600)	—
Changes in amounts with contract customers	—	(5,453,679)
Increase in trade and bills receivables	(1,764,356)	(1,731,782)
Increase in financial receivables	—	(445,313)
Increase in prepayments, deposits and other receivables	(162,183)	(703,658)
Decrease/(increase) in pledged deposits	2,050	(12,521)
Increase in trade and bills payables	6,606,964	4,537,645
Decrease in contract liabilities	(151,591)	—
Increase in other payables, advances from customers and accruals	1,083,597	745,914
Decrease in provisions for supplementary retirement benefits	(13,429)	(25,514)
(Decrease)/increase in provisions	(77,962)	6,787
Increase in government grants	27,421	68,220
Cash generated from operations	(1,221,552)	(507,419)
Interest received	49,818	24,894
Income tax paid	(485,184)	(427,261)
Net cash flows used in operating activities	(1,656,918)	(909,786)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

		Six months ended 30 June	
	Note	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for acquisition of items of property, plant and equipment		(465,854)	(512,141)
Payments for acquisition of other intangible assets		(9,085)	(12,437)
Addition of investments in a joint venture and associates		(28,256)	(399,449)
Addition of investments in equity instruments at fair value through other comprehensive income		(223,545)	—
Proceeds from disposals of items of property, plant and equipment		942	2,709
Dividends received from equity instruments at fair value through other comprehensive income, associates and a joint venture		36,560	24,000
Proceeds from disposal of a subsidiary, associates and a joint venture		99,795	50,513
Increase in non-pledged time deposits with original maturity of more than three months		(2,253,165)	(295,644)
Interest received		48,131	59,371
Net cash flows used in investing activities		<u>(2,794,477)</u>	<u>(1,083,078)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans and other borrowings		2,027,335	68,789
Repayment of bank loans and other borrowings		(333,145)	(434,795)
Interest paid		(50,463)	(15,763)
Dividends paid to shareholders		(26,223)	—
Dividends paid to non-controlling shareholders		(1,690)	(73,600)
Capital contribution from non-controlling shareholders		30,000	100,800
Net cash flows from/(used in) financing activities		<u>1,645,814</u>	<u>(354,569)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the period		11,364,983	14,190,033
Effect of exchange rate changes on cash and cash equivalents		6,590	(30,969)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	15	<u><u>8,565,992</u></u>	<u><u>11,811,631</u></u>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

## 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 20th floor of CRSC Building, Block A, No. 1 Auto Museum 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 (Group) Corporation Limited (“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 2018 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 2017.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for forward commodity purchase contracts and equity instruments at fair value through other comprehensive income 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

The accounting policies adopted in the preparation of the 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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s interim condensed consolidated financial statements:

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
Amendments to IAS 28	<i>As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that did not restate previous financial statements and recognise transition adjustments against the opening balance of equity at 1 January 2018. The nature and the effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

Further information about IFRS 15 and IFRS 9 is described below:

#### ***IFRS 15: Revenue from Contracts with Customers***

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The application of IFRS 15 in the current interim period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

The Group engages in sale for goods, contracts for services, construction contracts and service concession arrangements. The expected impacts arising from the adoption of IFRS 15 on the Group are further explained as follows:

#### **(a) Sale for goods**

The Group’s contracts with customers for the sale of equipment generally include one performance obligation. The Group has concluded that revenue from sale of equipment should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. Therefore, the adoption of IFRS 15 did not have a material impact on the timing and amount of revenue recognition.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

#### *IFRS 15: Revenue from Contracts with Customers* (Continued)

##### **(b) Contracts for services**

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise direct labour, the cost of subcontracting and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Upon the adoption of IFRS 15, the contract revenue will be recognised over the period that the services are provided.

For the six months ended 30 June 2018, the Group has concluded that the adoption of IFRS 15 did not have any material impact on the Group’s revenue recognition.

##### **(c) Construction contracts**

In prior reporting periods, when the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Under IFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognised revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

#### **IFRS 15: Revenue from Contracts with Customers** (Continued)

##### **(c) Construction contracts** (Continued)

The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The contract liability is recognised as revenue when the Group satisfies its performance obligations.

For the six months ended 30 June 2018, the Group has concluded that the adoption of IFRS 15 did not have any material impact on the Group’s revenue recognition.

##### **(d) Service concession arrangements**

The Group has entered into a number of service concession arrangements with the Grantors. The service concession arrangements consist of Build-Operate-Transfer (the “BOT”) arrangements. Under the BOT arrangements, the Group carries out construction work of the municipal infrastructure for the Grantors and receives in return the rights to operate the service project concerned for a specified period of time (the “operation period”) in accordance with the pre-established conditions set by the Grantors, the service project should be transferred to the Grantors with nil consideration at the end of the operation period. In prior reporting periods, the Group allocated the consideration received from the granter into revenue from construction and operation and interest income, in accordance with IFRIC 12 Service Concession Arrangements. Upon the adoption of IFRS 15, the revenue allocated to the construction service will be recognised over the period that the construction services are provided; the operation revenue allocated to the operation service will be recognised over the period that the operation services are provided; and the financial revenue will be recognised by applying the effective interest method to the amortised cost of financial assets over the period of the service concession arrangements.

For the six months ended 30 June 2018, the Group has concluded that the adoption of IFRS 15 did not have any material impact on the Group’s revenue recognition.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

#### *IFRS 15: Revenue from Contracts with Customers* (Continued)

##### (e) *Presentation and disclosure requirements*

As required for the interim condensed financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 4 for the disclosure on disaggregated revenue.

The impact on the Group’s financial position by application of IFRS 15 is as follows:

	As at 31 December 2017	As at 1 January 2018	
	Audited RMB’000	Reclassifications under IFRS 15 RMB’000	As restated RMB’000
<b>Assets</b>			
Amounts due from contract customers	17,686,254	(17,686,254)	—
Financial receivables	2,131,712	( 2,131,712)	—
Contract assets	—	19,817,966	19,817,966
<b>Liabilities</b>			
Other payables , advances from customers and accruals	5,199,419	(2,143,248)	3,056,171
Amounts due to contract customers	3,244,800	(3,244,800)	—
Contract liabilities	—	5,388,048	5,388,048

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

#### ***IFRS 9: Financial Instruments***

IFRS 9 *Financial Instruments* (“IFRS 9”) replaces IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

#### **(a) Classification and measurement**

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss “FVPL”, amortised cost, or fair value through other comprehensive income “FVOCI”. The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding (the ‘SPPI criterion’).

The new classification and measurement of the Group’s financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group’s trade and bills receivables, other receivables, and contract assets.
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group’s quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, The Group does not have any financial assets classified in this category.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group’s unlisted equity instruments were classified as available-for-sale financial investments.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

#### *IFRS 9: Financial Instruments* (Continued)

##### (a) *Classification and measurement* (Continued)

The assessment of the Group’s business models was made as of the date of initial application, 1 January 2018, and then retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The main effects resulting from this reclassification are as follows:

	As at	As at 1 January 2018	
	31 December 2017	Reclassifications	
	Audited	under IFRS 9	Restated
	RMB’000	RMB’000	RMB’000
<b>Financial assets</b>			
Available-for-sale investments	156,002	( 156,002)	—
Equity instruments at fair value through other comprehensive income	—	156,002	156,002

The accounting for the Group’s financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

#### *IFRS 9: Financial Instruments* (Continued)

##### **(b) Impairment**

The adoption of IFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss “ECL” approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

For contract assets, trade receivables and other receivables, the Group has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

#### *IFRS 9: Financial Instruments* (Continued)

##### (b) *Impairment* (Continued)

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group’s debt financial assets. The increase in allowance resulted in adjustment to retained profits of RMB370,000.

The total impact on the Group’s reserves due to adoption of IFRS 9 at 1 January 2018 is as follows:

	As at 31 December 2017 Audited RMB’000	As at 1 January 2018	
		Adjustments under IFRS 9 RMB’000	Restated RMB’000
<b>Financial assets</b>			
Trade and bills receivables	14,329,201	151,098	14,480,299
Prepayments, deposits and other receivables	2,551,986	5,558	2,557,544
<b>Contract assets</b>	—	(157,026)	(157,026)
<b>Reserves</b>			
Retained profits	6,892,046	(370)	6,891,676

##### (c) *Hedge accounting*

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group’s existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group’s cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group’s financial statements.

#### *IFRIC Interpretation 22: Foreign Currency Transactions and Advance Considerations*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payment or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group’s consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

#### ***Amendments to IAS 40: Transfers of Investment Property***

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group’s consolidated financial statements.

#### ***Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions***

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group’s accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group’s consolidated financial statements.

#### ***Amendments to IAS 28: Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choices***

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture is initially entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group’s consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

#### ***Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts***

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

#### ***Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters***

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group’s consolidated financial statements.

### 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.

IFRS 16	<i>Leases</i> <sup>1</sup>
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>1</sup>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</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 2018

## 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 service 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 service) 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 performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax except corporate expenses are excluded from such measurement.

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 2018

## 3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2018 (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	13,179,855	5,645,730	19,024	—	18,844,609
Intersegment sales	114,467	56,236	62,846	(233,549)	—
	<u>13,294,322</u>	<u>5,701,966</u>	<u>81,870</u>	<u>(233,549)</u>	<u>18,844,609</u>
<b>Segment profit</b>	1,955,695	298,195	3,073	(56,236)	2,200,727
<b>Other segment information</b>					
Share of profits and losses of associates and joint ventures	22,686	—	—	—	22,686
Depreciation and amortisation	231,006	9,694	201	—	240,901
Impairment/(reversal of impairment) of trade receivables	13,195	9,536	(302)	—	22,429
Reversal of impairment of deposits and other receivables	(56,752)	(13,939)	—	—	(70,691)
Impairment of contract assets	17,148	15,755	—	—	32,903
Product warranty provision:					
Additional provision	17,323	—	—	—	17,323
Reversal of provision	(58,194)	—	—	—	(58,194)
Capital expenditure*	200,478	16,321	174	—	216,973
<b>As at 30 June 2018</b>					
<b>Segment assets</b>	50,676,344	23,903,412	194,315	(2,600,327)	72,173,744
<b>Segment liabilities</b>	30,790,164	17,906,338	97,710	(2,696,037)	46,098,175
<b>Other segment information</b>					
Equity instruments at fair value through other comprehensive income	379,547	—	—	—	379,547
Investments in associates and joint ventures	<u>749,355</u>	<u>152,455</u>	<u>—</u>	<u>—</u>	<u>901,810</u>

\* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets during the six-month period ended 30 June 2018.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

## 3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended	Rail transportation control system	Construction contracting	Others	Eliminations	Total
30 June 2017 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	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	—	566,613
<b>As at 31 December 2017 (audited)</b>					
<b>Segment assets</b>	41,314,336	21,431,023	276,061	(1,776,776)	61,244,644
<b>Segment liabilities</b>	21,420,067	15,347,427	182,582	(930,030)	36,020,046
<b>Other segment information</b>					
Available-for-sale investments	156,002	—	—	—	156,002
Investments in associates and joint ventures	868,528	134,716	—	—	1,003,244

\* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets during the six-month period ended 30 June 2017.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

## 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:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>		
Rail transportation control system		
– Design and integration	<b>4,159,640</b>	5,054,852
– Equipment manufacturing	<b>2,790,264</b>	3,041,416
– System implementation service	<b>6,229,951</b>	4,294,514
	<b>13,179,855</b>	12,390,782
Construction contracting	<b>5,645,730</b>	4,069,140
Other businesses	<b>19,024</b>	53,192
	<b>18,844,609</b>	16,513,114
<b>Other income and gains</b>		
Interest income	<b>97,949</b>	84,265
Government grants	<b>65,331</b>	36,719
Gains on disposal of items of property, plant and equipment, net	<b>—</b>	762
Others	<b>46,022</b>	22,430
	<b>209,302</b>	144,176



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

## 5. OTHER EXPENSES

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
(Reversal of impairment)/impairment of trade receivables and other receivables	(48,262)	106,225
Impairment of contract assets	32,903	—
Losses on foreign exchange differences	—	31,938
Others	558	17,312
	<u>(14,801)</u>	<u>155,475</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest on bank loans and other borrowings	48,438	13,765
Interest on discounted bills receivable	2,017	1,987
	<u>50,455</u>	<u>15,752</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

## 7. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
		<b>14,749,471</b>	12,354,347
Cost of sales			
Depreciation of items of property, plant and equipment		<b>172,064</b>	177,761
Depreciation of investment properties		<b>6,437</b>	2,074
Amortisation of prepaid land lease payments		<b>25,150</b>	26,303
Amortisation of other intangible assets		<b>37,250</b>	67,227
Total depreciation and amortisation		<b>240,901</b>	273,365
Impairment of trade receivables	13	<b>22,429</b>	83,351
(Reversal of impairment)/impairment of deposits and other receivables	14	<b>(70,691)</b>	22,874
Impairment of contract assets		<b>32,903</b>	—
Reversal of write-down of inventories to net realisable value		—	(449)
Reversal of provision for foreseeable losses on contracts		—	(1,912)
Lease expenses under operating leases of land and buildings		<b>47,973</b>	60,492
Auditors' remuneration		<b>1,400</b>	1,400
Employee benefit expenses (including Directors' and Supervisors' remuneration):			
Wages, salaries and allowances		<b>1,135,481</b>	1,130,924
Retirement benefit costs			
– Defined contribution retirement schemes		<b>261,438</b>	230,733
– Defined benefit retirement schemes and early retirement costs		<b>14,591</b>	9,904
Total retirement benefit costs		<b>276,029</b>	240,637
Welfare and other expenses		<b>387,423</b>	341,843
Total employee benefit expenses		<b>1,798,933</b>	1,713,404
Research and development costs		<b>546,873</b>	499,908
Government grants	4	<b>(65,331)</b>	(36,719)
Product warranty provision:			
Additional provision		<b>17,323</b>	34,707
Reversal of provision		<b>(58,194)</b>	(370)
		<b>(40,871)</b>	34,337

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

## 7. PROFIT BEFORE TAX (Continued)

	Note	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest income	4	(97,949)	(84,265)
Losses/(gains) on disposal of items of property, plant and equipment, net		309	(762)
Losses on forward commodity purchase contracts		249	71
Losses/(gains) on disposal of a subsidiary		182	(992)
Losses/(gains) on disposal of an associate and a joint venture		23	(6,544)
Foreign exchange differences, net		(17,434)	31,938

## 8. 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 2018 and 2017 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 2018 and 2017.

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current income tax – Mainland China:		
Charge for the period	439,638	458,630
Underprovision for the prior periods	10,187	46,965
Deferred income tax	(28,249)	(66,761)
Tax charge for the period	<u>421,576</u>	<u>438,834</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

## 8. 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 2018 and 2017 is as follows:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Profit before tax	2,622,303	2,401,568
Income tax charge at the statutory income tax rate of 25%	655,576	600,392
Effect of the different income tax rates for some entities	(216,691)	(172,358)
Income not subject to tax	(17,579)	(11,931)
Expenses not deductible for tax purposes	5,508	8,590
Tax losses and deductible temporary differences not recognised	14,781	13,631
Utilisation of tax losses and deductible temporary differences not recognised in previous periods	(544)	(2,067)
Additional tax deduction for research and development costs	(25,579)	(25,903)
Tax effect of share of profits and losses of joint ventures and associates	(5,671)	(3,828)
Adjustments in respect of current tax of previous periods	10,187	46,965
Effect of change in tax rate on deferred income tax balance at the beginning of the period	—	(13,369)
Others	1,588	(1,288)
Tax charge for the period	421,576	438,834



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

## 11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	As at 31 December 2017 RMB'000 (Audited)
Unlisted equity investments, at fair value	<b>379,547</b>	—

## 12. CONTRACT ASSETS

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	As at 31 December 2017 RMB'000 (Audited)
Contract assets	<b>28,913,237</b>	—
Less: Provision for impairment	<b>(189,930)</b>	—
	<b>28,723,307</b>	—
Portion-classified as non-current assets	<b>(2,683,001)</b>	—
Current Portion	<b>26,040,306</b>	—

The amounts due from associates included in contract assets are as follows:

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	As at 31 December 2017 RMB'000 (Audited)
Associates	<b>481,961</b>	—

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 13. 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 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Trade receivables		14,789,113	12,530,337
Provision for impairment		(496,063)	(624,742)
Trade receivables, net		14,293,050	11,905,595
Bills receivable		821,739	1,423,606
		15,114,789	13,329,201
Portion classified as non-current assets	(i)	(1,036,790)	(901,398)
Current portion		14,077,999	12,427,803

(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.

Certain bills receivables with a carrying amount of RMB53,335,000 at 30 June 2018 (31 December 2017: RMB107,657,000) were pledged for interest-bearing bank loans.

As at 30 June 2018 and 31 December 2017, the amounts of retentions held by customers for contract works included in trade receivables are as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Amounts of retentions in trade receivables	762,251	868,566

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 13. 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 2018 and 31 December 2017 is as follows:

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	As at 31 December 2017 RMB'000 (Audited)
Within 1 year	12,152,565	10,312,849
1 to 2 years	1,995,005	2,277,010
2 to 3 years	558,287	484,614
Over 3 years	408,932	254,728
	<b>15,114,789</b>	<b>13,329,201</b>

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

	<b>Six months ended 30 June 2018 RMB'000 (Unaudited)</b>	Year ended 31 December 2017 RMB'000 (Audited)
At beginning of the period/year	624,742	507,064
Effect arising from initial application of IFRS 9	<b>(151,098)</b>	—
At beginning of the period/year, as restated	473,644	507,064
Impairment losses recognised	133,460	152,930
Impairment losses reversed	<b>(111,031)</b>	<b>(35,211)</b>
Amounts written off as uncollectible	<b>(10)</b>	<b>(41)</b>
At end of the period/year	<b>496,063</b>	<b>624,742</b>

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. As at 30 June 2018, a provision of RMB496,063,000 was made against the gross amounts of trade receivables. Included in the above provision for impairment of trade receivables were provisions for individually impaired trade receivables of RMB44,174,000 (Unaudited) (31 December 2017: RMB49,047,000 (Audited)) with an aggregate carrying amount before provision of RMB182,785,000 (Unaudited) as at 30 June 2018 (31 December 2017: RMB176,258,000 (Audited)).

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

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## 13. TRADE AND BILLS RECEIVABLES (Continued)

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, associates, a non-controlling shareholder's affiliates, a joint venture, fellow subsidiaries and associates of a fellow subsidiary included in the trade receivables are as follows:

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	As at 31 December 2017 RMB'000 (Audited)
CRSC Corporation Group	<b>79,529</b>	84,460
Associates	<b>38,067</b>	60,924
A non-controlling shareholder's affiliates	<b>20,654</b>	13,930
A joint venture	<b>175</b>	174
Fellow subsidiaries	<b>42</b>	251
Associates of a fellow subsidiary	<b>23</b>	29
Total	<b>138,490</b>	159,768

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

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## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Deposits and other receivables		1,630,168	1,969,209
Provision for impairment of deposits and other receivables		(120,064)	(196,439)
		<b>1,510,104</b>	<b>1,772,770</b>
Prepayments to suppliers		853,796	627,707
Deductible input VAT		603,368	425,708
Dividend receivables		16,100	1,060
Other prepayments		59,068	21,744
		<b>3,042,436</b>	<b>2,848,989</b>
Portion classified as non-current assets	(i)	(301,944)	(297,003)
Current portion		<b>2,740,492</b>	<b>2,551,986</b>

Note:

- (i) The non-current portion of deposits and other receivables includes advance payment and performance guarantee amounts held by customers as at 30 June 2018 and 31 December 2017.

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

	Six months ended 30 June 2018 RMB'000 (Unaudited)	Year ended 31 December 2017 RMB'000 (Audited)
At beginning of the period/year	196,439	139,078
Effect arising from initial application of IFRS 9	(5,558)	—
At beginning of the period/year, as restated	190,881	139,078
Impairment losses recognised	22,643	60,235
Impairment losses reversed	(93,334)	(2,874)
Amount written off as uncollectible	(126)	—
At end of the period/year	<b>120,064</b>	<b>196,439</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. As at 30 June 2018, a provision of RMB120,064,000 was made against the gross amounts of other receivables. Included in the above provision for impairment of other receivables were provisions for individually impaired other receivables of RMB43,907,000 (Unaudited) (31 December 2017: RMB56,612,000 (Audited)) with an aggregate carrying amount before provision of RMB45,092,000 (Unaudited) as at 30 June 2018 (31 December 2017: RMB57,241,000 (Audited)).

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 a non-controlling shareholder's affiliates, CRSC Corporation Group, associates, 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 2018 RMB'000 (Unaudited)</b>	As at 31 December 2017 RMB'000 (Audited)
A non-controlling shareholder's affiliates	<b>12,710</b>	12,475
CRSC Corporation Group	<b>9,208</b>	11,420
Associates	<b>7,461</b>	5,721
Fellow subsidiaries	<b>2,926</b>	2,794
An associate of a fellow subsidiary	<b>349</b>	684
A joint venture	<b>—</b>	692
Total	<b>32,654</b>	33,786

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	As at 31 December 2017 RMB'000 (Audited)
Cash and bank balances	<b>6,365,552</b>	8,187,046
Time deposits	<b>6,153,862</b>	4,880,244
	<b>12,519,414</b>	13,067,290
Less: Pledged bank balances for performance guarantees and the issuance of bank's acceptance bills	<b>(185,794)</b>	(187,844)
Cash and cash equivalents in the condensed consolidated statement of financial position	<b>12,333,620</b>	12,879,446
Less: Non-pledged time deposits with original maturity of more than three months when acquired	<b>(3,767,628)</b>	(1,514,463)
Cash and cash equivalents in the condensed consolidated statement of cash flows	<b>8,565,992</b>	11,364,983
Cash and bank balances and time deposits denominated in		
– RMB	<b>11,314,485</b>	12,005,724
– Other currencies	<b>1,204,929</b>	1,061,566
	<b>12,519,414</b>	13,067,290

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

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## 16. TRADE AND BILLS PAYABLES

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Trade payables		30,262,463	23,496,672
Bills payable		597,990	756,817
		<b>30,860,453</b>	24,253,489
Portion classified as non-current liabilities	(i)	<b>(20,594)</b>	(20,839)
Current portion		<b>30,839,859</b>	24,232,650

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 2018 and 31 December 2017.

An aged analysis of the trade and bills payables as at 30 June 2018 and 31 December 2017, based on the invoice date, is as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within 1 year	26,064,691	19,970,821
1 to 2 years	3,087,765	2,636,502
2 to 3 years	978,651	939,601
Over 3 years	729,346	706,565
	<b>30,860,453</b>	24,253,489

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 16. TRADE AND BILLS PAYABLES (Continued)

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

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	As at 31 December 2017 RMB'000 (Audited)
A non-controlling shareholder and its affiliates	<b>163,648</b>	123,722
Fellow subsidiaries	<b>148,318</b>	161,606
Associates of a fellow subsidiary	<b>44,281</b>	42,383
Associates	<b>16,056</b>	23,474
A joint venture	<b>498</b>	32
An associate of CRSC Corporation Group	<b>51</b>	1,173
	<b><u>372,852</u></b>	<u>352,390</u>

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Advances from customers	(i)	—	2,143,248
Accrued salaries, wages and benefits		399,160	366,765
Other taxes payable		355,300	495,680
Dividends payable		1,319,325	17,884
Payables for acquisition of items of property, plant and equipment		393,031	650,997
Other payables		1,448,844	1,524,845
		<b>3,915,660</b>	<b>5,199,419</b>

Note:

- (i) According to IFRS 15, advances from customers are reclassified to contract liabilities from 1 January 2018.

The amounts due to CRSC Corporation Group, fellow subsidiaries, associates, a joint venture and a non-controlling shareholder's affiliate included in other payables, advances from customers and accruals are as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
CRSC Corporation Group	58,439	54,825
Fellow subsidiaries	3,210	4,373
Associates	—	5,696
A joint venture	—	4,716
A non-controlling shareholder's affiliate	—	4,574
	<b>61,649</b>	<b>74,184</b>

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Note	As at 30 June 2018 (Unaudited)			As at 31 December 2017 (Audited)		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:							
Bank loans – secured	(i)	5.49	2018-2019	72,733	5.23	2018	107,657
Bank loans – unsecured		4.35-5.93	2018-2019	2,812,000	2.65-5.93	2018	1,221,000
Other loans – unsecured		3.30	2019	146	3.30	2018	146
				<u>2,884,879</u>			<u>1,328,803</u>
Non-current:							
Bank loans – secured	(ii)	5.49	2019-2033	257,291	4.35-4.90	2019-2033	226,689
Bank loans – unsecured		4.99	2019	300,000	4.99	2019	300,000
Other loans – unsecured		3.30	2020	20,144	3.30	2019-2020	20,290
				<u>577,435</u>			<u>546,979</u>
Total				<u><u>3,462,314</u></u>			<u><u>1,875,782</u></u>
Interest-bearing bank and other borrowings denominated in:							
– RMB				<u><u>3,462,314</u></u>			<u><u>1,875,782</u></u>

### Notes:

- (i) Certain bills receivable with carrying amounts of RMB53,335,000 at 30 June 2018 were pledged for interest-bearing bank loans.
- (ii) Certain of bank loans amounting to RMB276,688,000 at 30 June 2018 (31 December 2017: RMB226,689,000) were secured by the pledge of the contract assets amounting to RMB366,071,000 (31 December 2017: RMB321,752,000).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The maturity profile of the interest-bearing bank loans and other borrowings as at 30 June 2018 and 31 December 2017 are as follows:

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	<b>As at 31 December 2017 RMB'000 (Audited)</b>
Bank loans repayable:		
Within one year	2,884,733	1,328,658
In the second year	300,000	417,000
Beyond five years	257,291	109,688
	<u>3,442,024</u>	<u>1,855,346</u>
Other borrowings repayable:		
Within one year	146	146
In the second to fifth years	20,144	20,290
	<u>20,290</u>	<u>20,436</u>
	<u><u>3,462,314</u></u>	<u><u>1,875,782</u></u>

## 19. CONTRACT LIABILITIES

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	<b>As at 31 December 2017 RMB'000 (Audited)</b>
Contract liabilities	<u><u>6,504,030</u></u>	<u><u>—</u></u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 19. CONTRACT LIABILITIES (Continued)

The amounts due to a non-controlling shareholder's affiliate and associates included in contract liabilities are as follows:

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	<b>As at 31 December 2017 RMB'000 (Audited)</b>
Associates	5,500	—
A non-controlling shareholder's affiliate	3,894	—
	<u>9,394</u>	<u>—</u>

## 20. OPERATING LEASE ARRANGEMENTS

### As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten 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 2018 and 31 December 2017, 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 2018 RMB'000 (Unaudited)</b>	<b>As at 31 December 2017 RMB'000 (Audited)</b>
Within one year	22,943	22,581
In the second to fifth years, inclusive	134,460	161,912
	<u>157,403</u>	<u>184,493</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 20. OPERATING LEASE ARRANGEMENTS (Continued)

### As lessee

As at 30 June 2018 and 31 December 2017, the Group had the total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	As at 31 December 2017 RMB'000 (Audited)
Within one year	<b>38,019</b>	44,180
In the second to fifth years, inclusive	<b>83,020</b>	90,520
After five years	<b>19,819</b>	20,688
	<b>140,858</b>	155,388

## 21. COMMITMENTS

The Group had the following capital commitments as at 30 June 2018 and 31 December 2017:

	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	As at 31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Capital expenditure in respect of:		
Property, plant and equipment	<b>127,009</b>	187,955
Capital contributions to joint ventures and associates	<b>461,592</b>	549,232
	<b>588,601</b>	737,187

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

## 22. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties for the six months ended 30 June 2018 and 2017:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>Sales of products:</b>		
Associates	41,395	26,545
A non-controlling shareholder's affiliates	18,032	16,719
CRSC Corporation Group	6,000	8,673
Associates of fellow subsidiaries	2,923	5,589
Fellow subsidiaries	560	—
A joint venture	—	258
	<u>68,910</u>	<u>57,784</u>
<b>Purchases of products:</b>		
A non-controlling shareholder's affiliates	74,264	35,609
Associates	29,257	15,314
Fellow subsidiaries	26,348	34,757
Associates of fellow subsidiaries	13,058	12,156
A joint venture	429	260
An associate of CRSC Corporation Group	—	732
	<u>143,356</u>	<u>98,828</u>
<b>Services provided to:</b>		
Associates	5,473	369,656
<b>Services provided by:</b>		
A fellow subsidiary	251	1,691
<b>Rental expenses paid or payable to:</b>		
Fellow subsidiaries	—	695
<b>Borrowings provided by:</b>		
CRSC Corporation Group	1,800,000	—
<b>Interest income received or receivable by:</b>		
CRSC Corporation Group	27,308	—

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 22. 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 2018 and 2017 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 12, 13, 14, 16, 17 and 19 to the unaudited interim condensed consolidated financial statements.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	2,243	2,117
Pension scheme contributions	313	328
	<u>2,556</u>	<u>2,445</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 22. RELATED PARTY TRANSACTIONS (Continued)

### (d) Commitments with related parties

As at 30 June 2018 and 31 December 2017, 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 2018 RMB'000 (Unaudited)</b>	<b>As at 31 December 2017 RMB'000 (Audited)</b>
<b>Sales of products:</b>		
An associate	<u>76</u>	<u>22,627</u>
<b>Purchases of products:</b>		
An associate	4,439	6,584
Associates of a fellow subsidiary	380	3,780
Fellow subsidiaries	1,152	10,634
A non-controlling shareholder's affiliates	<u>116,016</u>	<u>141,192</u>
	<u>121,987</u>	<u>162,190</u>
<b>Services provided to:</b>		
Associates	<u>442,967</u>	<u>447,683</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

## 23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2018 and 31 December 2017 are as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
<b>Financial assets</b>		
Financial assets carried at amortised cost:		
Trade and bills receivables	15,114,789	13,329,201
Financial receivables	—	2,131,712
Financial assets included in prepayments, deposits and other receivables	1,526,204	1,709,965
Pledged deposits	185,794	187,844
Cash and cash equivalents	12,333,620	12,879,446
Financial assets carried at fair value through other comprehensive income:		
Equity instruments at fair value through other comprehensive income	379,547	—
Available-for-sale investments	—	156,002
<b>Total</b>	<b>29,539,954</b>	<b>30,394,170</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:		
Interest-bearing bank and other borrowings	3,462,314	1,875,782
Trade and bills payables	30,860,453	24,253,489
Financial liabilities included in other payables	3,161,200	2,193,726
<b>Total</b>	<b>37,483,967</b>	<b>28,322,997</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

## 24. 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 2018 and 31 December 2017, are as follows:

	Carrying amount		Fair value	
	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
<b>Financial assets</b>				
Available-for-sale financial investments	—	156,002	—	156,002
Equity instruments at fair value through other comprehensive income	379,547	—	379,547	—
Trade receivables, non-current portion	1,036,790	901,398	1,009,478	885,621
Financial receivables	—	2,131,712	—	2,187,946
Financial assets included in prepayments, deposits and other receivables, non-current portion	258,525	233,138	316,457	296,388
	<u>1,674,862</u>	<u>3,422,250</u>	<u>1,705,482</u>	<u>3,525,957</u>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost:				
Interest-bearing bank and other borrowings	3,462,314	1,875,782	3,457,066	1,867,928
Trade payables, non-current portion	20,594	20,839	19,988	20,090
	<u>3,482,908</u>	<u>1,896,621</u>	<u>3,477,054</u>	<u>1,888,018</u>

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 2018 and 31 December 2017, 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.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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 2018 and 31 December 2017 were assessed to be insignificant.

### Fair value hierarchy:

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

#### Assets measured at fair value:

##### 30 June 2018

	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)	
Equity instruments at fair value through other comprehensive income	—	379,547	—	379,547
	—	379,547	—	379,547

##### 31 December 2017

	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)	
Available-for-sale financial investments	—	156,002	—	156,002
	—	156,002	—	156,002

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

Assets for which fair values are disclosed:

30 June 2018

	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	—	1,009,478	—	1,009,478
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	316,457	—	316,457
	—	1,325,935	—	1,325,935

31 December 2017

	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	—	885,621	—	885,621
Financial receivables	—	2,187,946	—	2,187,946
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	296,388	—	296,388
	—	3,369,955	—	3,369,955

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

Fair value hierarchy: (Continued)

Liabilities for which fair values are disclosed:

30 June 2018

	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	—	19,988	—	19,988
Interest-bearing bank and other borrowings	—	3,457,066	—	3,457,066
	—	3,477,054	—	3,477,054

31 December 2017

	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	—	20,090	—	20,090
Interest-bearing bank and other borrowings	—	1,867,928	—	1,867,928
	—	1,888,018	—	1,888,018

## 25. 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.

## 26. 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 28 August 2018.

“Articles of Association”	Articles of Association of the Company (as amended from time to time)
“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 purposes of this interim report, not including 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”	as defined under the Listing Rules, and as of the Latest Practicable Date, refers to the controlling Shareholder of the Company, being CRSC Corporation Group
“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
“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 Limited (中國鐵路通信信號集團有限公司), a wholly state-owned enterprise approved to be established by MOR on 8 May 1981 and registered in the PRC on 7 January 1984, the sole Controlling Shareholder and one of the promoters of the Company
“Director(s)”	the directors of the Company

## DEFINITIONS

“Domestic Share(s)”	ordinary shares of the Company, with a nominal value of RMB1.00, which are subscribed for or credited as fully 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 dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”, “Stock Exchange of Hong Kong” 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”	4 September 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this 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
“PPP”	a model of public-private partnerships jointly participating in the construction of public infrastructure
“Reporting Period”	six-month period beginning from 1 January 2018 and ended on 30 June 2018
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of the PRC
“Senior Management”	the senior management of the Company
“SFO”	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 shares in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holders of the Shares of the Company
“Subsidiary”	has the meaning as defined under the Listing Rules
“Substantial shareholder”	has the meaning as defined under the Listing Rules
“Supervisor(s)”	the supervisors of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	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**